

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

Thurston County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012422

Issue Date
September 2, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

September 2, 2014

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,

TROY KELLEY
STATE AUDITOR

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Federal Summary

Thurston County January 1, 2013 through December 31, 2013

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

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.228	CDBG - State-Administered CDBG Cluster - Community Development Block Grants/State's Program
16.738	JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA - JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (Recovery Act)
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$378,431.

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

Schedule of Prior Federal Audit Findings

Thurston County January 1, 2013 through December 31, 2013

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

Audit Period: 1/1/2012-12/31/2012	Report Ref. No.: 1010231	Finding Ref. No.: 1	CFDA Numbers: 16.738, 16.803
Federal Program Name and Granting Agency: ARRA Edward Byrne Memorial Justice Assistance Grant Program, U.S. Department of Justice		Pass-Through Agency Name: Department of Commerce	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal time and effort requirements.			
Background: We reviewed payroll transactions to determine whether salaries and benefits charged to federal grants were supported by adequate time and effort documentation, as required by federal regulations. We reviewed payroll records for eight employees whose salaries and benefits were charged to the grant. We found all six hourly employees submitted timesheets. However, two salaried employees did not submit semi-annual certifications. Salaries and benefits charged to the grant without adequate time and effort records totaled \$85,898.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>This issue has been fully corrected. The fiscal manager at the Sheriff's office has instituted the practice of having employees who charge to grants sign a grant cost tracking form every pay period that they charge to the grant. It is filled out containing the hours charged to the grant. The employee signs the form certifying that he/she worked the hours for the grant that are designated in the form. The supervisor also signs this form.</i> <i>Also, for the Thurston Task Force grant, employees also sign a form semiannually certifying that they did work solely for this grant. The supervisor also signs this form.</i>			

Audit Period: 1/1/2012-12/31/2012	Report Ref. No.: 1010231	Finding Ref. No.: 2	CFDA Number: 97.036
Federal Program Name and Granting Agency: Disaster Grants – Public Assistance, U.S. Department of Homeland Security		Pass-Through Agency Name: Military Department	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.			
Background: In 2012 the County paid two vendors a total of \$126,201 in Disaster Grant – Public Assistance money for debris hauling and clean up related to a 2012 storm. Recipients of federal grants are prohibited from contracting with or making sub-awards to parties that are suspended or debarred from doing business with the federal government. During our audit, we found the County did not confirm that vendors were not suspended or debarred from participating in federally funded projects.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Public Works management is now aware of this requirement for all applicable grants. Specifically to the grant in question, management has informed all managers that when there is another disaster that suspension and debarment is to be checked as soon as possible and then double checked before any payment request is submitted for reimbursement.</i>			

Audit Period: 1/1/2012-12/31/2012	Report Ref. No.: 1010231	Finding Ref. No.: 3	CFDA Number: 93.243
Federal Program Name and Granting Agency: Substance Abuse and Mental Health Services, U.S. Department of Health and Human Services		Pass-Through Agency Name: NA	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.			
Background: The objective of the Substance Abuse and Mental Health program is to provide substance abuse treatment, prevention and mental health services. During fiscal year 2012, the County spent \$366,565 in Substance Abuse Grant funds. For the procurement of professional services up to \$100,000, the County is required to obtain price or rate quotations from an adequate number of qualified sources. However, grant recipients may solicit services from one vendor if they determine the service is available from a single source. The County paid \$281,644 in federal grant funds without adequate controls to meet federal procurement requirements.			

Recipients of federal grants are prohibited from contracting with or making sub-awards to parties that are suspended or debarred from doing business with the federal government. During our audit, we found the County did not confirm that vendors were not suspended or debarred from participating in federally funded projects.

Status of Corrective Action: (check one)

☒ Fully Corrected ☐ Partially Corrected ☐ No Corrective Action Taken ☐ Finding is considered no longer valid

Corrective Action Taken:

The issue has been fully corrected.

Regarding the Suspension and Debarment section, the Department of Health and Human Services has consulted with the County's Prosecuting Attorney's Office to add verbiage into its standard contract language to indicate that the County is not allowed to enter into contracts with parties that have been suspended from doing business with the federal government.

On the procurement section, the Department had one main vendor it does business with for the counseling services. Through extensive research and review both within Superior Court and with our Public Health Department, it was determined that this vendor does qualify for a sole source exception within the county, per county policy. There are no other vendors in the region that can provide the volume of services that this program requires. Documentation to this effect has been retained in the grant file. Further, it should also be noted that the timing of the publishing of this finding vs. the completion of this grant needs to be mentioned here. The finding was officially published on August 12, 2013 whereas the grant ended on September 30, 2013, just six weeks later. The Department is understanding of the issue surrounding this section of the finding, is cognizant of the requirements, and would comply with the requirements if the grant were being extended. Should the Department enter into any future grant contracts, it will address this issue properly.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Thurston County
January 1, 2013 through December 31, 2013**

Board of Commissioners
Thurston County
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

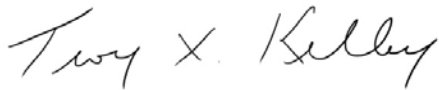
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

June 26, 2014

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

**Thurston County
January 1, 2013 through December 31, 2013**

Board of Commissioners
Thurston County
Olympia, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

June 26, 2014

Independent Auditor's Report on Financial Statements

Thurston County January 1, 2013 through December 31, 2013

Board of Commissioners
Thurston County
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Medic One, Public Health and Social Services and Roads and Transportation funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

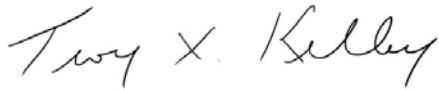
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 35 and information on postemployment benefits other than pensions on page 119 be presented to supplement the basic financial statements. Such information, 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 our 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.

Supplementary and Other Information

Our audit was conducted 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 basic 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 basic financial statements or to the basic 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

June 26, 2014

Financial Section

Thurston County January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Medic One – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Health and Social Services – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2013

Statement of Net Position – Proprietary Funds – 2013

Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position – 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2013

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities – 2013

Statement of Cash Flows – Proprietary Funds – 2013

Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Medical Benefits – Schedule of Funding Progress – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

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, 2013. 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

- During 2013, the County implemented Governmental Accounting Standards Board Statement No. 65 (GASB 65) Items Previously Reported as Assets and Liabilities. The County has determined that there was one balance, Deferred Amounts on Refunding, that met the definition of a Deferred Outflow of Resources. The amount in the Governmental-Activities was \$644,635 and the amount in the Business-Type-Activities was \$220,733. This new statement also required the County to reclassify \$1,346,920 of Debt Issue Costs from an asset to a prior period adjustment in the Governmental Activities section on the Statement of Activities. Additionally, \$124,584 was reclassified in the Business-type Activities for the same reason.
- After several years of improving financial health of Thurston County's governmental activities, 2013 saw a decrease in Net Position of \$4.6 million compared to 2012. This decrease is mainly attributed to a decrease of \$5.7 million in the fund balance of the General Fund. As witnessed by the 2013 adopted budget, a fund balance spend-down was planned by the Board of County Commissioners (BoCC). This spending occurred in the Public Safety function and in Transfers-Out to Capital Projects funds. In both instances, the spending was related to operations and capital purchases for the County's new Jail, the Accountability and Restitution Center (ARC).
- At the end of 2013, Thurston County's total assets (governmental and business-type, combined) exceeded its total liabilities by \$570.7 million. In 2012, this amount was \$575.5, which represents a decrease of \$4.8 million, or 0.8%. Details of factors contributing to this decrease are discussed later within this discussion and analysis.
- For 2013, total net position of the County (governmental and business-type, combined) is comprised of the following:
 1. Net Investment in Capital Assets, of \$426.8 million. This includes property, infrastructure, and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of the County's capital assets.
 2. Restricted net position of \$74.5 million represents the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 3. Unrestricted net position of \$70.2 million represents the portion available to maintain the County's continuing obligations to citizens and creditors.
 4. Note that there were large fluctuations between the restricted and unrestricted amounts compared to 2012 due to an internal roll-up change between these categories. Total Net Position was not affected due to this change.
- Thurston County reported a positive change in governmental net position as of December 31, 2013 of \$1.8 million, compared to \$1.9 million at the end of 2012. Details of factors contributing to this increase are discussed later within this discussion and analysis.

- Total fund balance for the General Fund was \$10.8 million at December 31, 2013 compared to \$16.5 million at the end of 2012. Of this balance, \$1.7 million is not available for appropriation as the County has reported this amount as non-spendable. Total ending fund balance represents 12.6% of 2013 General Fund total expenditures compared to 20.2% in 2012. Details of factors contributing to this decrease are discussed later within this discussion and analysis.
- The County's General Fund total revenues increases by \$1 million, or 1.3%, compared to 2012. Expenditures increased by \$4.2 million, or 5.1% over the same time period. Details of factors contributing to these figures are discussed later within this discussion and analysis.
- Due to a continued conscious effort on the part of elected officials, directors and managers of General Fund offices/departments to contain costs, actual 2013 expenditures were \$3.6 million, or 3.9%, under the final 2013 adopted budget level.
- At the Governmental Activities level, the County reported a prior period adjustment of \$6.3 million. This adjustment reduced Net Position and was a result of additional information being obtained during the year pertaining to a long term governmental Court Receivable balance.
- The County also recorded a \$2.8 million prior period adjustment in its enterprise funds due to an overstatement of Infrastructure asset balances identified during the year.

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 are comprised of 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 position and the statement of activities.

The **statement of net position** presents information on all of Thurston County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 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, and special revenue, debt service, and capital project funds with statutorily mandated budgets. 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, Grand Mound, and Storm Water funds are considered major funds for financial reporting purposes. The County reports five 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, benefits administration, central services (facilities maintenance, construction and information technology support) unemployment compensation and equipment rental and replacement. 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 special revenue funds that were combined with the General Fund due to the implementation of GASB 54 in 2011.

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 Position

Net Position serves 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 Position, the County's combined net position (governmental and business-type activities) was \$571.6 million at the end of 2013. This reflects a net decrease of \$3.9 million, or 0.7%, from 2012. Much of this decrease can be attributed to a decrease in fund balance of the County's General Fund by \$5.7 million compared to last year. As mentioned in the Financial Highlights section above, this represents planned spending on Public Safety related items in excess of expected revenues.

Of the County's total net position, \$426.8 million, or 74.7%, is net invested in capital 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 position, \$74.5 million, or 13%, 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 \$70.2 million, or 12.3%, which is up from last year (\$34.5 million, or 6%) is unrestricted and represents the amount that may be used to meet the County's ongoing general purpose obligations. The main reason for the difference between 2012 and 2013 was an accounting change that affected the method rolling up the various restricted functional categories from the fund statements to the government-wide statements.

Thurston County reported \$726.7 million of total assets as of December 31, 2013, compared to \$733.9 million for 2012. This represents a decrease of \$7.2 million, or 1%. For 2013, \$518.5 million, or 71.4%, was reported as capital assets, which includes infrastructure and construction in progress. This represents a net increase over 2012 of \$1.7 million, or 0.3%. The remaining larger asset balances include \$172.1 million, or 23.7%, in cash and pooled investments (including restricted), and \$32.5 million, or 4.5%, in other current and long term receivables. The main reason for the decrease in total assets was a decrease of Cash and Pooled Investments in the General Fund, which is explained in the General Fund section of this analysis below.

Thurston County's total liabilities remained fairly constant in 2013 compared to 2012. They decreased by \$2.3 million, to \$156 million, at the end of 2013. Of this balance, general obligation bonds comprise 58.4% and accumulated landfill closure costs are 11.1%. The other significant liability is Other Post Employment Benefits (OPEB) payable of \$19.3 million.

The condensed financial information that follows is derived from the Government-Wide Statement of Net Position and reflects how the County's net position in 2013 compares with 2012:

Thurston County Net Position

Account	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets	\$ 159,269,146	\$ 171,746,591	\$ 48,926,539	\$ 45,321,776	\$ 208,195,685	\$ 217,068,367
Capital Assets	480,796,402	474,840,699	37,736,587	41,952,579	518,532,989	516,793,278
Total Assets	640,065,548	646,587,290	86,663,126	87,274,355	726,728,674	733,861,645
Total Deferred Outflow of Resources	644,635	-	220,733	-	865,368	-
Current Liabilities	18,543,955	18,114,838	2,688,670	2,558,567	21,232,625	20,673,405
Long Term Liabilities	108,735,054	110,450,742	26,049,454	27,225,532	134,784,508	137,676,274
Total Liabilities	127,279,009	128,565,580	28,738,124	29,784,099	156,017,133	158,349,679
Net Position:						
Net Invested in Capital Assets	396,205,995	388,913,237	30,617,626	34,019,243	426,823,621	422,932,480
Restricted	70,574,027	112,519,421	3,970,011	5,596,734	74,544,038	118,116,155
Unrestricted	46,651,152	16,589,052	23,558,098	17,874,279	70,209,250	34,463,331
Total Net Position	\$ 513,431,174	\$ 518,021,710	\$ 58,145,735	\$ 57,490,256	\$ 571,576,909	\$ 575,511,966

Governmental activities – During 2013, the total net position for governmental activities realized a decrease of \$4.6 million compared to 2012. Several variables factored into this difference. Chief among them was a decrease in the cash balance in the General Fund. Of the total net position amount, \$396.2 million was invested in capital assets. This represents an increase of \$7.3 million from 2012. Additionally, \$70.6 million is recorded as restricted. This represents a decrease of \$41.9 million and a corresponding \$30.1 million increase in unrestricted assets to \$46.7 million in 2013, due to an accounting change in the way these amounts are classified and reported as restricted or unrestricted when compared to the prior year. Restricted net position can only be used to fund specific activities whereas unrestricted assets are available for any future spending purposes.

Business-type activities – During 2013, the Business-type activity accounts remained fairly constant compared to prior year balances. Overall, the Net Position amount increased by just \$655,000, to \$58,145,735. The largest change was an increase of \$5.8 million in unrestricted cash. This amount was offset by a decrease of \$4.2 million in Capital Assets. Of this amount, \$2.7 million is related to a prior period adjustment for infrastructure overstatement corrections. Because Business-type activities use their capital assets to provide services to customers, these assets are not available for future spending. Therefore, the unrestricted net position amount for business-type activities in 2013 increased by \$5.7 million compared to 2012. This category of net position 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 2013, total County primary government revenues increased by \$7.4 million, or 3.6%, compared to 2012. Slight increases in several tax categories help explain most of this difference. Total County expenses increased by \$9.9 million, or 5%, from 2013 to 2012. The origin of this increase, much like revenues, is spread out in several areas. For instance, the General Fund saw an increase of \$4.2 million in the Public Safety function mainly due to increased activity with the new jail as discussed above. The Roads fund expenditures increased by \$2 million due to more spending of grant funds on transportation related activity. Finally, the Public Health fund spent \$2.4 million more compared to 2012 for daily operations.

Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$ 42,242,522	\$ 20,406,134	\$ 29,671,170	\$ 29,612,038	\$ 71,913,692	\$ 50,018,172
Operating Grants & Contrib.	28,345,069	44,533,116	219,192	549,431	28,564,261	45,082,547
Capital Grants & Contrib.	11,035,528	11,578,538	171,159	238,716	11,206,687	11,817,254
General Revenues:						
Taxes	99,312,211	94,942,556	-	-	99,312,211	94,942,556
Interest and Invest. Earnings	3,055,338	5,013,419	65,146	94,271	3,120,484	5,107,690
Other General Revenues	771,035	144,515	(31,721)	315,602	739,314	460,117
Total Revenues	184,761,703	176,618,278	30,094,946	30,810,058	214,856,649	207,428,336
Program Expenses: (Net)						
General Government	6,344,596	7,016,301	-	-	6,344,596	7,016,301
Culture and Recreation	2,229,405	2,339,289	-	-	2,229,405	2,339,289
Economic Environment	8,595,725	7,085,690	-	-	8,595,725	7,085,690
Health and Human Services	56,812,854	48,117,848	-	-	56,812,854	48,117,848
Utilities and Environment	3,138,218	1,897,652	-	-	3,138,218	1,897,652
Public Safety	74,058,431	75,992,534	-	-	74,058,431	75,992,534
Transportation	27,098,694	26,594,614	-	-	27,098,694	26,594,614
Interest	3,610,284	3,776,247	-	-	3,610,284	3,776,247
Solid Waste	-	-	17,492,669	17,099,113	17,492,669	17,099,113
Water	-	-	816,910	768,463	816,910	768,463
Sewer	-	-	1,704,807	1,628,022	1,704,807	1,628,022
Stormwater	-	-	4,305,636	3,914,141	4,305,636	3,914,141
Land Use & Permitting	-	-	3,448,720	3,514,208	3,448,720	3,514,208
Total Expenses	181,888,207	172,820,175	27,768,742	26,923,947	209,656,949	199,744,122
Excess (Deficiency) of Revenues over (under) Expenses before Transfers						
Transfers	2,873,496	3,798,103	2,326,204	3,886,111	5,199,700	7,684,214
Transfers	(1,114,704)	(1,896,073)	1,114,704	1,896,073	-	-
Change in Net Position	1,758,792	1,902,030	3,440,908	5,782,184	5,199,700	7,684,214
Ending Net Position January 1	518,021,710	516,279,792	57,490,256	48,775,713	575,511,966	565,055,505
Prior Period Adjustment	(6,349,328)	(160,112)	(2,785,429)	2,932,359	(9,134,757)	2,772,247
Restated Net Position January1	511,672,382	516,119,680	54,704,827	51,708,072	566,377,209	567,827,752
Ending Net Position	\$ 513,431,174	\$ 518,021,710	\$ 58,145,735	\$ 57,490,256	\$ 571,576,909	\$ 575,511,966

In 2013, Governmental activities provided \$184.8 million in revenues (86% of total revenues), while business-type activities provided \$30.1 million (14% of total revenues). The two largest governmental revenues are taxes at \$99.3 million, or 53.8%, of total governmental revenues and charges for services at \$42.2 million, or 22.9%, of total governmental revenues. The remaining 23.3% of governmental revenues include operating grants, capital grants, interest and investment earnings and other general revenues. The 2013 percentages just described are very consistent with 2012 and prior years.

The net change in governmental total revenues between 2013 and 2012 was an increase of \$8.1 million. The largest increase in governmental revenues was charges for services and the largest decrease was in operating grants and contributions. The main reason for this was required accounting code changes as prescribed by the County's external auditor, the Washington State Auditor's Office (SAO). SAO is required by state law to create and maintain a state-wide chart of accounts for all local governments. During the year, SAO made some significant changes to several revenue object codes that affected how they were rolled up in several areas within the County's CAFR. The largest increase in revenues not involving an accounting change happened in the Taxes category with a \$4.4 million difference, spread across the several sub-categories within this account.

In 2013, charges for services accounted for \$29.7 million, or 98.6%, of total business-type revenues. Within this category, the Solid Waste fund revenues accounted for \$20.3 million, or 68.5%.

The change in governmental total expenses between 2013 and 2012 was an increase of \$9.1 million. This difference is the net amount of increases and decreases in the various functions. The largest increase was in Health and Human Services with a difference of \$8.7 million. This increase was mainly due to the fact that the County's finance team changed the function classification of a non-major special revenue fund titled Communications – 911 Excise Tax. In 2012 these expenses were recorded as Public Safety whereas in 2013 they were recorded as Health and Human Services. The Public Safety function decreased just \$1.9 million. This is a result of the net effect of the accounting change as well as an increase of \$4.2 million in the General Fund for more capital expenditures related to the new ARC.

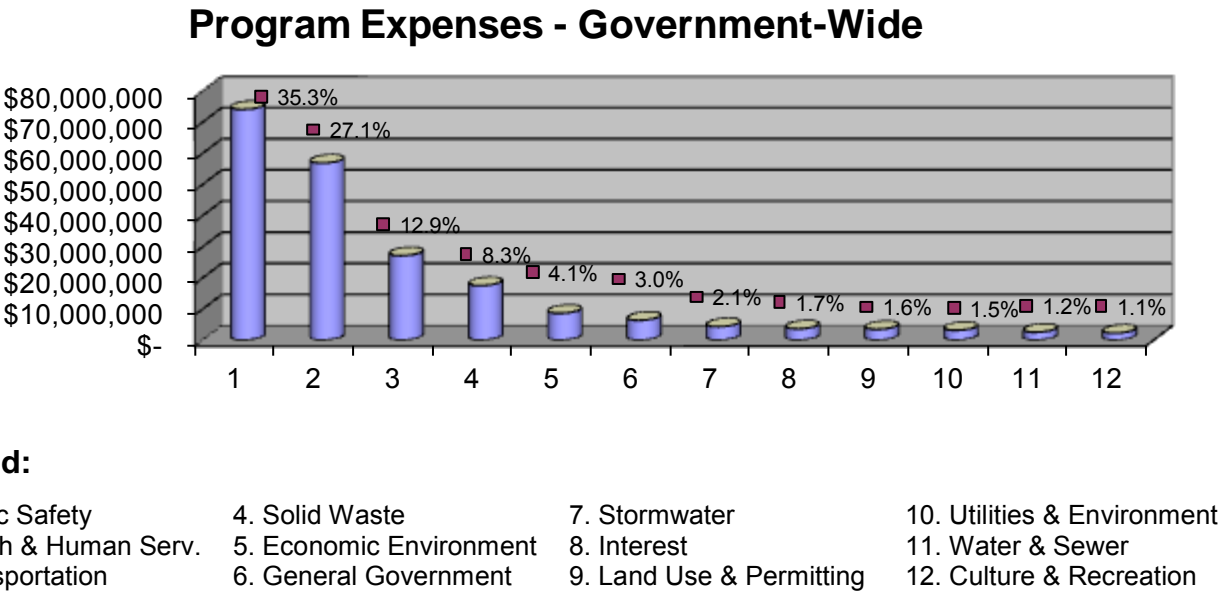
In 2013 the County recorded a \$6,349,328 prior period adjustment in its governmental activities. Of this amount, \$5,276,594 of long term Court Fines Receivable was adjusted down due to an internal review of prior balances compared to source documents received annually from the Washington State Administrative Office of the Courts. See Note XVII for further details.

The governmental and business-type expense distribution in 2013 closely resembles the distribution from the prior year as \$181.9 million, or 86.8% was in governmental activities and \$27.8 million, or 13.2%, was in business-type activities. Public Safety, Health and Human Services, and Transportation programs comprise 86.9% of total governmental expenses.

In 2013, Solid Waste comprised \$17.5 million, or 63%, of the \$27.8 million in business-type expenses. This represents an increase of just \$400,000 from prior year.

In 2013, the County reported a prior period adjustment of \$2,785,429. The majority of this adjustment was related to an overstatement in the 2012 CAFR for infrastructure assets.

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

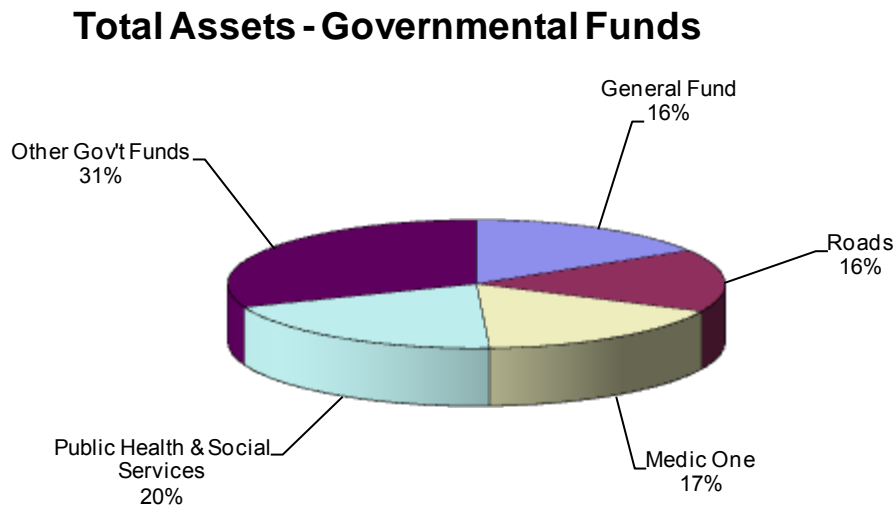
The focus of Thurston County’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Fund balance serves as a useful measure of the County’s net resources available for spending at the end of the fiscal year.

As of December 31, 2013, the County’s governmental funds reported combined total ending fund balances of \$97.6 million. This represents a decrease of \$7.2 million, or 6.9%, compared with the prior year. This was due mainly to a decrease in the fund balance of the County’s General Fund. This was an expected decrease based on the County’s 2013 adopted budget that saw revenues (and other financing sources) budgeted at \$84 million whereas expenditures (and other financing uses) were budgeted at \$93.3 million. Actual results in these categories were \$85.5 million and \$89.7 million respectively. The largest functional change occurred in the General Fund’s Public Safety category that saw an increase of \$4.2 million compared to prior year, as described above.

In 2013, total assets in the governmental funds decreased by \$7.8 million, down to \$116 million, compared to 2012. The main account that decreased was Cash and is directly related to the increased Public Safety spending described above.

In 2013, the total liabilities for total governmental funds remained constant, decreasing by just over \$0.6 million compared to prior year.

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

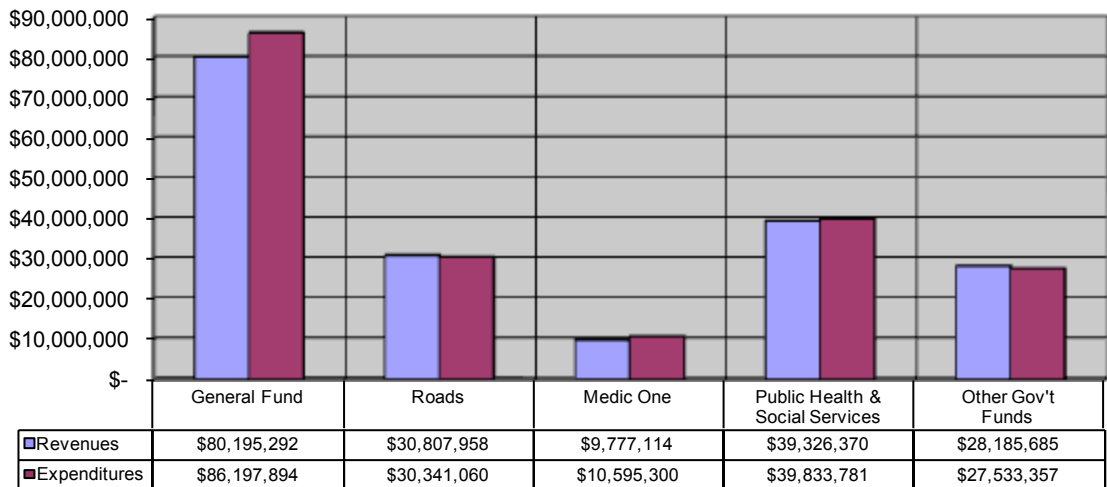


Governmental Fund revenues in 2013 were higher than 2012 levels by \$7.1 million, or 3.9%. \$2.9 million of this increase happened in the Public Health special revenue fund due to an increase in Medicaid and Developmental Disabilities funds during the year. The rest of the difference was spread out among several different accounts and funds.

Governmental expenditures in 2013 were higher than 2012 by \$8 million, or 4.3%. This increase was mainly the result of the additional spending on the ARC, as described above, as well as the additional spending in Public Health as a result of the additional revenue as described in the preceding paragraph.

The following chart shows revenues and expenditures for Thurston County's 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 2013, the General Fund, Public Health and Social Services Fund and Roads Fund accounted for 79.8% of total revenues and 80.4% of total expenditures.

For 2013 the County is reporting the following as major governmental funds: General, Roads, Medic One, Public Health and Social Services, and Other Governmental.

The following are highlights related to each major fund in 2013:

The **General Fund** is the chief operating fund of the County. The General Fund's total ending fund balance was \$10.8 million at the end of 2013, compared to \$16.5 million at the end of 2012. Total Unassigned fund balance was \$9.1 million compared to \$14.2 million at the end of 2012. The main reason for this reduction has been described earlier in this analysis and has to do with a planned overspend of expenditures compared to revenues during 2013, mainly in the Public Safety function. See the Budget to Actual Statement for the General Fund later in this report.

General Fund total assets were \$18.9 million and total liabilities were \$8 million at the end of 2013. Compared to 2012, assets decreased by \$5.9 million or 23.8% whereas liabilities remained very constant. The main decrease in assets occurred in the Cash account as described in the above paragraph.

General Fund revenues increased by just \$1 million, or 1.3%, from 2012 to 2013. This amount was lower than the County has hoped and is an indication that the economy has yet to recover from the downturn of 2008. Overall expenditures in the General Fund for 2013, compared to 2012, increased by \$4.2 million, or 5.1%. This increase is directly related to the decrease in cash, as described above, and is seen mainly in the Public Safety function.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. In this fund, total assets increased by just \$385,000 in 2013 compared to 2012. Liabilities decreased by \$1.2 million from 2012 to 2013 mainly due to decreased construction expenditure activity and fewer year-end payable accruals.

Compared to 2012, revenues in the Roads fund increased by \$1.5 million, or 5.2%, and expenditures increased by \$2 million, or 7.1% in 2013. In both instances it was due to a slight increase in capital outlay activity and receipt of grant revenues to help fund the activity. The fund balance increased by \$1.6 million, to \$16.7 million in 2013. Of this amount, \$1.1 million is considered Non-Spendable and \$5.7 million is Restricted.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2013, Medic One's total assets and total liabilities remained constant compared to 2012.

The same holds true for this fund's revenues, expenditures, as witnessed by the decrease in fund balance of only \$600,000. The fund's 2013 ending fund balance was a healthy \$18.2 million, of which \$10.3 is Restricted.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Fund total assets increased in 2013 by \$2.9 million and total liabilities increased by \$888,000 compared to 2012. For assets, most of the increase was in the Cash and Pooled Investments account and the liability increase was in Accounts Payable.

Revenues increased by \$2.9 million, or 7.9% compared to 2012. Expenditures increased by \$2.4 million comparing 2013 to 2012. The revenue increase was due to increase in Medicaid and Developmental Disabilities funds during the year. The result of the aforementioned activity was a \$2.1 million, or 12.1%, increase in ending fund balance, to \$19 million, in 2013. Most all of this ending fund balance is Assigned.

The **Other Governmental Funds** is a major fund comprised of all non-major Special Revenue, Capital Projects, and Debt Service funds of the county. During 2013, the County opted to reclassify three funds as non-major that had been classified as major funds in prior years. These funds were the Real Estate Excise Tax (REET), Debt Holding, and Detention Facility Sales Tax. As a result of this fund roll-up change an analysis of major account balances in this roll-up fund would not prove as meaningful as it has in prior years. Because these funds are also governmental funds, the County feels the analysis noted above on Governmental activities is sufficient.

Proprietary Funds Net Position 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 Position

Assets	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds
Cash & Pooled Investments	\$ 17,964,507	\$ 2,245,782	\$ 4,304,110	\$ 2,269,411	\$ 26,783,810
Other Current Assets	3,266,953	450,207	265,293	224,394	4,206,847
Restricted Assets:					
Cash and Pooled Investments	-	201,691	-	121,899	323,590
Total Current Assets	21,231,460	2,897,680	4,569,403	2,615,704	31,314,247
Long-Term Assets:					
Receivables and Deff Chrgs.	41,369	809,222	-	701,104	1,551,695
Capital Assets	11,192,025	15,228,464	7,463,615	3,852,483	37,736,587
Restrict Assets: Cash and Pooled Investments	16,771,252	-	-	-	16,771,252
Total Long Term Assets	28,004,646	16,037,686	7,463,615	4,553,587	56,059,534
Total Assets	49,236,106	18,935,366	12,033,018	7,169,291	87,373,781
Total Deferred Outflow of Resources	-	220,733	-	-	220,733
Liabilities					
Current Liabilities:					
Accounts Payable/ Due To's	2,178,612	61,053	403,597	264,848	2,908,110
Restricted Liabilities - Debt	-	910,000	-	81,018	991,018
Total Current Liabilities	2,178,612	971,053	403,597	345,866	3,899,128
Long-Term Liabilities:					
Limited G.O. Bonds Payable	-	5,455,302	-	510,014	5,965,316
Comp Abs & OPEB Payable	804,612	94,127	480,402	685,458	2,064,599
Intergov. Loans & Contracts Payable	4,225	62,585	2,010	646,006	714,826
Advances From Other Funds	-	-	-	-	-
Accumulated Landfill Closure Costs	17,304,713	-	-	-	17,304,713
Total Long Term Liabilities	18,113,550	5,612,014	482,412	1,841,478	26,049,454
Total Liabilities	20,292,162	6,583,067	886,009	2,187,344	29,948,582
Net Position					
Net Investment in Capital Assets	11,187,186	8,795,326	7,458,161	3,176,953	30,617,626
Restricted For:					
Postclosure, Net Of Related Liability	2,102,653	-	-	-	2,102,653
Debt Service	-	1,219,612	-	647,746	1,867,358
Unrestricted (Deficit)	15,654,105	2,558,094	3,688,848	1,157,248	23,058,295
Total Net Position	\$ 28,943,944	\$ 12,573,032	\$ 11,147,009	\$ 4,981,947	\$ 57,645,932

The Solid Waste, Grand Mound, and Storm & Surface Water Utility fund are the major enterprise funds for Thurston County in 2013, as they were in 2012.

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. The **Storm & Surface Water Fund** accounts for assessments levied to minimize the harmful effects of storm water run-off and to construct and improve storm water run-off facilities within the utility's boundaries. These funds comprise 91.8% of enterprise assets and 92.7% of enterprise liabilities. Within these three funds, the account that changed the most was Cash and Pooled Investments in the Solid Waste fund. This account increased by \$4.3 million compared to prior year and was primarily due to an increase in rates dating back to 2011. Because of this increase, the fund now has been experiencing an increased change in net position. The change in 2013, compared to 2012, was an increase of \$2.4 million.

Combined net position for enterprise funds was \$57.6 million in 2013, of which \$52.7 million, or 91.4%, resided in the three major funds noted above. Of the total enterprise funds' net position, \$30.6 million, or 53.1%, are net invested in capital assets, whereas \$23.1 million, or 40.1%, are unrestricted. Unrestricted net position increased by \$5.6 million from 2012 mainly due to an increase in cash and pooled investments in the major enterprise funds as a result of the enactment and implementation of rate increases in prior years and the current reporting period. Total liabilities for all enterprise funds were \$29.9 million which is a decrease of \$1.3 million from 2012 and is mainly due to scheduled debt service payments.

Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2013.

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

	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds
Revenues:					
<i>Operating:</i>					
Charges for Services	\$ 20,330,170	\$ 1,319,046	\$ 5,073,648	\$ 3,599,087	\$ 30,321,951
Miscellaneous	25,087	31,328	453	4,778	61,646
<i>Non-Operating:</i>					
Interest Revenue	2,416	16,159	24,117	22,454	65,146
Operating & Capital Grant Proceeds	185,629	-	33,563	-	219,192
Other Non-Operating Revenues	-	-	23,551	-	23,551
Total Revenues	20,543,302	1,366,533	5,155,332	3,626,319	30,691,486
Expenses:					
<i>Operating:</i>					
Salaries and Benefits	2,564,845	298,835	2,002,742	2,593,479	7,459,901
Other Supplies and Expenses	231,313	70,727	198,877	77,816	578,733
Contractual Services	1,923,715	186,061	261,946	234,802	2,606,524
Longhaul Contract	10,373,042	-	-	-	10,373,042
Interfund Services and Charges	1,221,577	220,879	1,646,518	1,113,293	4,202,267
Depreciation/Amortization	1,113,675	609,853	334,551	220,655	2,278,734
<i>Non-Operating:</i>					
External & Internal Tax Payments	487,444	47,885	73,387	18,571	627,287
Interest Expense & Fiscal Charges	188	281,754	24	23,507	305,473
Other Including Capital Asset Gain/Loss	(1,302)	-	-	6,269	4,967
Total Expenses	17,914,497	1,715,994	4,518,045	4,288,392	28,436,928
Income (Loss) before contrib. and trans.	2,628,805	(349,461)	637,287	(662,073)	2,254,558
Capital Contributions	-	165,341	4,825	993	171,159
Transfers In (Out)	(6,955)	87,841	(2,748)	1,036,566	1,114,704
Change in Net Position	2,621,850	(96,279)	639,364	375,486	3,540,421
Net Position as of January 1	26,590,255	12,793,895	12,852,772	4,654,018	56,890,940
Prior Period Adjustments	(268,161)	(124,584)	(2,345,127)	(47,557)	(2,785,429)
Net Position as of January 1-Restated	26,322,094	12,669,311	10,507,645	4,606,461	54,105,511
Net Position as of December 31	\$ 28,943,944	\$ 12,573,032	\$ 11,147,009	\$ 4,981,947	\$ 57,645,932

For all enterprise funds, total operating revenues from charges for services in 2013 are \$30.3 million and comprise 98.8% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds stayed very constant compared to prior year with a decrease of just under \$200,000. 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 66.9% of total enterprise revenues and 63% of total enterprise expenses. Additionally, this fund recorded a prior period adjustment of \$268,000 during the year for a capital asset adjustment.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 4.6% of total enterprise revenues and 6% of total enterprise expenses. In 2013 both revenues and expenses remained fairly constant over prior year resulting in a decrease of total Net Position by \$221,000, or 1.7%. Additionally, this fund recorded a prior period adjustment of \$125,000 during the year due to a reclassification of Debt Issue Costs, previously recorded as an asset. This change was necessary per GASB 65.

The **Storm & Surface Water Fund** has been collecting assessments from landowners to mitigate the effects of storm water run-off from construction and development since 1985. Operating revenues and expenses remained constant compared to 2012. The fund did record a \$2.3 million prior period adjustment due to an overstatement of Infrastructure asset balances identified during the year. Because of this adjustment, the net position decreased by \$1.7 million, to \$11.1 million, in 2013.

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, 2013. 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 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 final budget expenditures are less than original budgeted expenditures. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department.

**Thurston County
General Fund Changes in Budget**

	Original Budget	Final Budget	Variance Pos (Neg)
Revenues:			
Taxes	\$ 50,395,555	\$ 50,395,555	\$ -
Licenses & Permits	1,869,498	1,869,498	-
Intergovernmental	7,975,312	8,838,165	862,853
Charges for Services	12,403,483	12,704,255	300,772
Fines & Forfeitures	2,726,700	2,759,700	33,000
Miscellaneous	2,803,593	2,801,595	(1,998)
Total General Revenues	78,174,141	79,368,768	1,194,627
Other Financing Sources	4,674,037	4,653,299	(20,738)
Total Revenues	\$ 82,848,178	\$ 84,022,067	\$ 1,173,889
Expenditures by Department:			
Assessor's Office	3,613,075	3,613,075	-
Auditor's Office	5,230,400	5,231,716	(1,316)
Assigned Counsel	3,341,635	3,784,311	(442,676)
Clerk's Office	3,436,150	3,436,150	-
Commissioner's Office	2,031,467	2,036,655	(5,188)
Coroner's Office	1,023,819	1,023,819	-
Corrections	17,200,757	17,482,252	(281,495)
District Court	3,343,217	3,343,217	-
Emergency Management	1,421,896	1,789,988	(368,092)
Human Resources	1,680,606	1,739,606	(59,000)
Juvenile Probation	7,398,193	7,400,011	(1,818)
Non-Departmental	7,157,302	8,091,741	(934,439)
Planning	1,669,756	1,762,471	(92,715)
Prosecuting Attorney	8,183,614	8,405,196	(221,582)
State Examiner	115,000	115,000	-
Sheriff	16,284,987	16,669,670	(384,683)
Superior Court	6,086,813	5,877,260	209,553
Treasurer's Office	1,132,180	1,132,180	-
WSU Extension	384,610	384,610	-
General Fund Expenditures	90,735,477	93,318,928	(2,583,451)
Fair	508,800	535,767	(26,967)
Prisoner Concession	360,584	367,584	(7,000)
Recreation Services	353,033	372,313	(19,280)
Reported General Fund Expenditures	91,957,894	94,594,592	(2,636,698)
Net Changes in Fund Balances	(9,109,716)	(10,572,525)	(1,462,809)
Fund Balances as of January 1	15,207,481	14,865,132	(342,349)
Fund Balances as of December 31	\$ 6,097,765	\$ 4,292,607	\$ (1,805,158)

For revenues, the net increase in total budgeted revenues from the original budget to the final budget was \$1.2 million or 1.4%. The most significant increase (\$863,000) was in Intergovernmental category and was due 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 \$2.6 million, or 2.8%. Within this amount are fluctuations in several offices/departments, but the most significant dollar value increase in budget expenditures (\$934,000) occurred in the County's Non-Departmental department. This increase was due to more transfers out than originally planned for construction work on the ARC. Also, there was a \$442,000 difference in the Office of Assigned Council department mainly due to unexpected year-end expenditures. The County transferred in more budget authority to cover these unexpected amounts.

The final budget ending fund balance was \$4.3 million, which represents a decrease of \$1.8 million from the original budgeted ending fund balance. The difference is due to the changes noted above as well as a mid-year adjustment where the beginning fund balance is adjusted to prior year's ending actual fund balance once that amount is known. During 2013, the County under spent its budget and the actual ending fund balance was \$10.8 million.

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 2013. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2013 show actual total revenues (including other financing sources) at \$85.5 million, which is \$1.5 million, or 1.8%, above the final budget. Actual expenditures were \$89.7 million, which is \$3.6 million or 3.9% under budget.

In regards to revenues, the two largest variances between budget and actual were in the Taxes and Other Financing Sources categories. The County received \$845,000 more in taxes than planned mainly in the sales tax area. The Other Financing Sources difference was mainly for better than expected collections of timber revenues from state forest land.

All offices/departments had a positive expenditure variance in 2013, except the Coroners' Office and WSU extension. The variances were \$4,309 and \$5,677 respectively. In both instances, the variance was due to excess capital outlay expenditures for lease purchases that were approved through a separate authorizing resolution.

Thurston County
General Fund Revenues, Expenditures & Fund Balance

	Final Budget	Actuals	Variance Pos (Neg)
Revenues:			
Taxes	\$ 50,395,555	\$ 51,240,650	\$ 845,095
Licenses & Permits	1,869,498	1,995,487	125,989
Intergovernmental	8,838,165	8,479,605	(358,560)
Charges for Services	12,704,255	12,565,244	(139,011)
Fines & Forfeitures	2,759,700	2,711,399	(48,301)
Miscellaneous	2,801,595	3,202,907	401,312
Total General Revenues	79,368,768	80,195,292	826,524
Total Other Financing Sources	4,653,299	5,344,863	691,564
Total Revenues	\$ 84,022,067	\$ 85,540,155	\$ 1,518,088
Expenditures by Department:			
Assessor's Office	3,613,075	3,515,490	97,585
Auditor's Office	5,231,716	4,936,732	294,984
Assigned Counsel	3,784,311	3,780,286	4,025
Clerk's Office	3,436,150	3,367,181	68,969
Commissioner's Office	2,036,655	1,986,847	49,808
Coroner's Office	1,023,819	1,028,128	(4,309)
Corrections	17,482,252	17,203,538	278,714
District Court	3,343,217	3,207,912	135,305
Emergency Management	1,789,988	1,563,312	226,676
Human Resources	1,739,606	1,403,253	336,353
Juvenile Probation	7,400,011	6,920,507	479,504
Non-Departmental	8,091,741	7,466,284	625,457
Planning	1,762,471	1,564,961	197,510
Prosecuting Attorney	8,405,196	8,253,260	151,936
State Examiner	115,000	111,665	3,335
Sheriff	16,669,670	16,389,145	280,525
Superior Court	5,877,260	5,585,246	292,014
Treasurer's Office	1,132,180	1,045,018	87,162
WSU Extension	384,610	390,287	(5,677)
General Fund Expenditures	93,318,928	89,719,052	3,599,876
Fair	535,767	523,637	12,130
Parks & Trails	-	1,800	(1,800)
Prisoner Concession	367,584	361,194	6,390
Recreation Services	372,313	332,515	39,798
Reported General Fund Expenditures	94,594,592	90,938,198	3,656,394
Net Changes in Fund Balances	(10,572,525)	(5,398,043)	5,174,482
Fund Balances as of January 1	14,865,132	16,549,946	1,684,814
Prior Period Adjustments	-	(323,907)	(323,907)
Fund Balances as of January 1 - Restated	14,865,132	16,226,039	1,360,907
Fund Balances as of December 31	\$ 4,292,607	\$ 10,827,996	\$ 6,535,389

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, construction in progress, buildings, improvements, machinery and equipment intangible assets, and infrastructure. Thurston County's total governmental and business-type capital asset balance was \$518.5 million at year end. Of this total, \$282.2 million (54.4%) are non-depreciable assets and \$236.4 million (45.6%) are depreciated. Capital assets comprise 71.4% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section.

Governmental depreciable net position increased by \$7.5 million in 2013, while non-depreciable assets decreased by \$1.6 million. The reason for these changes in assets is capitalization of construction projects and a prior period infrastructure adjustment.

At year-end the County had only \$1.4 million in commitments for capital expenditures, primarily related to the ARC.

Long-Term Debt

Total general obligation debt outstanding at year end was \$91.1 million (\$84.8 million in governmental activities and \$6.3 million in Business-type activities). This total represents a decrease of \$5.2 million over 2012 and was due to regularly scheduled periodic bond payments. The County did not sell any new GO Bonds in 2013 and it has no plans to in 2014.

At the end of 2013, the County has the capacity to issue \$379 million in debt without a vote and a remaining capacity of \$293.2 million under limitation of indebtedness statute. See financial statement note VIII for more information on debt issues outstanding and the reasons 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 Position
December 31, 2013
Page 1 of 2

	Primary Government		
	Governmental	Business-Type	
ASSETS	Activities	Activities	Total
Current Assets:			
Cash & Pooled Investments	\$ 128,294,716	\$ 26,783,810	\$ 155,078,526
<i>Receivables:</i>			
Taxes Receivable	2,324,212	-	2,324,212
Special Assessment Receivables	65,922	425,438	491,360
Accrued Interest & Penalties	3,197,922	72,864	3,270,786
Customer Account Receivables	12,599,890	2,320,502	14,920,392
Internal Balances	(384,884)	384,884	-
Due from Other Government Units	9,636,107	333,873	9,969,980
Inventory	1,386,424	-	1,386,424
Prepayments	48,784	-	48,784
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	323,590	323,590
Total Current Assets	157,169,093	30,644,961	187,814,054
Long-Term Assets:			
Community Loans Receivable	-	234,137	234,137
Special Assessment Receivables	52,050	1,276,189	1,328,239
Investment in Joint Ventures, Net	2,048,003	-	2,048,003
<i>Capital Assets:</i>			
Non-Depreciable	279,067,753	3,111,300	282,179,053
Depreciable, Net	201,728,649	34,625,287	236,353,936
<i>Restricted Assets: Cash and Pooled Investments</i>	-	16,771,252	16,771,252
Total Noncurrent Assets	482,896,455	56,018,165	538,914,620
Total Assets	640,065,548	86,663,126	726,728,674
Deferred Outflow of Resources:			
Deferred Amounts on Refunding	644,635	220,733	865,368

See accompanying notes to financial statements

Statement of Net Position
December 31, 2013
Page 2 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	11,903,936	1,551,865	13,455,801
Notes/Leases Payable	108,655	96,626	205,281
Due to Other Government Units	530,250	-	530,250
Compensated Absences	244,734	22,733	267,467
Claims & Judgments Payable	380,222	-	380,222
Limited G.O. Bonds Payable	5,371,525	910,000	6,281,525
Special Assess. Debt - Gov. Commitment	-	81,018	81,018
Unearned Revenue	4,633	26,428	31,061
Total Current Liabilities	18,543,955	2,688,670	21,232,625
Long-Term Liabilities:			
Limited G.O. Bonds Payable	79,407,732	5,455,302	84,863,034
Special Assess. Debt - Gov. Commitment	-	510,014	510,014
Compensated Absences	6,275,752	582,991	6,858,743
Other Post Employment Benefits Payable	17,824,998	1,481,608	19,306,606
Claims & Judgments Payable	3,705,324	-	3,705,324
Notes/Leases Payable	1,521,248	714,826	2,236,074
Accumulated Landfill Closure Costs	-	17,304,713	17,304,713
Total Noncurrent Liabilities	108,735,054	26,049,454	134,784,508
Total Liabilities	127,279,009	28,738,124	156,017,133
NET POSITION			
Net Investment in Capital Assets	396,205,995	30,617,626	426,823,621
Restricted For:			
Culture & Recreation	155,266	-	155,266
Economic Environment	1,358,137	-	1,358,137
General Government	9,583,337	-	9,583,337
Health and Human Services	13,526,581	-	13,526,581
Internal Service	26,775,248	-	26,775,248
Public Safety	1,508,198	-	1,508,198
Utilities & Environment	4,876,691	-	4,876,691
Transportation	12,790,569	-	12,790,569
Debt Service	-	1,867,358	1,867,358
Landfill Postclosure	-	2,102,653	2,102,653
Unrestricted (Deficit)	46,651,152	23,558,098	70,209,250
Total Net Position	\$ 513,431,174	\$ 58,145,735	\$ 571,576,909

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2013
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	\$ 13,305,449	\$ (6,960,853)	\$ 7,860,336	\$ 1,057,891	\$ -
Culture & Recreation	2,126,771	102,634	683,254	64,972	-
Economic Environment	8,297,259	298,466	1,675,529	2,780,100	916,243
Health & Human Services	55,952,264	860,590	23,186,366	14,585,631	-
Public Safety	71,810,010	2,248,421	6,290,508	6,883,744	652,177
Transportation	25,170,569	1,928,125	1,858,051	2,389,941	9,467,108
Utilities & Environment	2,962,473	175,745	688,478	582,790	-
Interest and Fiscal Charges	3,610,284	-	-	-	-
Total Governmental Activities	183,235,079	(1,346,872)	42,242,522	28,345,069	11,035,528
Business-Type Activities:					
Solid Waste	17,116,613	376,056	20,329,957	185,629	-
Water	739,313	77,597	641,315	-	55,289
Sewer	1,549,613	155,194	1,309,587	-	111,045
Stormwater	3,989,997	315,639	4,500,648	33,563	4,825
Land Use & Permitting	3,026,334	422,386	2,889,663	-	-
Total Business-Type Activities	26,421,870	1,346,872	29,671,170	219,192	171,159
Total Primary Government	\$ 209,656,949	\$ -	\$ 71,913,692	\$ 28,564,261	\$ 11,206,687

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2013
Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes In Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT			
<i>Governmental Activities:</i>			
General Government	\$ 2,573,631	\$ -	\$ 2,573,631
Culture & Recreation	(1,481,179)	-	(1,481,179)
Economic Environment	(3,223,853)	-	(3,223,853)
Health & Human Services	(19,040,857)	-	(19,040,857)
Public Safety	(60,232,002)	-	(60,232,002)
Transportation	(13,383,594)	-	(13,383,594)
Utilities & Environment	(1,866,950)	-	(1,866,950)
Interest and Fiscal Charges	(3,610,284)	-	(3,610,284)
Total Governmental Activities	(100,265,088)	-	(100,265,088)
<i>Business-Type Activities:</i>			
Solid Waste	-	3,022,917	3,022,917
Water	-	(120,306)	(120,306)
Sewer	-	(284,175)	(284,175)
Stormwater	-	233,400	233,400
Land Use & Permitting	-	(559,057)	(559,057)
Total Business-Type Activities	-	2,292,779	2,292,779
Total Primary Government	\$ (100,265,088)	\$ 2,292,779	\$ (97,972,309)
General Revenues:			
<i>Taxes:</i>			
Property Taxes	65,290,398	-	65,290,398
Sales Taxes	29,082,695	-	29,082,695
Business & Harvest Taxes	1,646,501	-	1,646,501
Excise Taxes	3,292,617	-	3,292,617
<i>Other General Revenues:</i>			
Interest & Investment Earnings	3,055,338	65,146	3,120,484
Miscellaneous	771,035	(31,721)	739,314
Transfers In/(Out)	(1,114,704)	1,114,704	-
Total General Revenues and Transfers	102,023,880	1,148,129	103,172,009
Change in Net Position	1,758,792	3,440,908	5,199,700
Net Position as of January 1	518,021,710	57,490,256	575,511,966
Prior Period Adjustment	(6,349,328)	(2,785,429)	(9,134,757)
Net Position as of January 1 - Restated	511,672,382	54,704,827	566,377,209
Net Position as of December 31	\$ 513,431,174	\$ 58,145,735	\$ 571,576,909

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2013

	General	Roads	Medic	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS	Fund		One			
Assets:						
Cash & Pooled Investments	\$ 8,090,349	\$ 14,153,995	\$ 19,476,986	\$ 19,368,498	\$ 33,439,039	\$ 94,528,867
<i>Receivables:</i>						
Taxes Receivable	1,262,256	669,403	320,916	21,429	50,208	2,324,212
Special Assessment Receivables	-	-	-	15,236	50,686	65,922
Accrued Interest & Penalties	3,027,376	1,532	24,533	25,652	105,611	3,184,704
Customer Account Receivables	2,897,825	1,700	-	3,212	431,478	3,334,215
Due from Other Funds	1,399,015	99,109	-	490,847	7,785	1,996,756
Due from Other Government Units	2,180,845	2,298,245	649	3,185,544	1,781,699	9,446,982
Inventory	-	1,094,799	-	-	-	1,094,799
Prepayments	13,305	3,602	-	639	-	17,546
Total Assets	\$ 18,870,971	\$ 18,322,385	\$ 19,823,084	\$ 23,111,057	\$ 35,866,506	\$ 115,994,003
LIABILITIES						
Liabilities:						
Accounts Payable	\$ 3,772,593	\$ 910,926	\$ 1,259,782	\$ 3,497,164	\$ 1,006,184	\$ 10,446,649
Due to Other Funds	103,995	57,186	40	69,074	1,743,644	1,973,939
Due to Other Government Units	11,331	23,000	-	495,919	-	530,250
Unearned Revenues	4,155,056	671,904	320,915	36,665	248,505	5,433,045
Total Liabilities	8,042,975	1,663,016	1,580,737	4,098,822	2,998,333	18,383,883
FUND BALANCES						
Nonspendable	1,693,349	1,098,401	-	639	-	2,792,389
Restricted	66,345	5,725,060	10,321,374	-	27,686,000	43,798,779
Committed	-	-	-	-	266,808	266,808
Assigned	-	9,835,908	7,920,973	19,011,596	4,915,365	41,683,842
Unassigned	9,068,302	-	-	-	-	9,068,302
Total Fund Balance	10,827,996	16,659,369	18,242,347	19,012,235	32,868,173	97,610,120
Total Liabilities & Fund Balances	\$ 18,870,971	\$ 18,322,385	\$ 19,823,084	\$ 23,111,057	\$ 35,866,506	\$ 115,994,003

See accompanying notes to financial statements

**Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Position
December 31, 2013**

	Governmental Funds
Fund balance as shown in the Governmental Funds Balance Sheet	\$ 97,610,120
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 position	437,820,315
Debt, which is not reported in governmental funds, is reported in the statement of net position	(84,065,859)
Assets, liabilities and resulting net position of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net position	69,456,037
Deferred outflows of resources which included deferred amounts on refunding, which is not reported in governmental funds, is reported in the statement of net position	644,635
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 position	52,050
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position	14,458,549
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 position	(22,044,870)
Interfund balances, which are reported in governmental and proprietary funds, are eliminated in the statement of net position (except for a residual amount outstanding between governmental and enterprise activities)	(499,803)
Net position for governmental funds as shown in statement of net position	\$ 513,431,174

See accompanying notes to financial statements

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2013

	General Fund	Roads	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 51,240,650	\$ 17,302,040	\$ 9,619,770	\$ 776,413	\$ 19,258,637	\$ 98,197,510
Licenses & Permits	1,995,487	461,891	-	610,969	-	3,068,347
Intergovernmental	8,479,605	11,529,315	21,295	14,562,819	4,523,839	39,116,873
Charges for Services	12,565,244	1,425,216	20,053	22,584,090	3,328,458	39,923,061
Fines & Forfeits	2,711,399	-	-	4,000	25,555	2,740,954
Miscellaneous Revenue	3,202,907	89,496	115,996	788,079	1,049,196	5,245,674
Total Revenues	80,195,292	30,807,958	9,777,114	39,326,370	28,185,685	188,292,419
Expenditures:						
<i>Current:</i>						
General Government	13,532,632	-	-	-	736,440	14,269,072
Culture & Recreation	982,435	878,610	-	-	10,161	1,871,206
Economic Environment	2,023,183	-	-	-	6,320,711	8,343,894
Health & Human Services	-	-	9,976,547	39,747,467	6,789,062	56,513,076
Public Safety	67,774,975	-	-	-	1,373,939	69,148,914
Transportation	272,049	19,714,912	-	-	16,378	20,003,339
Utilities & Environment	629,819	-	-	-	2,379,839	3,009,658
Capital Outlay	857,166	9,729,936	614,250	69,939	1,801,297	13,072,588
<i>Debt Service:</i>						
Principal	101,796	12,893	2,465	14,343	4,481,769	4,613,266
Interest & Fiscal Charges	23,839	4,709	2,038	2,032	3,623,761	3,656,379
Total Expenditures	86,197,894	30,341,060	10,595,300	39,833,781	27,533,357	194,501,392
Excess (Deficiency) of Revenues Over Expenditures	(6,002,602)	466,898	(818,186)	(507,411)	652,328	(6,208,973)
Other Financing Sources (Uses)						
Capital Lease Financing	113,120	13,874	17,911	69,939	-	214,844
Sale of Capital Assets	684,514	820,407	181,425	11,319	33,574	1,731,239
Debt Issuance	-	178,859	-	-	-	178,859
Transfers In	4,547,229	966,404	-	2,478,968	11,902,546	19,895,147
Transfers Out	(4,740,304)	(886,433)	-	-	(16,596,893)	(22,223,630)
Total Other Financing Sources (Uses)	604,559	1,093,111	199,336	2,560,226	(4,660,773)	(203,541)
Net Changes In Fund Balances	(5,398,043)	1,560,009	(618,850)	2,052,815	(4,008,445)	(6,412,514)
Fund Balances as of January 1	16,549,946	15,099,360	18,861,197	16,959,420	37,321,388	104,791,311
Prior Period Adjustments	(323,907)	-	-	-	(444,770)	(768,677)
Fund Balances as of January 1-Restated	16,226,039	15,099,360	18,861,197	16,959,420	36,876,618	104,022,634
Fund Balances as of December 31	\$ 10,827,996	\$ 16,659,369	\$ 18,242,347	\$ 19,012,235	\$ 32,868,173	\$ 97,610,120

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, 2013**

		Governmental Funds
Change in fund balance as shown in the Governmental Funds		
Statement of Revenues, Expenditures and Changes in Fund Balances		\$ (6,412,514)
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	13,072,588	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(11,606,719)	
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>2,331,905</u>	3,797,774
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 position)	4,962,033	
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 position and then expensed over the life of the bond issue in the statement of activities	139,462	
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 position for new debt).	<u>(393,703)</u>	4,707,792
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	2,625,765	
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	(1,247,359)	
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>1,346,872</u>	2,725,278
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	(528,513)	
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>(2,531,025)</u>	<u>(3,059,538)</u>
Change in net position for governmental funds as shown in the		
Statement of Activities		<u><u>\$ 1,758,792</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, 2013
Page 1 of 7

	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Revenues By Funding Source				
General Revenues:				
Taxes	\$ 50,395,555	\$ 50,395,555	\$ 51,240,650	\$ 845,095
Licenses & Permits	1,869,498	1,869,498	1,995,487	125,989
Intergovernmental	7,975,312	8,838,165	8,479,605	(358,560)
Charges for Services	12,403,483	12,704,255	12,565,244	(139,011)
Fines & Forfeits	2,726,700	2,759,700	2,711,399	(48,301)
Miscellaneous Revenue	2,803,593	2,801,595	3,202,907	401,312
Total General Revenues	78,174,141	79,368,768	80,195,292	826,524
Other Financing Sources:				
Capital Lease Financing	-	-	113,120	113,120
Other Finance Sources - Capital Asset Sales	150,700	150,700	684,514	533,814
Transfers In	4,523,337	4,502,599	4,547,229	44,630
Total Other Financing Sources	4,674,037	4,653,299	5,344,863	691,564
Total Revenues	82,848,178	84,022,067	85,540,155	1,518,088

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, 2013
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	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Expenditures by Department				
Assessor's Office:				
General Government	\$ 3,603,075	\$ 3,593,075	\$ 3,479,158	\$ 113,917
Capital Outlay	10,000	20,000	8,832	11,168
Transfers Out	-	-	27,500	(27,500)
Total Assessor's Office	3,613,075	3,613,075	3,515,490	97,585
Auditor's Office:				
General Government	5,218,079	5,187,622	4,707,504	480,118
Capital Outlay	2,000	33,500	220,346	(186,846)
Debt Service:				
Principal	6,572	6,766	6,474	292
Interest and Fiscal Charges	3,749	3,828	2,408	1,420
Total Auditor's Office	5,230,400	5,231,716	4,936,732	294,984
Assigned Counsel:				
Public Safety	3,338,635	3,781,311	3,776,075	5,236
Debt Service:				
Principal	2,500	2,500	4,158	(1,658)
Interest and Fiscal Charges	500	500	53	447
Total Assigned Counsel	3,341,635	3,784,311	3,780,286	4,025
Clerk's Office:				
Public Safety	3,397,150	3,397,150	3,332,100	65,050
Capital Outlay	-	-	15,123	(15,123)
Debt Service:				
Principal	28,000	28,000	16,893	11,107
Interest and Fiscal Charges	11,000	11,000	3,065	7,935
Total Clerk's Office	3,436,150	3,436,150	3,367,181	68,969

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, 2013
Page 3 of 7

	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Commissioner's Office:				
General Government	1,743,195	1,748,383	1,734,129	14,254
Transportation	283,961	283,961	246,786	37,175
Debt Service:				
Principal	4,180	4,180	4,309	(129)
Interest and Fiscal Charges	131	131	1,623	(1,492)
Total Commissioner's Office	2,031,467	2,036,655	1,986,847	49,808
Coroner's Office:				
Public Safety	1,015,011	1,015,011	1,001,043	13,968
Economic Environment	4,800	4,800	6,389	(1,589)
Capital Outlay	-	-	16,074	(16,074)
Debt Service:				
Principal	3,881	3,881	2,436	1,445
Interest and Fiscal Charges	127	127	2,186	(2,059)
Total Coroner's Office	1,023,819	1,023,819	1,028,128	(4,309)
Corrections:				
Public Safety	17,177,037	17,458,532	17,162,767	295,765
Capital Outlay	14,000	14,000	24,631	(10,631)
Debt Service:				
Principal	9,270	9,270	15,026	(5,756)
Interest and Fiscal Charges	450	450	1,114	(664)
Total Corrections	17,200,757	17,482,252	17,203,538	278,714
District Court				
Public Safety	3,340,714	3,340,714	3,207,078	133,636
Debt Service:				
Principal	2,338	2,338	821	1,517
Interest and Fiscal Charges	165	165	13	152
Total District Court	3,343,217	3,343,217	3,207,912	135,305

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, 2013
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	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Emergency Management:				
Public Safety	1,382,656	1,750,748	1,553,701	197,047
Capital Outlay	37,240	37,240	7,611	29,629
Transfers Out	2,000	2,000	2,000	-
Emergency Management	1,421,896	1,789,988	1,563,312	226,676
Human Resources:				
General Government	1,548,094	1,607,094	1,274,581	332,513
Public Safety	120,239	120,239	116,222	4,017
Capital Outlay	-	-	8,840	(8,840)
Debt Service:				
Principal	9,858	9,858	2,183	7,675
Interest and Fiscal Charges	2,415	2,415	1,427	988
Total Human Resources	1,680,606	1,739,606	1,403,253	336,353
Juvenile Probation:				
Public Safety	7,398,193	7,400,011	6,899,139	500,872
Capital Outlay	-	-	14,809	(14,809)
Debt Service:				
Principal	-	-	5,042	(5,042)
Interest and Fiscal Charges	-	-	1,517	(1,517)
Total Juvenile Probation	7,398,193	7,400,011	6,920,507	479,504

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, 2013
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	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Non-Departmental:				
General Government	1,578,926	1,404,101	1,180,577	223,524
Public Safety	965,625	965,625	251,329	714,296
Utilities & Environment	666,016	666,016	629,819	36,197
Transportation	6,014	6,014	25,263	(19,249)
Economic Environment	205,300	205,300	203,730	1,570
Culture and Recreation	30,000	30,000	-	30,000
Capital Outlay	45,000	45,000	464,187	(419,187)
Debt Service:				
Principal	2,240	2,240	2,240	-
Interest and Fiscal Charges	135	135	135	-
Transfers Out	3,658,046	4,767,310	4,709,004	58,306
Total Non-Departmental	7,157,302	8,091,741	7,466,284	625,457
Planning:				
Economic Environment	1,664,256	1,756,971	1,564,961	192,010
Capital Outlay	5,500	5,500	-	5,500
Total Planning	1,669,756	1,762,471	1,564,961	197,510
Prosecuting Attorney:				
Public Safety	8,102,458	8,327,153	8,209,016	118,137
Capital Outlay	47,156	44,043	15,879	28,164
Debt Service:				
Principal	26,500	26,500	22,117	4,383
Interest and Fiscal Charges	7,500	7,500	6,248	1,252
Total Prosecuting Attorney	8,183,614	8,405,196	8,253,260	151,936
State Examiner:				
General Government	115,000	115,000	111,665	3,335
Total State Examiner	115,000	115,000	111,665	3,335

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, 2013
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	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Sheriff:				
Public Safety	16,268,032	16,652,353	16,329,415	322,938
Capital Outlay	5,000	5,000	48,258	(43,258)
Principal	9,022	9,342	10,395	(1,053)
Interest and Fiscal Charges	2,933	2,975	1,077	1,898
Total Sheriff	16,284,987	16,669,670	16,389,145	280,525
Superior Court:				
Public Safety	6,070,890	5,863,437	5,575,896	287,541
Debt Service:				
Principal	13,900	11,800	7,602	4,198
Interest and Fiscal Charges	2,023	2,023	1,748	275
Total Superior Court	6,086,813	5,877,260	5,585,246	292,014
Treasurer's Office				
General Government	1,132,180	1,132,180	1,045,018	87,162
Total Treasurer's Office	1,132,180	1,132,180	1,045,018	87,162
WSU Extension				
Culture and Recreation	381,578	381,578	374,386	7,192
Capital Outlay	-	-	12,576	(12,576)
Debt Service:				
Principal	1,417	1,417	2,100	(683)
Interest and Fiscal Charges	1,615	1,615	1,225	390
Total WSU Extension	384,610	384,610	390,287	(5,677)
Total General Fund Expenditures	90,735,477	93,318,928	89,719,052	3,599,876

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, 2013
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Reconciliation of Budgetary Perspective Differences Due to GASB 54:

	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Fair:				
Culture and Recreation	508,800	535,767	523,637	12,130
Total Fair	508,800	535,767	523,637	12,130
Parks & Trails:				
Transfers Out	-	-	1,800	(1,800)
Total Parks & Trails	-	-	1,800	(1,800)
Prisoner Concession:				
Public Safety	360,584	367,584	361,194	6,390
Total Prisoner Concession	360,584	367,584	361,194	6,390
Recreation Services:				
Culture and Recreation	109,693	109,693	84,412	25,281
Economic Environment	243,340	262,620	248,103	14,517
Total Recreation Services	353,033	372,313	332,515	39,798
Total GASB 54 Expenditures	1,222,417	1,275,664	1,219,146	56,518
Total Reported General Fund Expenditures	91,957,894	94,594,592	90,938,198	3,656,394
Net Changes in Fund Balances	(9,109,716)	(10,572,525)	(5,398,043)	5,174,482
Fund Balances as of January 1	15,207,481	14,865,132	16,549,946	1,684,814
Prior Period Adjustments	-	-	(323,907)	(323,907)
Fund Balances as of January 1 - Restated	15,207,481	14,865,132	16,226,039	1,360,907
Fund Balances as of December 31	\$ 6,097,765	\$ 4,292,607	\$ 10,827,996	\$ 6,535,389

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, 2013

	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 9,591,320	\$ 9,591,320	\$ 9,619,770	\$ 28,450
Intergovernmental	62,000	62,000	21,295	(40,705)
Charges for Services	24,030	24,030	20,053	(3,977)
Miscellaneous Revenue	312,246	312,246	115,996	(196,250)
Total Revenues	9,989,596	9,989,596	9,777,114	(212,482)
Expenditures:				
<i>Current:</i>				
Health & Human Services	11,780,331	11,766,331	9,976,547	1,789,784
Capital Outlay	645,678	659,678	614,250	45,428
<i>Debt Service:</i>				
Principal	5,852	5,852	2,465	3,387
Interest & Fiscal Charges	709	709	2,038	(1,329)
Total Expenditures	12,432,570	12,432,570	10,595,300	1,837,270
Excess (Deficiency) of Revenues Over Expenditures	(2,442,974)	(2,442,974)	(818,186)	1,624,788
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	17,911	17,911
Sale of Capital Assets	33,000	33,000	181,425	148,425
Transfers In	6,500	6,500	-	(6,500)
Transfers Out	(6,500)	(6,500)	-	6,500
Total Other Financing Sources (Uses)	33,000	33,000	199,336	166,336
Net Changes In Fund Balances	(2,409,974)	(2,409,974)	(618,850)	1,791,124
Fund Balances as of January 1	18,923,967	18,861,097	18,861,197	100
Fund Balances as of December 31	\$ 16,513,993	\$ 16,451,123	\$ 18,242,347	\$ 1,791,224

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, 2013

	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 785,475	\$ 785,475	\$ 776,413	\$ (9,062)
Licenses & Permits	582,495	582,495	610,969	28,474
Intergovernmental	15,403,914	15,494,714	14,562,819	(931,895)
Charges for Services	21,022,505	21,054,840	22,584,090	1,529,250
Fines & Forfeits	-	-	4,000	4,000
Miscellaneous Revenue	667,308	667,308	788,079	120,771
Total Revenues	38,461,697	38,584,832	39,326,370	741,538
Expenditures:				
<i>Current:</i>				
Health & Human Services	42,654,766	42,753,378	39,747,467	3,005,911
Capital Outlay	70,000	70,000	69,939	61
<i>Debt Service:</i>				
Principal	8,476	8,476	14,343	(5,867)
Interest & Fiscal Charges	4,618	4,618	2,032	2,586
Total Expenditures	42,737,860	42,836,472	39,833,781	3,002,691
Excess (Deficiency) of Revenues Over Expenditures	(4,276,163)	(4,251,640)	(507,411)	3,744,229
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	69,939	69,939
Sale of Capital Assets	11,250	11,250	11,319	69
Transfers In	2,860,048	2,880,048	2,478,968	(401,080)
Transfers Out	(30,600)	(30,600)	-	30,600
Total Other Financing Sources (Uses)	2,840,698	2,860,698	2,560,226	(300,472)
Net Changes In Fund Balances	(1,435,465)	(1,390,942)	2,052,815	3,443,757
Fund Balances as of January 1	14,154,959	16,959,070	16,959,420	350
Fund Balances as of December 31	\$ 12,719,494	\$ 15,568,128	\$ 19,012,235	\$ 3,444,107

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, 2013

	Original 2013 Budget	Final 2013 Budget	Actual 2013	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 17,272,929	\$ 17,272,929	\$ 17,302,040	\$ 29,111
Licenses & Permits	444,000	444,000	461,891	17,891
Intergovernmental	16,081,512	18,065,137	11,529,315	(6,535,822)
Charges for Services	1,175,910	1,295,697	1,425,216	129,519
Miscellaneous Revenue	105,900	105,900	89,496	(16,404)
Total Revenues	35,080,251	37,183,663	30,807,958	(6,375,705)
Expenditures:				
<i>Current:</i>				
Culture & Recreation	839,729	839,729	878,610	(38,881)
Transportation	20,703,597	21,253,597	19,714,912	1,538,685
Capital Outlay	17,332,008	19,547,046	9,729,936	9,817,110
<i>Debt Service:</i>				
Principal	10,979	10,979	12,893	(1,914)
Interest & Fiscal Charges	6,025	6,025	4,709	1,316
Total Expenditures	38,892,338	41,657,376	30,341,060	11,316,316
Excess (Deficiency) of Revenues Over Expenditures	(3,812,087)	(4,473,713)	466,898	4,940,611
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	13,874	13,874
Sale of Capital Assets	160,000	160,000	820,407	660,407
Other Fin. Sources - Bond Proceeds	-	119,918	178,859	58,941
Transfers In	4,091,912	4,091,912	966,404	(3,125,508)
Transfers Out	(1,829,224)	(1,829,224)	(886,433)	942,791
Total Other Financing Sources (Uses)	2,422,688	2,542,606	1,093,111	(1,449,495)
Net Changes In Fund Balances	(1,389,399)	(1,931,107)	1,560,009	3,491,116
Fund Balances as of January 1	8,200,000	14,627,928	15,099,360	471,432
Fund Balances as of December 31	\$ 6,810,601	\$ 12,696,821	\$ 16,659,369	\$ 3,962,548

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2013
Page 1 of 2

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
ASSETS						
Current Assets:						
Cash & Pooled Investments	\$ 17,964,507	\$ 2,245,782	\$ 4,304,110	\$ 2,269,411	\$ 26,783,810	\$ 33,765,849
<i>Receivables:</i>						
Special Assessment Receivables	-	148,213	219,795	57,430	425,438	-
Accrued Interest & Penalties	-	63,489	5,573	3,802	72,864	13,218
Customer Account Receivables	1,973,213	235,629	-	111,660	2,320,502	235,538
Due From Other Funds	989,086	2,876	24,501	37,707	1,054,170	1,033,111
Due From Other Government Units	304,654	-	15,424	13,795	333,873	189,125
Inventory	-	-	-	-	-	291,625
Prepayments	-	-	-	-	-	31,238
<i>Restricted Assets:</i>						
Cash and Pooled Investments	-	201,691	-	121,899	323,590	-
Total Current Assets	21,231,460	2,897,680	4,569,403	2,615,704	31,314,247	35,559,704
Noncurrent Assets:						
Community Loans Receivable	-	-	-	234,137	234,137	-
Special Assessment Receivables	-	809,222	-	466,967	1,276,189	-
Advances to Other Funds	41,369	-	-	-	41,369	-
<i>Capital Assets:</i>						
Non-Depreciable	1,363,947	320,758	1,395,695	30,900	3,111,300	4,937,426
Depreciable, Net	9,828,078	14,907,706	6,067,920	3,821,583	34,625,287	40,086,664
<i>Restricted Assets: Cash and Pooled Investments</i>	16,771,252	-	-	-	16,771,252	-
Total Noncurrent Assets	28,004,646	16,037,686	7,463,615	4,553,587	56,059,534	45,024,090
Total Assets	49,236,106	18,935,366	12,033,018	7,169,291	87,373,781	80,583,794
Deferred Outflow of Resources:						
Deferred Amounts on Refunding	-	220,733	-	-	220,733	-

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2013
Page 2 of 2

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
LIABILITIES						
Current Liabilities:						
Accounts Payable	1,079,585	29,405	280,359	162,516	1,551,865	1,457,287
Notes/Leases Payable	614	5,251	3,444	87,317	96,626	-
Due To Other Funds	1,090,747	600	113,900	5,211	1,210,458	899,640
Compensated Absences	7,666	1,720	5,894	7,453	22,733	27,476
Claims and Judgments Payable	-	-	-	-	-	380,222
Unearned Revenue	-	24,077	-	2,351	26,428	-
Lim. Tax G. O. Bond - Current Portion	-	910,000	-	-	910,000	178,201
Spec Assessment Debt - Govern. Commitment	-	-	-	81,018	81,018	-
Total Current Liabilities	2,178,612	971,053	403,597	345,866	3,899,128	2,942,826
Noncurrent Liabilities:						
Limited G.O. Bonds Payable	-	5,455,302	-	-	5,455,302	2,165,100
Special Assess. Debt - Gov. Commitment	-	-	-	510,014	510,014	-
Compensated Absences	196,584	44,127	151,137	191,143	582,991	704,573
Other Post Employment Benefits Payable	608,028	50,000	329,265	494,315	1,481,608	1,568,565
Claims and Judgments Payable	-	-	-	-	-	3,705,324
Notes/Leases Payable	4,225	62,585	2,010	646,006	714,826	-
Advances From Other Funds	-	-	-	-	-	41,369
Accumulated Landfill Closure Costs	17,304,713	-	-	-	17,304,713	-
Total Noncurrent Liabilities	18,113,550	5,612,014	482,412	1,841,478	26,049,454	8,184,931
Total Liabilities	20,292,162	6,583,067	886,009	2,187,344	29,948,582	11,127,757
NET POSITION						
Net Investment in Capital Assets	11,187,186	8,795,326	7,458,161	3,176,953	30,617,626	42,680,789
Restricted For:						
Postclosure	2,102,653	-	-	-	2,102,653	-
Debt Service	-	1,219,612	-	647,746	1,867,358	-
Unrestricted (Deficit)	15,654,105	2,558,094	3,688,848	1,157,248	23,058,295	26,775,248
Total Net Position	\$ 28,943,944	\$ 12,573,032	\$ 11,147,009	\$ 4,981,947	\$ 57,645,932	\$ 69,456,037

See accompanying notes to financial statements

**Reconciliation of The Statement of
Net Position of Proprietary Funds
To The Statement of Net Position
*December 31, 2013***

	Business Type Funds
Enterprise net position as shown in the Proprietary Funds Statement of Net Position	\$ 57,645,932
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<u>499,803</u>
Net position for business-type funds as shown in Statement of Net Position	<u><u>\$ 58,145,735</u></u>

See accompanying notes to financial statements

Statement of Revenues, Expenses and Changes In Fund Net Position
Proprietary Funds
For The Year Ended December 31, 2013

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues:						
Charges for Services	\$ 20,330,170	\$ 1,319,046	\$ 5,073,648	\$ 3,599,087	\$ 30,321,951	\$ 17,993,487
Equipment Rental	-	-	-	-	-	7,675,450
Miscellaneous	25,087	31,328	453	4,778	61,646	31,424
Total Operating Revenues	20,355,257	1,350,374	5,074,101	3,603,865	30,383,597	25,700,361
Operating Expenses:						
Salaries and Benefits	2,564,845	298,835	2,002,742	2,593,479	7,459,901	8,635,638
Other Supplies and Expenses	231,313	70,727	198,877	77,816	578,733	3,068,903
Contractual Services	1,923,715	186,061	261,946	234,802	2,606,524	5,595,713
Longhaul Contract	10,373,042	-	-	-	10,373,042	-
Interfund Services and Charges	1,221,577	220,879	1,646,518	1,113,293	4,202,267	2,246,350
Depreciation/Amortization	1,113,675	609,853	334,551	220,655	2,278,734	4,012,919
Claims Payments	-	-	-	-	-	1,078,846
Total Operating Expenses	17,428,167	1,386,355	4,444,634	4,240,045	27,499,201	24,638,369
Operating Income (Loss)	2,927,090	(35,981)	629,467	(636,180)	2,884,396	1,061,992
Nonoperating Revenue (Expenses):						
Interest Revenue	2,416	16,159	24,117	22,454	65,146	60,806
Operating Assessment Interest & Penalties	-	-	23,551	-	23,551	-
Operating Grants & Contributions	185,629	-	33,563	-	219,192	21,350
External & Internal Tax Payments	(487,444)	(47,885)	(73,387)	(18,571)	(627,287)	(11,388)
Gain/Loss on Disposition of Capital Assets	1,302	-	-	(6,269)	(4,967)	(203,883)
Insurance Recoveries	-	-	-	-	-	22,052
Interest Expense & Fiscal Charges	(188)	(281,754)	(24)	(23,507)	(305,473)	(73,202)
Total Nonoperating Revenue (Expense)	(298,285)	(313,480)	7,820	(25,893)	(629,838)	(184,265)
Income Before Contributions and Transfers	2,628,805	(349,461)	637,287	(662,073)	2,254,558	877,727
Capital Grants & Contributions	-	165,341	4,825	993	171,159	367,669
Capital Contributions from Gov't Activities	-	-	-	-	-	1,551,505
Special Item:						
Capital Asset Transfer to Gov't Activities	-	-	-	-	-	(67,039,872) *
Transfers In	-	87,841	-	1,036,566	1,124,407	1,684,541
Transfers Out	(6,955)	-	(2,748)	-	(9,703)	(470,762)
Change in Net Position	2,621,850	(96,279)	639,364	375,486	3,540,421	(63,029,192)
Net Position as of January 1	26,590,255	12,793,895	12,852,772	4,654,018	56,890,940	132,485,229
Prior Period Adjustments	(268,161)	(124,584)	(2,345,127)	(47,557)	(2,785,429)	-
Net Position as of January 1 - Restated	26,322,094	12,669,311	10,507,645	4,606,461	54,105,511	132,485,229
Net Position as of December 31	\$ 28,943,944	\$ 12,573,032	\$ 11,147,009	\$ 4,981,947	\$ 57,645,932	\$ 69,456,037

* - Internal service capital asset loss is the result of reclassifying assets from proprietary to governmental

See accompanying notes to financial statements

**Reconciliation of The Statement of Revenues, Expenses and
Changes In Fund Net Position of Proprietary Funds
To The Statement of Activities
For The Year Ended December 31, 2013**

	Business-Type Funds
	<hr/>
Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 3,540,421
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	1,247,359
Allocated direct and indirect costs from the County's cost plan	<hr/> (1,346,872)
 Change in net position for business-type funds as shown in the Statement of Activities	 \$ <u><u>3,440,908</u></u>

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2013
Page 1 of 2

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 20,708,677	\$ 1,348,001	\$ 5,093,718	\$ 3,600,949	\$ 30,751,345	\$ 25,146,340
Cash Paid for Goods & Services	(14,442,475)	(487,718)	(2,003,605)	(1,446,388)	(18,380,186)	(11,354,572)
Cash Paid to Employees	(2,459,966)	(296,301)	(1,961,289)	(2,517,855)	(7,235,411)	(8,455,914)
Net Cash Provided (Used) by Operating Activities	3,806,236	563,982	1,128,824	(363,294)	5,135,748	5,335,854
Cash Flows from Noncapital Financing Activities:						
Transfers In	-	87,841	-	1,036,567	1,124,408	1,684,541
Transfers Out	(6,955)	-	(2,748)	-	(9,703)	(470,762)
Advances Issued to other Funds	37,223	-	-	-	37,223	-
Advances Received from other Funds	-	-	-	-	-	(37,223)
Grant Proceeds	328,595	-	117,407	1,670	447,672	21,350
Tax and Assessment Receipts	-	-	(2,617)	-	(2,617)	-
Community Loans Issued to Homeowners	-	-	-	39,907	39,907	-
Community Loan Financing Payments	-	-	-	(54,827)	(54,827)	-
Community Loan Financing Proceeds	-	-	-	33,522	33,522	-
Insurance Recoveries	-	-	-	-	-	22,052
Tax Payments	(487,444)	(47,885)	(73,387)	(18,571)	(627,287)	(11,388)
Interest Payments	-	-	-	(22,894)	(22,894)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(128,581)	39,956	38,655	1,015,374	965,404	1,208,570
Cash Flows from Capital & Related Financing Activities:						
Capital Asset Sales & Dispositions	1,302	-	-	-	1,302	4,998
Capital Asset Purchases	(168,944)	(134,221)	(440,772)	(68,650)	(812,587)	(4,833,677)
Bond/Loan Payments	-	(929,546)	(4,290)	(108,681)	(1,042,517)	(174,463)
Grant Proceeds	-	-	4,825	-	4,825	-
Contributed Capital	-	106,734	-	-	106,734	80,433
Assessment Receipts	-	667,822	-	60,588	728,410	-
Interest Payments	(188)	(157,170)	(24)	(613)	(157,995)	(73,202)
Net Cash Provided (Used) by Capital & Related Financing Activities	(167,830)	(446,381)	(440,261)	(117,356)	(1,171,828)	(4,995,911)
Cash Flows from Investing Activities:						
Interest Receipts	2,416	52,926	22,962	22,108	100,412	59,928
Net Cash Provided (Used) by Investing Activities	2,416	52,926	22,962	22,108	100,412	59,928
Net Increase (Decrease) in Cash & Cash Equivalents	3,512,241	210,483	750,180	556,832	5,029,736	1,608,441
Cash & Cash Equivalents as of January 1	31,223,518	2,236,990	3,553,930	1,834,478	38,848,916	32,157,408
Cash & Cash Equivalents as of December 31	\$ 34,735,759	\$ 2,447,473	\$ 4,304,110	\$ 2,391,310	\$ 43,878,652	\$ 33,765,849

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2013
Page 2 of 2

	Enterprise Funds					Internal
	Solid	Grand	Storm	Other	Total	Service
	Waste	Mound	Water	Enterprise	Enterprise	Funds
				Funds	Funds	
Reconciliation of Operating Income To Net Cash						
Provided (Used) by Operating Income:						
Operating Income	\$ 2,927,090	\$ (35,981)	\$ 629,467	\$ (636,180)	\$ 2,884,396	\$ 1,061,992
Adjustments to Reconcile Operating Income to						
Net Cash Provided (Used) by Operating						
Activities:						
Depreciation Expense	1,113,675	609,853	334,551	220,655	2,278,734	4,012,919
(Increase) Decrease in:						
Customer Account Receivables	41,568	(46,877)	-	(13,125)	(18,434)	(16,648)
Due from Other Funds	311,852	41,553	19,617	8,958	381,980	(400,117)
Due from Other Government Units	-	-	-	-	-	(137,256)
Inventories	-	-	-	-	-	(44,665)
Prepaid Expense	-	-	-	-	-	13,757
Increase (Decrease) in:						
Accounts Payable	20,794	(9,702)	137,595	(20,638)	128,049	(176,428)
Due to Other Funds	(146,586)	(349)	(33,859)	161	(180,633)	772,877
Due to Other Government Units	-	-	-	-	-	(15,847)
Claims and Judgments	-	-	-	-	-	85,546
Unearned Revenue	-	2,951	-	1,251	4,202	-
Compensated Absences Payable	104,879	2,534	41,453	75,624	224,490	179,724
Accumulated Landfill Closure	(567,036)	-	-	-	(567,036)	-
Total Adjustments	879,146	599,963	499,357	272,886	2,251,352	4,273,862
Net Cash Provided (Used) by Operating Activities	\$ 3,806,236	\$ 563,982	\$ 1,128,824	\$ (363,294)	\$ 5,135,748	\$ 5,335,854

Noncash Investing, Capital, and Financing

Activities:

Disposition of Capital Assets:						
Gain of Disposition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,843
Loss on Disposition	\$ -	\$ -	\$ -	\$ (6,269)	\$ (6,269)	\$ -
Reclassification & Transfer of Assets from						
Business Type to Governmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (67,269,598)
Prior Period Adjustments:						
Capital Assets	\$ (268,161)	\$ -	\$ (2,345,127)	\$ -	\$ (2,613,288)	\$ -
Debt (GASB 65)	\$ -	\$ (124,584)	\$ -	\$ -	\$ (124,584)	\$ -
Septic Loan Receivables	\$ -	\$ -	\$ -	\$ (47,557)	\$ (47,557)	\$ -
Capital Lease Financing Proceeds	\$ 4,839	\$ 752	\$ -	\$ 1,818	\$ 7,409	\$ -
Contribution of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,471,072

See accompanying notes to financial statements

Statement Of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

ASSETS	Investment Trust Fund	Private Purpose Trust Fund	Agency Funds
Assets:			
Cash & Pooled Investments	\$ 350,600,688	\$ 1,232,913	\$ 13,786,175
Cash and Investments in Trust	-	-	209,205
Deposits with Fiscal Agent	-	-	10,000
Receivables:			
Accrued Interest Receivables	69,407	-	-
Customer Account Receivables	2,262	-	-
Investments at Fair Value:			
US Agency & Instrumentality Securities	(2,961,437)	-	-
Total Assets	347,710,920	1,232,913	14,005,380
LIABILITIES			
Liabilities:			
Warrant Payable	-	-	12,266,374
Accounts Payable	-	-	174,702
Payroll Payable	-	-	1,345,099
Due to Other Governments	-	-	219,205
Total Liabilities	-	-	14,005,380
NET POSITION			
Investments Held in Trust for Pool Participants	347,710,920	-	-
Investments Held in Trust for Other Purposes	-	1,232,913	-
Total Net Position	\$ 347,710,920	\$ 1,232,913	\$ -

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended December 31, 2013

	Investment Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Additions By Participants	\$ 1,169,834,567	\$ 7,352,480
Trust Revenues	189,809	-
Total Contributions	<u>1,170,024,376</u>	<u>7,352,480</u>
Investment Income:		
Net Increase In Fair Value Of Investments	(4,325,304)	-
Interest, Dividends and Other	2,367,033	382
Total Investment Income	<u>(1,958,271)</u>	<u>382</u>
Total Additions	<u>1,168,066,105</u>	<u>7,352,862</u>
Deductions:		
Distributions to Participants	1,150,858,264	7,546,091
Trust Administrative Costs	189,809	-
Total Deductions	<u>1,151,048,073</u>	<u>7,546,091</u>
Change in Net Position Held for Individuals, Organizations and Other Governments	17,018,032	(193,229)
Net Position as of January 1 - Restated	<u>330,692,888</u>	<u>1,426,142</u>
Net Position as of December 31	<u><u>\$ 347,710,920</u></u>	<u><u>\$ 1,232,913</u></u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

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 position 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.

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.
- *Storm & Surface Water Utility* – accounts for assessments levied to minimize the harmful effects of storm water runoff and to construct and improve storm water run-off facilities within the utility's boundaries in unincorporated Thurston County.

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.

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, Storm & Surface Water Utility, 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. 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 third week in September. A recommended budget is submitted to the Board of County Commissioners in the fourth week of October. Public hearings are held the first week of November 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 budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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.

E. Assets, Liabilities, Fund Balance and Net Position

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

It is the County's policy to invest all temporary cash surpluses. At December 31, 2013, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note IV. This amount is classified on the balance sheet as cash and pooled investments in various funds. The interest on these investments is allocated to the various funds on an average daily balance basis.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the year was approximately \$6,556,500.

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. For more information on the County's investments, see Note IV – Deposits and Investments.

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 unearned 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, Accounts Payable, 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". The County reports accrued wages payable as accounts payable, whenever possible, for simplicity.

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 position.

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 reported at market value and 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.

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 position. 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/easements and certain storm water structures, 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.

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 – 50 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 position. Bond premiums and discounts 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.

When bonds are sold by a governmental fund, bond premiums and discounts are recognized in the fund financial statements in the current period. The face amount of debt is reported as other financing sources. Issuance costs are 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 Position in the statement of net position.

8. Unearned Revenue

Unearned 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, 2013. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

10. Net Position

Fund equity is recognized as net position in proprietary funds and entity wide statements. A portion of the county's net position 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. This is considered restricted net position. 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 XIV – Closure and Post Closure Care Costs). Unless otherwise noted, net position is unreserved and undesignated. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources, if available, before accessing and using unrestricted resources to finance the County's ongoing operations as reported in the Statements of Net Position and Activities.

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 policy/procedure #2200. Specifics of this are as follows:

- The Board of County Commissioners (BoCC) is the highest level of decision making authority for the county. It 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.
- Amounts in the assigned fund balance classification are intended to be used by the county for specific purposes but do not meet the criteria to be classified as committed. The BoCC, through policy, has authorized the County's Financial Management Committee (FMC) to assign fund balance. The FMC is a three-member committee made up of the County Manager, County Auditor and the County Treasurer. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- When both restricted and unrestricted funds are available for expenditure, it is County policy that restricted funds be depleted first, before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last, 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. 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 Position

Fund balance in the governmental funds balance sheet is reconciled to net position in the statement of net position. One element of that reconciliation, as detailed below, was for \$437,820,315 because the cost of capital assets, which is expended in governmental funds, is deferred to future periods in the statement of net position:

Governmental Net Book Value - End of Prior Year	\$ 367,231,353
Distribution of Governmental Assets from Internal Service Funds	67,039,872
Gains (Losses) and Adjustments on Dispositions of Capital Assets	1,040,357
Prior Period Adjustment	1,042,864
Governmental Capital Outlays	13,072,588
Governmental Depreciation & Amortization Expense	<u>(11,606,719)</u>
Governmental Net Book Value - End of Current Year	<u><u>\$ 437,820,315</u></u>

Another element of the reconciliation, as detailed below, was for \$84,065,859 because long-term debt, which is not reported in governmental funds, is reported in the statement of net position:

Governmental Debt - End of Prior Year	\$ 88,035,650
Bond/Note Proceeds	393,703
Amortization of Unamortized Premium & Reclassification of Deferred Amount on Refunding per GASB 65	598,540
Principal Payments	<u>(4,962,034)</u>
Computed Governmental Debt - End of Current Year	<u><u>\$ 84,065,859</u></u>

A third element of the reconciliation, as detailed below, was for \$69,456,037 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 position:

Net Position - End of Prior Year	\$ 132,485,229
Reclassification of Internal Service Assets as Governmental Assets	(67,039,872)
Net Transfers In/Out	1,213,779
Contributed Capital	1,291,548
Net Profit	<u>1,505,353</u>
Net Position - End of Current Year	<u><u>\$ 69,456,037</u></u>

Cash	\$ 33,765,849
Capital Assets	45,024,090
Other Assets	1,793,855
Claims and Judgments Payable	(3,705,324)
Other Liabilities	<u>(7,422,433)</u>
Net Position - End of Current Year	<u><u>\$ 69,456,037</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position 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

A. Budgetary Information

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

B. Excess of Expenditures Over Appropriations

The following represents the excess expenditures over appropriations in the County's funds/general fund departments during 2013:

- The County's Coroner's Office, within its General Fund, incurred \$4,309, in excess capital outlay expenditures for lease purchases that were approved through a separate authorizing resolution.
- The County's WSU Extension department, within its General Fund, incurred \$5,677, in excess capital outlay expenditures for lease purchases that were approved through a separate authorizing resolution.
- The County's Debt Holding Fund, a Capital Projects Fund, used to receipt in proceeds of recent bond issues, did a one-time transfer-out of a receivable to a Debt Service fund in the amount of \$585,092, approved through a separate authorizing resolution.
- 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.

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, 2013 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, 2013 were \$7,302,291.

B. Investments

Investments are governed by State statute and County investment policy. All investment instruments are those allowed by statute include U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, 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. The Bank of New York Mellon acts as safekeeping agent for the Thurston County Treasurer. During 2013 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, 2013, the County's investment values and maturities for pool and individual fund investments are as follows:

Pool Investments:		
State Investment Pool	\$ 96,000,000	0.0
Municipal Bonds	9,630,000	2.5
US Treasury & Agency Securities	423,329,286	3.0
Total Pool Investments	\$ 528,959,286	2.4

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, 2013 are:

US Agency 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

WA Municipal Bonds	Rating
King Co SD #411 Issaquah	AA+ S&P
Douglas Co PUD #001	AA S&P
Yakima County Water & Sewer	AA- S&P
Whatcom Co PUD #1	A+ S&P
Washington State CTFS	Aa2 Moodys
Cowlitz County Refunding	A1 Moodys

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, 2013

	Total	Pooled Cash Investments	Non-Pooled Cash & Investments
State Investment Pool	\$ 96,000,000	\$ 96,000,000	\$ -
Municipal Bonds	9,630,000	9,630,000	-
US Treasury & Agency Securities	423,329,286	423,329,286	-
Total Investment Pool Investments	528,959,286	528,959,286	-
Deposits With Financial Institutions	7,302,291	7,302,291	-
Net Increase (Decrease) in Fair Value of Investments	(2,961,437)	(2,961,437)	-
Pool Accruals	546,475	546,475	-
Total Investment Pool Cash & Investments	533,846,615	533,846,615	-
Fiscal and Petty Cash	43,053	-	43,053
Clerk's Trust Funds	1,232,913	-	1,232,913
Total Reported Cash & Investments	\$ 535,122,581	\$ 533,846,615	\$ 1,275,966

Reconciliation of Cash & Investments to Statements
December 31, 2013

	Total	Statements of	
		Fiduciary Net Position	Net Position
Cash & Pooled Investments - County Funds	\$ 172,140,315	\$ -	\$ 172,140,315
Cash & Pooled Investments - Investment Trust Fund	350,600,688	350,600,688	-
Cash & Pooled Investments - Agency Funds	13,995,380	13,995,380	-
Net Increase (Decrease) in Investment Fair Value	(2,961,437)	(2,961,437)	-
Pool Accruals	71,669	71,669	-
Total Investment Pool Cash & Investments	533,846,615	361,706,300	172,140,315
Fiscal and Petty Cash	43,053	10,000	33,053
Private Purpose Trust Funds	1,232,913	1,232,913	-
Total Reported Cash & Investments	\$ 535,122,581	\$ 362,949,213	\$ 172,173,368

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

Restricted and Unrestricted Cash & Investments
December 31, 2013

	Total	Restricted	Unrestricted
Cash & Pooled Investments	\$ 535,122,581	\$ 380,044,055	\$ 155,078,526
Investments	-	-	-
Total	\$ 535,122,581	\$ 380,044,055	\$ 155,078,526

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 anyone other than the County Treasurer.

The TCIP experienced a net decrease in the fair value of the investments during 2013. At 12/31/2013, the market value of investments was \$2,961,437 lower than the amortized cost. These unrealized losses will not be recognized in the various funds as management intends to hold these investments to maturity, unless value is gained by swapping out securities at a premium, recognizing income and reinvesting in a replacement security that balances out specific categories such as maturities, effective duration or types of investments. During 2013, TCIP sold nineteen investments with a total realized gain of \$318,949.

Fair value of the TCIP is reviewed by the County Treasurer, on a monthly basis, and quarterly by the County Finance Committee. Fair value is determined using information from "FinSer", a financial services reporting provider.

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. Currently, there are no outside districts with investments outside the TCIP.

A condensed statement of net position and statement of changes in net position for the external portion of the investment trust pool and the Clerk's private purpose trust fund at December 31, 2013 is reported in the following schedule:

**Condensed Statement of Net Position
December 31, 2013**

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 361,706,300	\$ 1,232,913
Total Assets	361,706,300	1,232,913
Pool Liabilities	(13,995,380)	-
Total Liabilities	(13,995,380)	-
Net Position Held in Trust for Pool Participants	\$ 347,710,920	\$ 1,232,913

Condensed Statement of Changes in Net Position
December 31, 2013

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Position Resulting from Operations	\$ 2,367,033	\$ 382
Earnings Distributions to Participants	(2,367,033)	(382)
Changes in Net Position Resulting from Depositor Transactions	17,018,032	(193,229)
Net Position Available	17,018,032	(193,229)
Net Position Beginning of Year	330,692,888	1,426,142
Net Position End of Year	\$ 347,710,920	\$ 1,232,913

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. The district budget is one of the limitations on taxation.
2. The amount authorized by a district in their resolution or ordinance is another limitation on taxation. When district officials need to increase their budget over the spending of the previous year, they are required to pass one or more resolutions (or ordinances).

3. Statutory dollar rate limits are specified for regular property tax levy rates for most types of taxing districts in RCW 84.52.043.
4. As a result of the passage of Initiative 747 in 2001, allowable annual increases in levy amounts were reduced from 6 percent to 1 percent. Initiative 747 was found unconstitutional by King County Superior Court in June 2006. During the 2007 special legislative session, HB 2416 reinstated the 1 percent levy limit for taxing districts. This limit provides that the levy for a taxing district in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district since 1985 plus an additional dollar amount for increases in assessed value due to new construction and any increase in the assessed value of state assessed property times the preceding years levy rate.
5. 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.
6. The Washington State Constitution limits total regular property taxes to 1 percent of true and fair market valuation. This limit would equate to a regular levy rate of \$10 per \$1,000 of assessed value if the property were assessed at its true and fair value. If taxes for regular districts (excluding the Port & PUD) exceed this amount, the proration order starts with junior taxing districts first, then senior taxing districts, if necessary, until the total is at the 1 percent limit.

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 2012 for collection in 2013:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.3637	\$ 25,260,667,503	\$ 34,447,017
Medic One	\$ 0.3776	\$ 25,260,667,503	\$ 9,538,134
Roads	\$ 1.7282	\$ 11,749,082,868	\$ 20,304,912

NOTE VI – CAPITAL ASSETS AND COMMITMENTS

A. Capital Assets

Capital assets activity for the year ended December 31, 2013 was as follows:

	Beginning Balance 01/01/2013	Prior Period Adjustment	Revised Beginning Balance 01/01/2013	Increases	Decreases & Adjustments	Ending Balance 12/31/2013
<u>GOVERNMENTAL TYPE ACTIVITIES</u>						
Capital Assets - Non-Depreciable:						
Land	\$ 257,427,806	\$ 1,665,117	\$ 259,092,923	\$ 12,102,971	\$ (13,671,031)	\$ 257,524,863
Construction in Progress	23,229,887	(629,904)	22,599,983	9,252,924	(13,221,332)	18,631,575
Intangible Assets	-	-	-	2,911,315	-	2,911,315
Capital Assets - Non-Depreciable	280,657,693	1,035,213	281,692,906	24,267,210	(26,892,363)	279,067,753
Capital Assets - Depreciable:						
Buildings	140,775,726	(176)	140,775,550	80,031,795	(76,435,918)	144,371,427
Intangible Assets	-	-	-	1,848,644	-	1,848,644
Improvements Other Than Buildings	6,938,232	-	6,938,232	50,966	(32,352)	6,956,846
Machinery & Equipment	40,964,239	7,500	40,971,739	6,159,658	(4,196,680)	42,934,717
Infrastructure	139,537,047	-	139,537,047	20,975,138	(12,026,488)	148,485,697
Original Cost	328,215,244	7,324	328,222,568	109,066,201	(92,691,438)	344,597,331
Less Accumulated Depreciation:						
Buildings	(28,639,747)	-	(28,639,747)	(3,878,513)	5,740	(32,512,520)
Improvements Other Than Buildings	(3,520,246)	-	(3,520,246)	(445,369)	24,660	(3,940,955)
Machinery & Equipment	(29,345,342)	-	(29,345,342)	(3,389,459)	2,604,194	(30,130,607)
Intangible Assets	-	-	-	(44,704)	(1,635,836)	(1,680,540)
Infrastructure	(72,526,903)	-	(72,526,903)	(7,861,593)	5,784,436	(74,604,060)
Accumulated Depreciation	(134,032,238)	-	(134,032,238)	(15,619,638)	6,783,194	(142,868,682)
Capital Assets - Depr, Net	194,183,006	7,324	194,190,330	93,446,563	(85,908,244)	201,728,649
Total Original Cost	608,872,937	1,042,537	609,915,474	133,333,411	(119,583,801)	623,665,084
Total Accumulated Depreciation	(134,032,238)	-	(134,032,238)	(15,619,638)	6,783,194	(142,868,682)
Governmental Capital Assets, Net	\$ 474,840,699	\$ 1,042,537	\$ 475,883,236	\$ 117,713,773	\$ (112,800,607)	\$ 480,796,402

Depreciation expense was charged to functions as follows:

Depreciation Expense was charged to functions as follows:	
General Government	\$ 332,906
Public Safety	2,391,668
Utilities and Environment	115,591
Transportation	8,210,048
Economic Environment	1,772
Health and Human Services	192,294
Culture and Recreation	362,440
Subtotal	11,606,719
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based upon their usage of the assets.	4,012,919
Total Governmental Activities Depreciation Expense	\$ 15,619,638

Business Type Activities for the year ended December 31, 2013 was as follows:

	Beginning Balance 01/01/2013	Prior Period Adjustment	Revised Beginning Balance 01/01/2013	Increases	Decreases & Adjustments	Ending Balance 12/31/2013
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BUSINESS TYPE ACTIVITIES

Capital Assets, not being depreciated:						
Land	\$ 1,819,759	\$ -	\$ 1,819,759	\$ 31,344	\$ (389,945)	\$ 1,461,158
Construction In Progress	4,709,757	(268,161)	4,441,596	2,211,806	(5,379,467)	1,273,935
Intangible	-	-	-	376,207	-	376,207
Total Capital Assets, not being depreciated	6,529,516	(268,161)	6,261,355	2,619,357	(5,769,412)	3,111,300
Capital Assets, being depreciated:						
Buildings	24,678,507	-	24,678,507	-	-	24,678,507
Intangible	-	-	-	420,075	(10,764)	409,311
Improvements other than buildings	23,159,139	-	23,159,139	1,603,300	(619,266)	24,143,173
Machinery & Equipment	6,057,890	-	6,057,890	273,910	(704,739)	5,627,061
Infrastructure	20,281,704	(2,345,127)	17,936,577	2,977,228	(5,243,134)	15,670,671
Total Capital Assets, being depreciated	74,177,240	(2,345,127)	71,832,113	5,274,513	(6,577,903)	70,528,723
Less Accumulated Depreciation For:						
Buildings	(8,199,704)	-	(8,199,704)	(750,096)	-	(8,949,800)
Improvements other than buildings	(19,102,636)	-	(19,102,636)	(489,817)	(3,880)	(19,596,333)
Machinery & Equipment	(3,956,389)	-	(3,956,389)	(351,021)	653,448	(3,653,962)
Intangible - M&E	-	-	-	(25,591)	(394,484)	(420,075)
Infrastructure	(7,495,448)	-	(7,495,448)	(662,209)	4,874,391	(3,283,266)
Total Accumulated Depreciation	(38,754,177)	-	(38,754,177)	(2,278,734)	5,129,475	(35,903,436)
Total Capital Assets being depreciated, net	35,423,063	(2,345,127)	33,077,936	2,995,779	(1,448,428)	34,625,287
Business Type Activities Capital Assets, net	\$ 41,952,579	\$ (2,613,288)	\$ 39,339,291	\$ 5,615,136	\$ (7,217,840)	\$ 37,736,587

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:	
Solid Waste	\$ 1,113,675
Water	263,915
Sewer	538,848
Stormwater	334,551
Land Use & Permitting	27,745
Total	\$ 2,278,734

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, 2013:

	Spent-to-Date	Remaining Commitment
Project		
Stormwater Infrastructure Mapping	\$ 219,230	\$ 330,770
Woodard Creek	34,117	183,336
Building 5 - New Roof and HVAC/Fiber	1,569,368	132,835
3400 Building - Roof Replacement/Seismic Repair	1,527,915	287,633
Tilley ESCO Energy Upgrade	304,246	452,255
Total	\$ 3,654,876	\$ 1,386,829

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, 2013 for the County's individual major funds, non-major funds and internal service funds are shown in the following table:

	Taxes	Special Assessment	Interest and Penalties	Customer Accounts	Due from other Governments	Community Loans	Total
<u>Governmental Activities:</u>							
General Fund	\$ 1,262,256	\$ -	\$ 3,027,376	\$ 2,897,825	\$ 2,180,845	\$ -	\$ 9,368,302
Roads	669,403	-	1,532	1,700	2,298,245	-	2,970,880
Medic One	320,916	-	24,533	-	649	-	346,098
Public Health and Social Services	21,429	15,236	25,652	3,212	3,185,544	-	3,251,073
Other Governmental	50,208	50,686	105,611	431,478	1,781,699	-	2,419,682
Internal Service	-	-	13,218	235,538	189,125	-	437,881
Total Governmental Activities	\$ 2,324,212	\$ 65,922	\$ 3,197,922	\$ 3,569,753	\$ 9,636,107	\$ -	\$ 18,793,916
<u>Business-Type Activities:</u>							
Solid Waste	\$ -	\$ -	\$ -	\$ 1,973,213	\$ 304,654	\$ -	\$ 2,277,867
Grand Mound	-	957,435	63,489	235,629	-	-	1,256,553
Storm Water	-	219,795	5,573	-	15,424	-	240,792
Other Enterprise Funds	-	524,397	3,802	111,660	13,795	234,137	887,791
Total Business-Type Activities	\$ -	\$ 1,701,627	\$ 72,864	\$ 2,320,502	\$ 333,873	\$ 234,137	\$ 4,663,003

Governmental funds report unearned 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 unearned revenue and unearned revenue reported in the governmental funds were as follows:

Unearned Revenue	
Delinquent property taxes receivable (General Fund)	\$ 1,262,256
Delinquent property taxes receivable (Roads Fund)	669,403
Delinquent property taxes receivable (Medic One)	320,916
Delinquent property taxes receivable (Public Health & Social Services)	21,429
Delinquent property taxes receivable (Other Governmental Funds)	50,208
Delinquent special assessment receivable (Public Health & Social Services)	15,236
Delinquent special assessment receivable (Other Governmental Funds)	50,686
Delinquent accrued interest and penalties receivable (General Fund)	2,892,800
Delinquent accrued interest and penalties receivable (Other Governmental Funds)	147,610
Deferred Revenue-Other (Roads Fund)	2,501
Deferred Revenue-Other (Medic One Fund)	-
Total deferred/unearned revenue for governmental funds	\$ 5,433,045

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.

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, 2013 was \$7,170,000.

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 \$3,060,000 a year. The term of the bonds is 20 years with the final payment due in 2025. The balance at December 31, 2013 was \$13,535,000 of which \$4,315,000 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, 2013 was \$3,955,000.

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 2030. The bonds bear interest rates of 3.0% to 5.0% payable semi-annually with annual principal installments ranging from \$755,000 to \$3,450,000 a year. The balance at December 31, 2013 was \$38,985,000.

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, 2013 was \$7,650,000 of which \$1,805,000 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, of which a portion was reduced due to sequestration by the federal government beginning in 2013. The term of the bonds is 20 years with final payment due in 2030. The balance at December 31, 2013 was \$16,300,000.

\$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, of which a portion was reduced due to sequestration by the federal government beginning in 2013. The term of the bonds is 18 years with a single principal payment due in 2029. The balance at December 31, 2013 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, 2013 was \$296,453.

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
2014	\$ 5,265,000	\$ 3,553,631	\$ 910,000	\$ 239,100
2015	5,505,000	3,367,519	915,000	193,900
2016	5,810,000	3,169,731	880,000	175,600
2017	5,880,000	3,406,249	985,000	158,000
2018	3,825,000	2,721,349	1,155,000	108,750
2019 - 2023	23,970,000	11,084,104	1,275,000	51,000
2024 - 2028	22,020,000	6,103,048	-	-
2029 - 2030	11,240,000	767,850	-	-
Total	\$ 83,515,000	\$ 34,173,481	\$ 6,120,000	\$ 926,350

2. Loans and Contracts Payable

The Community Loan Repayment Funds (Enterprise Funds) entered into eight 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 term of each of the loans with the State of Washington Department of Ecology is twenty years.

The first loan is not to exceed \$300,000 with an interest rate of 5% per annum. Repayment began in 1996. The balance at December 31, 2013 is \$35,122. The second loan is not to exceed \$200,000 with an interest rate of 0%. The balance at December 31, 2013 is \$29,808. The third loan is not to exceed \$200,000 with an interest rate of 4.3%. Repayment began in 2003. The balance at December 31, 2013 is \$76,247. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2013 is \$9,890. The fifth loan is not to exceed \$150,000 with an interest rate of 1.5%. Repayment began in 2005. The balance as of December 31, 2013 is \$61,425. The sixth loan is not to exceed \$200,000 with an interest rate of 1.5%. Repayment began in 2009. The balance at December 31, 2013 was \$136,293. The seventh loan is not to exceed \$254,695 with an interest rate of 2.2%. Repayment began in 2012. The balance as of December 31, 2013 was \$241,140. The eighth loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment will begin when the draws are substantially complete. The balance as of December 31, 2013 was \$58,902.

Public Works entered into a state revolving fund (DWSRF) loan agreement with the State of Washington Department of Commerce to construct a corrosion control system for the Grand Mound water system in 2006. The term of the loan is for twenty years and the amount financed was \$132,518 with an interest rate of 1%. The balance as of December 31, 2013 was \$67,146.

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 twenty years and the loan is not to exceed \$1,286,721 with an interest amount of 2.8%. Payments will begin in 2015. The balance as of December 31, 2013 was \$1,286,721.

3. Special Assessment Notes Payable

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 as of December 31, 2013 was \$582,824. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2013, the amount of delinquent assessment principal was \$4,947.

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, 2013 of \$8,208. At December 31, 2013, the amount of delinquent assessment principal was \$196.

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
2014	\$ -	\$ -	\$ 142,640	\$ 14,338
2015	30,168	57,444	144,338	12,427
2016	52,591	35,022	127,199	10,680
2017	54,083	33,530	132,190	19,398
2018	55,616	31,996	136,623	14,888
2019 - 2023	302,657	135,406	434,632	55,726
2024 - 2028	348,082	89,981	142,287	12,224
2029 - 2033	400,325	37,739	47,094	1,838
2034	43,199	608	-	-
Total	\$ 1,286,721	\$ 421,726	\$ 1,307,003	\$ 141,519

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 2021. Operating lease expenditures for the year ended December 31, 2013 were \$659,547. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2014	\$ 353,487
2015	216,389
2016	139,198
2017	143,378
2018	147,665
2019-2021	208,004
Total	\$ 1,208,121

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 position. 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	\$ 534,168	\$ 132,806
Less: accumulated depreciation	(190,986)	(37,221)
Present Value of Minimum Lease Payments	343,182	95,585
Plus amount representing interest	52,890	13,098
Total Invested in Capital Leases	\$ 396,072	\$ 108,683

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2013 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2014	\$ 133,545	\$ 41,701
2015	113,392	40,261
2016	81,438	22,145
2017	56,798	2,497
2018	10,899	1,975
Total Minimum Lease Payments	396,072	108,579
Less: Interest	(52,890)	(13,098)
Present Value of Minimum Lease Payments	\$ 343,182	\$ 95,481

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, 2013:

Asset	Governmental Activities	Business-Type Activities
Land	\$ 505,700	\$ -
Buildings	9,815,488	-
Less: Accumulated Depreciation	(1,274,926)	-
Total Invested in Long Term Leases	\$ 9,046,262	\$ -

The County received \$101,942 of operating lease revenues from these contracts in 2013. Amounts that will be received in future years under these lease agreements are noted below:

Year Ending December 31	Amount
2014	\$ 91,411
2015	38,479
2016	3
2017	3
2018	3
2019 - 2056	92
Total Lease Receivable	\$ 129,991

The \$92 receivable from 2019 through 2056 is a combination of park and ride lease with Intercity Transit located at the Waste and Recovery Center, Quixote Village Panza located 3350 Mottman RD SW Olympia and Homes First! located at 5505 32ND CT SE Olympia.

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 \$7,126,210 at December 31, 2013 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$5,788,437 for governmental funds, \$732,049 for internal service funds and \$605,724 for enterprise funds. \$267,467 of this liability is expected to be incurred in 2014. 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 \$2,243,028 was recognized for LEOFF 1 benefits in the statement of net position in 2013. A long term liability of \$17,063,578 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, \$15,581,970 was recognized in the statement of net position for governmental and internal service funds and \$1,481,608 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, 2013

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

<u>Bonds payable:</u>					
General Obligation Bonds	\$ 88,520,000	\$ -	\$ 5,005,000	\$ 83,515,000	\$ 5,265,000
For Issuance Premiums	1,370,782	-	106,525	1,264,257	106,525
Total Bonds Payable	89,890,782	-	5,111,525	84,779,257	5,371,525
<u>Notes Payable:</u>					
Loans Payable	1,107,862	178,859	-	1,286,721	-
Capital Leases Payable	259,835	214,844	131,497	343,182	108,655
Total Notes Payable	1,367,697	393,703	131,497	1,629,903	108,655
Claims and Judgments Payable	4,000,000	85,546	-	4,085,546	380,222
Compensated Absences	6,455,833	289,508	224,855	6,520,486	244,734
Other Post Employment Benefits (OPEB)	15,178,901	2,646,097	-	17,824,998	-
Total Governmental Activities	\$ 116,893,213	\$ 3,414,854	\$ 5,467,877	\$ 114,840,190	\$ 6,105,136

Business-type Activities:

<u>Bonds Payable:</u>					
General Obligation Bonds	\$ 7,040,000	\$ -	\$ 920,000	\$ 6,120,000	\$ 910,000
For Issuance Premiums	285,973	-	40,671	245,302	-
Total Bonds Payable	7,325,973	-	960,671	6,365,302	910,000
<u>Notes Payable:</u>					
Loans Payable	742,441	33,522	59,992	715,971	61,622
Capital Leases Payable	120,087	7,409	32,015	95,481	35,004
Total Notes Payable	862,528	40,931	92,007	811,452	96,626
Special Assessments Payable	672,050	-	81,018	591,032	81,018
Compensated Absences	602,981	23,746	21,003	605,724	22,733
Accumulated Landfill Closure Costs	17,871,749	-	567,036	17,304,713	-
Other Post Employment Benefits (OPEB)	1,259,861	221,747	-	1,481,608	-
Total Business-type Activities	\$ 28,595,142	\$ 286,424	\$ 1,721,735	\$ 27,159,831	\$ 1,110,377

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$732,049 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$2,343,301 of general obligation bonds payable and \$1,568,565 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.

Compensated absence liabilities for governmental funds are typically liquidated by the fund in which the employee is being compensated reports his/her time. Additionally, 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, 2013, the County had \$1,334,228 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 non-major funds in the combining financial statements. At December 31, 2013 the County also had \$1,867,358 in net position 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 2013:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 378,910,013	\$ 293,183,286
General Government (With 3/5-majority vote)	\$ 631,516,688	\$ 545,789,961

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 two outstanding refunded issues.

**Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities
As of December 31, 2013**

	01/01/13	Increases	Decreases	12/31/13
Refunded & Defeased Bonds Outstanding	\$ 13,340,000	\$ -	\$ (1,390,000)	\$ 11,950,000

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 duration of the original issue.

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 duration of the original issue.

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, 2013 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	Storm Water	Non-Maj Enter	Total
General Fund	\$ -	\$ 1,057	\$ 8,399	\$ 1,429	\$ 92,788	\$ -	\$ -	\$ -	\$ 322	\$ 103,995
Roads	8,982	1,333	6,429	1,980	36,286	1,927	35	-	214	57,186
Medic One	-	-	-	-	40	-	-	-	-	40
Public Health	57,020	250	-	-	-	-	-	3,486	8,318	69,074
Non-Major Governmental	1,253,370	26,618	313,323	4,376	114,300	-	2,841	8,817	19,999	1,743,644
Internal Service	45,968	21,471	-	-	784,511	37,223	-	10,467	-	899,640
Solid Waste	21,919	2,685	113,254	-	2,953	949,936	-	-	-	1,090,747
Grand Mound	-	431	135	-	34	-	-	-	-	600
Stormwater	11,756	44,075	46,667	-	2,187	-	-	1,731	7,484	113,900
Non-Major Enterprise	-	1,189	2,640	-	12	-	-	-	1,370	5,211
Total Due to/Due from	\$ 1,399,015	\$ 99,109	\$ 490,847	\$ 7,785	\$ 1,033,111	\$ 989,086	\$ 2,876	\$ 24,501	\$ 37,707	\$ 4,084,037

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 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 including interest throughout the repayment period. The final payment of \$3,221 will be made in 2016. The remaining balance at December 31, 2013 was \$41,369.

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, 2013 are summarized below:

Transfer In								
Transfer Out	General Fund	Roads	Public Health	Non-Major Govt	Internal Service	Grand Mound	Non-Major Enterprise	Total
General Fund	\$ -	\$ -	\$ 1,207,529	\$ 2,518,594	\$ 27,500	\$ -	\$ 986,681	\$ 4,740,304
Roads	-	-	-	869,725	16,708	-	-	886,433
Medic One	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Non-Major Govt	4,338,574	966,404	1,271,439	8,505,227	1,377,523	87,841	49,885	16,596,893
Internal Service	208,655	-	-	9,000	253,107	-	-	470,762
Solid Waste	-	-	-	-	6,955	-	-	6,955
Ground Mound	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	2,748	-	-	2,748
Non-Major Enterprise	-	-	-	-	-	-	-	-
Total Transfers	\$ 4,547,229	\$ 966,404	\$ 2,478,968	\$ 11,902,546	\$ 1,684,541	\$ 87,841	\$ 1,036,566	\$ 22,704,095

NOTE X – PENSION PLANS

Substantially all Thurston County's 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 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 DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. 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 exercised 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 Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 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. The benefit 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, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. 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 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, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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 by 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, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an 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 AFC.

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% 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 4.92% 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:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Government*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Government	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

***Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$ 177,845	\$ 3,710,512	\$ 430,499
2012	\$ 166,172	\$ 3,251,388	\$ 353,904
2011	\$ 166,987	\$ 2,750,826	\$ 290,328

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF was established in 1970 by the Legislature. Membership 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 members 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.

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.

LEOFF 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. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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 10 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 benefit 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 beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered 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 benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. 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. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. 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 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 catastrophically 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 benefit 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.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by 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 eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	27,784

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%.

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

	LEOFF Plan 1	LEOFF Plan 2
2013	\$ 150	\$ 406,163
2012	\$ 141	\$ 397,035
2011	\$ 166	\$ 371,198

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by 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 membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include 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;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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 limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. 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.

PSERS 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.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. 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). 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.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Non-vested	2,167
Total	4,337

Funding Policy

Each biennium, the state Pension Funding Council adopts 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.

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, 2013, are as follows:

	<i>PSERS Plan 2</i>
Employer*	10.54%
Employee	6.36%

*The employer rate includes an employer administrative expense fee of 0.18%.

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

	PSERS Plan 2
2013	\$793,149
2012	\$652,604
2011	\$558,103

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 2013. RCW 48.62 and WAC 200-100 authorizes the governing body of any one or more governmental entities to form a pool or organization for the purposes of joint purchasing of insurance, self-insuring, and/or joint hiring or contracting for risk management services to the extent that they may individually engage in these activities. It is overseen by the State Risk Manager and subject to annual fiscal audits performed 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.

All Pool joint self-insurance liability coverage, including public officials' errors and omissions, and the property insurance program are written on an "occurrence" basis. The Pool provides "following form" excess liability coverage to all members and each county may optionally participate in jointly-purchased property insurance. The property insurance includes structures, vehicles, mobile equipment, and EDP equipment. For property insurance, 26 members are solely responsible for paying their per occurrence deductibles at a level selected by the member county of between \$5,000 and \$50,000. The Washington Counties Property Program (WCPP) includes "All Other Perils" coverage limits of \$500 million per occurrence for losses to buildings, contents etc. with separate higher deductibles applicable to losses resulting from catastrophic events. Special events coverage is also available to member counties as an option and is another type of group purchase making the coverage more affordable.

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 annual elected deductible amounts. The Pool, reinsurance and excess insurance carriers cover losses exceeding 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 jointly self-insured. The remaining insurance (up to \$15 million) is acquired as "following form" excess insurance from superior-rated commercial carriers. The reinsuring agreements also include first and second layer corridor elements – to \$1 million and from \$1 to \$2 million – with cumulative (WCRP) retentions of \$2.95 and \$0.65 million and annual aggregate limits of \$40 and \$20 million respectively.

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, 2013 remains at zero (\$0), as there were no known contingent liabilities 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 liability claims as they come due.

The County paid general claims costs of \$256,561 during 2013. The County's suggested claim reserves, at a 98% confidence level, and therefore the County's potential liability, for claims and costs, were estimated on December 31, 2013 as \$4,085,546. 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. This loss estimate does not include (IBNR) liabilities for non-covered claims, e.g. aviation activities, some employment relations including past wages or benefits, some pollutants, property losses / takings, certain municipal activities, punitive damages, willful civil violations and other loss exposures not currently insured. This estimate also does not include first party property loss deductibles. As estimates, these values fluctuate significantly 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		
	2013	2012
Beginning claims liability	\$ 4,000,000	\$ 4,163,934
Claims incurred during the year (including IBNRs)*	342,107	348,595
Claims payments	(256,561)	(512,529)
Ending claims liability	\$ 4,085,546	\$ 4,000,000

*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 Position. 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 this Comprehensive Annual Financial Report.

In 2013, 17 retirees received benefits under this act. As of December 31, 2013, there was 1 active officer who may become eligible for those benefits when normal retirement age is reached.

2. Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the county as required by state law. 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, 2013, and two preceding years, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$2,243,028 is reported as a non-current liability on the Statement of Net Position.

	Year Ending 12/31/2011	Year Ending 12/31/2012	Year Ending 12/31/2013
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Determination of Annual Required Contribution:

Normal Cost at Year End	\$ 14,957	\$ 13,897	\$ 13,300
Amortization of UAAL *	514,336	514,881	497,242
Annual Required Contribution	\$ 529,293	\$ 528,778	\$ 510,542

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 529,293	\$ 528,778	\$ 510,542
Interest on Prior Year Net OPEB Obligation	63,712	74,292	84,886
Adjustment to ARC	(131,833)	(153,724)	(175,647)
Annual OPEB Cost	461,172	449,345	419,781
Contributions Made	(226,472)	(213,506)	(63,118)
Increase in Net OPEB Obligation	\$ 234,700	\$ 235,839	\$ 356,663

Net OPEB Obligation - End Of Year:

Net OPEB Obligation - Beginning of Year	\$ 1,415,828	\$ 1,650,526	\$ 1,886,365
Increase in Net OPEB Obligation	234,698	235,839	356,663
Net OPEB Obligation-end of year (NOO)	\$ 1,650,526	\$ 1,886,365	\$ 2,243,028

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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
12/31/2011	\$ 461,172	\$ 226,472	49.1%	\$ 1,650,526	\$ 159,474	3463.72%
12/31/2012	\$ 449,345	\$ 213,506	47.5%	\$ 1,886,365	\$ 104,010	5316.40%
12/31/2013	\$ 419,781	\$ 63,118	15.0%	\$ 2,243,028	\$ 102,327	5218.71%

4. Funded Status and Funding Progress

As of December 31, 2013 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$5,340,148 and the actuarial value of the assets was \$0 resulting in a UAAL of \$5,340,148.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2013, these costs total \$63,118 with a cost per retiree of \$3,713. Thurston County uses its General 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. These healthcare inflation trends start at approximately 7.5 percent in 2013 and gradually decrease to 4.6 percent in 2081 and beyond. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. 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.

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 Position. 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
- 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 53 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) and Medicare (post-65) monthly premiums available for the 2013 calendar year:

Plan	Retiree	Retiree & Spouse or SSDP*	Retiree & Children	Full Family
Group Health Classic	\$ 584.66	\$ 1,163.14	\$ 1,018.52	\$ 1,597.00
Group Health Value	\$ 535.22	\$ 1,064.26	\$ 932.00	\$ 1,461.04
Group Health CDHP	\$ 513.77	\$ 1,018.40	\$ 906.83	\$ 1,353.13
Kaiser Permanente Classic	\$ 567.06	\$ 1,127.94	\$ 987.72	\$ 1,548.60
Kaiser Permanente CDHP	\$ 498.95	\$ 988.26	\$ 880.52	\$ 1,311.50
Uniform Medical Plan Classic	\$ 545.83	\$ 1,085.48	\$ 950.57	\$ 1,490.22
Uniform Medical Plan CDHP	\$ 499.95	\$ 990.26	\$ 882.27	\$ 1,314.25

* State-Registered Domestic Partner.

Explicit Medicare subsidies are capped at \$150 per month for 2014.

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. At the suggestion of its actuary, the County modified its amortization period to a rolling 25-year period beginning in 2013. 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 12/31/2011	Year Ending 12/31/2012	Year Ending 12/31/2013
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Determination of Annual Required Contribution:

Normal Cost at Year End	\$ 1,665,505	\$ 1,665,505	\$ 1,645,867
Amortization of UAAL*	1,048,032	1,048,032	1,184,279
Annual Required Contribution	\$ 2,713,537	\$ 2,713,537	\$ 2,830,146

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 2,713,537	\$ 2,713,537	\$ 2,830,146
Interest on Prior Year Net OPEB Obligation	434,064	544,971	582,096
Adjustment to ARC	(379,250)	(512,810)	(593,624)
Annual OPEB Cost	2,768,351	2,745,698	2,818,618
Contributions Made	(303,757)	(303,757)	(307,437)
Increase in Net OPEB Obligation	\$ 2,464,594	\$ 2,441,941	\$ 2,511,181

Net OPEB Obligation - End Of Year:

Net OPEB Obligation - Beginning of Year	\$ 9,645,862	\$ 12,110,456	\$ 14,552,397
Increase in Net OPEB Obligation	2,464,594	2,441,941	2,511,181
Net OPEB Obligation-end of year	\$ 12,110,456	\$ 14,552,397	\$ 17,063,578

*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 2013 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
12/31/2011	\$ 2,768,351	\$ 303,757	10.97%	\$ 12,110,456	\$ 66,592,253	40.03%
12/31/2012	\$ 2,745,698	\$ 303,757	11.06%	\$ 14,552,397	\$ 68,962,110	38.65%
12/31/2013	\$ 2,818,618	\$ 307,437	10.91%	\$ 17,063,578	\$ 70,046,572	41.45%

6. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$29 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$29 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

7. Actuarial Methods and Assumptions

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

All demographic assumptions, healthcare assumptions, and methods used match those disclosed in the 2013 OPEB Report published by the Office of the State Actuary. Specifically, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4 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, which vary by medical plan and age, start at approximately 9 percent in 2013 and gradually decrease to 5 percent in 2090 and beyond. The inflation rate assumption used in the calculation was 3 percent. The data used for this valuation was identified by department number from the data disclosed in the 2013 OPEB Report. Please see <http://osa.leg.wa.gov/index/index.htm> for more detail.

Thurston County selected the 25-year rolling average amortization period for the UAAL starting in 2013.

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 \$568,695 as its share of operations in 2013 which is 53.33% of the total contributions from participating agencies. The County's equity interest at December 31, 2013 is therefore \$2,048,003. 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 Position for Animal Control at the end of 2013 totaled \$3,840,244. 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	\$ 4,046,104
Liabilities	(205,860)
Net Position	\$ 3,840,244
Total Revenues	\$ 1,738,073
Total Expenses	1,630,388
Net Income	\$ 107,685
Beginning Net Position 1/1/13	\$ 3,732,532
Net Income (Loss)	107,685
Adjustment - City of Lacey Beginning net position 1/1, restated	27
Ending Net Position - 12/31/13	\$ 3,840,244

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 2013. 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 \$61,124 as its share of operations in 2013. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2013. 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 \$198,580 as its share of operations in 2013 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2013. 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. In 2013, Thurston County contributed \$10,838 for the Operating and Maintenance of the Early Warning System. We do not have 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.

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 \$17,304,713 on December 31, 2013.

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, 2013, cash and pooled investments of \$16,657,781 are held for these purposes. An additional \$113,471 is contractually restricted for equipment replacement resulting in \$16,771,252 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 – FUND BALANCES, GOVERNMENTAL FUNDS

The following table discloses the specific purposes of restricted, committed, assigned and unrestricted fund balances for all governmental funds as of December 31, 2013.

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2013
Page 1 of 2

ASSETS	General Fund	Major Special Revenue			Other Funds
		Roads	Medic One	Public Health & Social Services	
Nonspendable:					
Fines & Forfeitures	1,680,044	-	-	-	-
Inventory	-	1,094,799	-	-	-
Prepayments	13,305	3,602	-	639	-
Total Non-Spendable	1,693,349	1,098,401	-	639	-
Restricted for:					
Building Construction and Improvement	-	-	-	-	135,663
Capital Projects	-	-	-	-	15,922,815
Conservation Futures	-	-	-	-	4,632,915
Economic Development	-	-	-	-	2,019
Elections	-	-	-	-	-
General Obligation Debt	-	-	-	-	2,175
Health and Social Services	-	-	-	-	-
Historic Preservation	-	-	-	-	336,742
Housing Services	-	-	-	-	1,175,638
Judicial	-	-	-	-	879,909
Law Enforcement	-	-	-	-	205,141
Legislative/Admin/Support Services	-	-	-	-	245,909
Life Support and Transport Services	-	-	10,321,374	-	-
Mental Health	-	-	-	-	3,205,207
Noxious Weed Control	-	-	-	-	-
Parks and Recreation	-	-	-	-	134,489
Public Safety	-	-	-	-	-
Purchases on Order	66,345	-	-	-	-
Roads Construction	-	-	-	-	341,429
Roads Operations	-	5,725,060	-	-	-
Special assessments	-	-	-	-	283,450
Veteran's Relief	-	-	-	-	162,364
Water Management	-	-	-	-	20,135
Total Restricted	66,345	5,725,060	10,321,374	-	27,686,000

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2013
Page 2 of 2

ASSETS	General Fund	Major Special Revenue			Other Funds
		Roads	Medic One	Public Health & Social Services	
Committed for:					
Elections	-	-	-	-	266,808
Total Committed	-	-	-	-	266,808
Assigned to:					
Building Construction and Improvement	-	-	-	-	545
Capital Projects	-	-	-	-	1,388,482
Conservation Futures	-	-	-	-	415,727
Economic Development	-	-	-	-	2,414
Elections	-	-	-	-	26,398
General Obligation Debt	-	-	-	-	1,291,310
Health and Social Services	-	-	-	19,011,596	-
Historic Preservation	-	-	-	-	295,796
Housing Services	-	-	-	-	397,190
Judicial	-	-	-	-	790,226
Law Enforcement	-	-	-	-	28,493
Legislative/Admin/Support Services	-	-	-	-	78,007
Life Support and Transport Services	-	-	7,920,973	-	-
Mental Health	-	-	-	-	-
Noxious Weed Control	-	-	-	-	161,688
Parks and Recreation	-	-	-	-	-
Public Safety	-	-	-	-	2,860
Purchases on Order	-	-	-	-	-
Roads Construction	-	1,922,755	-	-	-
Roads Operations	-	7,913,153	-	-	-
Special assessments	-	-	-	-	7,981
Veteran's Relief	-	-	-	-	18,826
Water Management	-	-	-	-	9,422
Total Assigned	-	9,835,908	7,920,973	19,011,596	4,915,365
Unassigned	9,068,302	-	-	-	-
Total Fund Balance	\$ 10,827,996	\$ 16,659,369	\$ 18,242,347	\$ 19,012,235	\$ 32,868,173

NOTE XVI – NET INVESTMENT IN CAPITAL ASSETS

Net Investment in Capital Assets 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, debt incurred to finance capital acquisitions by outside parties, and non-capital financings as noted below.

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Depreciation	\$ 480,796,402	\$ 37,736,587
Less: Total Reported Outstanding Debt	(86,409,160)	(7,767,786)
Plus: Outside Agency Outstanding Debt	1,437,454	-
Plus: Debt Holding Fund Balance (Unspent Debt Proceeds)	381,299	-
Non-Capital Debt (Septic Loan Financing)	-	648,825
Net Investment in Capital Assets	\$ 396,205,995	\$ 30,617,626

NOTE XVII – OTHER DISCLOSURES

A. Prior Period Adjustments

The County reported prior period adjustments of \$(6,349,328) and \$(2,785,429) in Governmental Activities and Business-type Activities respectively. A detail discussion of each of these prior period adjustments is as follows:

Governmental Activities

- A (\$1,346,920) was recorded to reclassify Debt Issue Costs, previously recorded as an asset, in the County's Government-Wide statements only. GASB 65 required the adjustment to these balances incurred in prior accounting years be recorded as a prior period adjustment.
- An adjustment of (\$5,276,595), related to long-term court fines receivable, was recorded in the Government-Wide statements only. This adjustment was necessary because new information was obtained from fiscal management of the County's Clerk's Office during the year that indicated this receivable balance had been overstated in prior years.
- An adjustment of (\$5,491,582) was recorded to correct an error related an overstated Construction-in-Progress (CIP) account. Infrastructure related work was performed on non-county property yet it was treated as county-owned CIP. This adjustment was recorded in the Government Wide statements only.
- An adjustment of \$4,861,678 was recorded to recognize Public Works contributed capital and culvert assets previously not identified as county-owned assets. This adjustment was recorded in the Government Wide statements only.
- An adjustment of \$1,332,600 was recorded due to a clean-up project between the Auditor's Office and the Assessor's Office. The balance represents land that was transferred to the County in 2009 by a Washington State agency but was not communicated to the County in a timely manner. This adjustment was recorded in the Government-Wide statements only.
- Due to a clean-up project during the year, several other smaller capital asset related adjustments were recorded to just the Government-Wide statements. These adjustments net to \$340,168.

- A (\$323,907) adjustment was made to the County's General Fund that is related to the second bullet from the top in this section. This adjustment represents the current portion of the court fines receivable.
- A (\$116,663) adjustment was made to a non-major Special Revenue fund named Victim Advocate Program. This is also directly related to the second bullet from the top in this section as a portion of these current court fines receivable are recorded in this fund as well.
- A (\$33,107) adjustment was made to a non-major Special Revenue fund named LFO Collection Fund. This is also directly related to the second bullet from the top in this section as a portion of these current court fines receivable are recorded in this fund as well.
- A (\$295,000) adjustment was recorded in the 2010 GO Bonds fund, a non-major Debt Service fund. This adjustment was needed to correct a receivable balance related to recurring debt the County pays on behalf of another entity.

Business-type Activities

- A (\$268,161) adjustment was made to the County's Solid Waste fund, a major Enterprise fund, due to the retirement of a capital asset.
- A (\$124,584) adjustment was made to the County's Grand Mound fund, a major Enterprise fund, to reclassify Debt Issue Costs, previously recorded as an asset. GASB 65 required the adjustment to these balances incurred in prior accounting years be recorded as a prior period adjustment.
- A (\$2,345,127) adjustment was made to the County's Storm Water fund, a major Enterprise fund, due to an overstatement of Infrastructure asset balances identified during the year.
- The Community Loan Program non-major Enterprise fund made a (\$47,557) 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 2012 reclassification.

B. Fund Changes

The following changes to County funds took place during 2013:

- The 2002 GO Bonds, Debt Service fund was closed during 2013 and the remaining balances transferred to the 2010 GO Bonds, Debt Service fund
- The Parks and Trails fund, which was rolled into and reported within the General Fund in the 2012 financial statements, was consolidated within the Roads Special Revenue fund in the 2013 financial statements.
- The County reclassified the following funds from major to non-major for 2013: Detention Facility Sales Tax, Debt Holding, and Real Estate Excise Tax.

The following funds were established in 2013 and added to the 2013 financial statements:

- Parks Impact Feed
- Transportation Impact Fees

C. Contingencies

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

D. Accounting and Reporting Changes

During the year the County completed a project that updated the reporting location of several large capital assets. Consequently, the County reported a Net Position decrease of \$63 million in its Internal Service Funds. There was no effect to the County's Government Wide statements.

During the year, the County implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. This new standard is preferable because it will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The County determined it had one balance, Deferred Amounts on Refunding, that was classified as a deferred outflow of resources during the year. See statements for more detail.

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS**

LEOFF 1 Retiree Medical Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$ -	\$ 5,523,732	\$ 5,523,732	0%	\$ 159,474	3463.72%
12/31/2012	\$ -	\$ 5,529,586	\$ 5,529,586	0%	\$ 104,010	5316.40%
12/31/2013	\$ -	\$ 5,340,148	\$ 5,340,148	0%	\$ 102,327	5218.71%

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
12/31/2011	\$ -	\$ 26,655,663	\$ 26,655,663	0%	\$ 66,592,253	40.03%
12/31/2012	\$ -	\$ 26,655,663	\$ 26,655,663	0%	\$ 68,962,110	38.65%
12/31/2013	\$ -	\$ 29,032,067	\$ 29,032,067	0%	\$ 70,046,572	41.45%

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote 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	N/A	\$ 18,196		\$ 18,196	3, 4
Department of Agriculture/Pass-Through from WA Office of Superintendent of Public Instruction	National School Lunch Program	10.555	N/A	\$ 27,785		\$ 27,785	3, 4
Department of Agriculture/Pass-Through from Wa State Treasurer	Schools and Roads - Grants to States	10.665	N/A	\$ 619		\$ 619	4
Department of Agriculture/Pass-Through from Wa State Treasurer	Military Forest Yield	12.999	N/A	\$ 63,678		\$ 63,678	4,6
Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-53-007		\$ 43,834	\$ 43,834	
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	\$ 88,247			5, 8
			12-6400-032	\$ 578,829			5, 8
			10-64009-032	\$ 53,864			5, 8
			11-64100-029	\$ 529,808			
			Subtotal	\$ 1,250,748		\$ 1,250,748	
Department of Housing and Urban Development/Pass-Through from WA Department of Commerce	Emergency Solutions Grant Program	14.231	13-46107-028	\$ 203,307		\$ 203,307	8
Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M09-DC-53-0207		\$ 27,675		8
			M10-DC-53-0207		\$ 37,028		8
			M11-DC-53-0207		\$ 39,687		5, 8
			M12-DC-53-0207		\$ 605,885		5, 8, 9
			M13-DC-53-0207		\$ 58,703		8
			Subtotal		\$ 768,978	\$ 768,978	
Department of the Interior	Fish and Wildlife Management Assistance	15.608	F11AC00026		\$ 7,225	\$ 7,225	
Department of the Interior/ Pass Through Wa Dept of Fish and Wildlife	Cooperative Endangered Species Conservation Fund	15.615	FAA #WA E-53-HP-1 WDFW #12-1139	\$ 217,804		\$ 217,804	
Department of the Interior	Endangered Species Conservation-Recovery Implementation Funds	15.657	F13AP00598		\$ 10,808	\$ 10,808	
Office of National Drug Control Policy/Pass-Through from Educational Service District 105	High Intensity Drug Trafficking Area	16.000	9009000063	\$ 28,647		\$ 28,647	6

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Department of Justice	Violence Against Women Act Court Training and Improvement Grants	16.013	2011-WC-AX-K022		\$ 64,181	\$ 64,181	
Department of Justice/Pass-Through from Thurston County Narcotic Task Force	Joint Law Enforcement Operations (JLEO)	16.111	N/A	\$ 1,633		\$ 1,633	4
Department of Justice/Pass-Through from WA Administrative Office of the Courts	National Criminal History Improvement Program (NCHIP)	16.554	ICA12271	\$ 29,417		\$ 29,417	
Department of Justice/ Pass-Through WA Department of Commerce	Crime Victim Assistance	16.575	S13-31119-037 S14-31119-037 Subtotal	\$ 93,796 \$ 42,165 \$ 135,961		\$ 135,961	
Department of Justice/Pass-Through from WA Administrative Office of the Courts Department of Justice/Pass-Through from WA Department of Commerce	Violence Against Women Formula Grants	16.588	ICA13533 STOP F12-31103-032 F12-31103-033 Subtotal	\$ 2,724 \$ 16,422 \$ 16,901 \$ 36,047		\$ 36,047	
Department of Justice	State Criminal Alien Assistance Program	16.606	2013 SCAAP		\$ 44,867	\$ 44,867	
Department of Justice/ Pass-Through WA DSHS	Enforcing Underage Drinking Laws Program	16.727	1163-27329	\$ 7,500		\$ 7,500	8
Department of Justice Department of Justice/Pass-Through from Thurston County Narcotic Task Force	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2561 N/A M12-34021-010 M13-34021-010 Subtotal	 \$ 44,334 \$ 60,651 \$ 19,607 \$ 124,592	\$ 7,808	\$ 132,400	4
Department of Justice	ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	ARRA-2009-SB-B9-1395		\$ 9,459	\$ 9,459	7
Department of Justice/ Pass-Through Thurston County Narcotic Task Force	Equitable Sharing Program	16.922	N/A	\$ 5,009		\$ 5,009	4
Department of Transportation/Pass-Through from WA DOT	Highway Planning and Construction	20.205	STPUS-5214 (001) STPUS-5271(001) STPR-F341(004) STPR-H345(003) HSIP-000S(358) HPP-2034(065) HSIP-000S(356) HSIP-000S(354)	\$ 302,450 \$ 80,953 \$ 654,800 \$ 53,927 \$ 5,144 \$ 735,004 \$ 398,630 \$ 388,046			

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
			HSIP-000S(265)	\$ 499,415			
			Subtotal	\$ 3,118,369		\$ 3,118,369	
Department of Transportation/Pass-Through from WA Traffic Safety Commission	State and Community Highway Safety	20.600	SWV0007436-01	\$ 1,863			
			2013ST	\$ 6,311			
			N/A	\$ 216			4
			N/A	\$ 382			4
			N/A	\$ 13,297			4
			AL 14-08	\$ 64			5
			N/A	\$ 595			4
			N/A	\$ 264			4
			N/A	\$ 31,715			4, 8
			N/A	\$ 1,752			4
			120-6200-00	\$ 775			
			N/A	\$ 3,403			4
			N/A	\$ 371			4
			Subtotal	\$ 61,008		\$ 61,008	
Department of Transportation/Pass-Through from WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A				4
				\$ 4,445		\$ 4,445	
Department of Transportation/Pass-Through from WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	N/A				4
				\$ 1,278		\$ 1,278	
Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-J12401-1				5
					\$ 358,784	\$ 358,784	
Environmental Protection Agency/Pass-Through from Puget Sound Partnership	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	2013-63, 2013-78, 2013-08				
				\$ 6,517		\$ 6,517	
Environmental Protection Agency/Pass-Through from Wa Department of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1400025	\$ 4,091			5
			2012-29	\$ 87,835			
			C16904	\$ 194,178			
			Subtotal	\$ 286,104		\$ 286,104	
Environmental Protection Agency/Pass-Through from WA Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	G1100203	\$ 1,662,657			11
			L1100004	\$ 119,918			
			L1200016	\$ 29,350			11
			Subtotal	\$ 1,811,925		\$ 1,811,925	
Environmental Protection Agency	Protection of Children from Environmental Health Risks	66.609	CH 83511901				
					\$ 29,820	\$ 29,820	

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Department of Education/ Pass-Through WA DSHS	Rehabilitation Services-- Vocational Rehabilitation Grants to States	84.126	1263-56883				8
				\$ 42,500		\$ 42,500	
U.S. Election Assistance Commission/ Pass-Through Office of the WA Secretary of State	Help America Vote Act Requirements Payments	90.401	G-2585 2C, 2D G-2585 #6	\$ 9,138 <u>\$ 2,084</u>			
			Subtotal	\$ 11,222		\$ 11,222	
Department of Health and Human Services/Pass-Through from Medical Reserve Corps	Medical Reserve Corps Small Grant Program	93.008	MRC13-0172				
				\$ 4,000		\$ 4,000	
Department of Health and Human Services/Pass-Through from WA Department of Health	Public Health Emergency Preparedness	93.069	C16904				
				\$ 102,993		\$ 102,993	
Department of Health and Human Services/Pass-Through from WA Department of Health	Environmental Public Health and Emergency Response	93.070	C16904				
				\$ 3,033		\$ 3,033	
Department of Health and Human Services/Pass-Through from WA Department of Health	Sodium Reduction in Communities	93.082	C16904				
				\$ 6,517		\$ 6,517	
Department of Health and Human Services/Pass-Through from WA Department of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C16904				
				\$ 3,422		\$ 3,422	
Department of Health and Human Services/Pass-Through from WA DSHS	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1269-592786/ 1169-34916				8
				\$ 45,684		\$ 45,684	
Department of Health and Human Services	Substance Abuse and Mental Health Services- Projects of Regional and National Significance	93.243	SH79T1023097-03		\$ 360,512		
Department of Health and Human Services/Pass-Through from WA DSHS			1363-90047	\$ 4,513			
			Subtotal	\$ 4,513	\$ 360,512	\$ 365,025	
Department of Health and Human Services/Pass-Through from WA Department of Health	Immunization Cooperative Agreements	93.268	C16904				
				\$ 51,514		\$ 51,514	
Department of Health and Human Services	National Community Centers of Excellence in	93.290	CCEWH111027-02-00 CCEWH 111027-				8

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
	Women's Health		003-00		\$ 280,589	\$ 280,589	
Department of Health and Human Services/Pass-Through from Grays Harbor County Department of Health	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants-financed solely by 2012 Prevention and Public Health Funds	93.531	N/A				4, 8
				\$ 67,931		\$ 67,931	
Department of Health and Human Services/Pass-Through from WA Department of Health	PPHF 2012: Prevention and Public Health Fund (Affordable Care Act)-Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16904				
				\$ 8,950		\$ 8,950	
Department of Health and Human Services/Pass-Through from WA DSHS	Child Support Enforcement	93.563	2110-80383	\$ 864,156			5
			75-1501-0-1-609	\$ 88,943			
			Subtotal	\$ 953,099		\$ 953,099	
Department of Health and Human Services/Pass-Through from WA DSHS	Medical Assistance Program	93.778	1163-27329				8, 10
				\$ 39,562		\$ 39,562	
Department of Health and Human Services/Pass-Through from WA Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C16904				
				\$ 37,167		\$ 37,167	
Department of Health and Human Services/Pass-Through from WA DSHS	Block Grants for Community Mental Health Services	93.958	1169-35520				8
				\$ 325,344		\$ 325,344	
Department of Health and Human Services/Pass-Through from WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27329				8
				\$ 505,344		\$ 505,344	
Department of Health and Human Services/Pass-Through from WA Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16904				

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
				\$ 172,397		\$ 172,397	
Executive Office of the President/Pass-Through from WA State Patrol	High Intensity Drug Trafficking Areas Program	95.001	N/A	\$ 5,234			4
Executive Office of the President/Pass-Through from Thurston County Narcotic Task Force			N/A	\$ 6,767			4
			Subtotal	\$ 12,001		\$ 12,001	
Department of Homeland Security/Pass-Through from WA Parks & Recreation Commission	Boating Safety Financial Assistance	97.012	N/A	\$ 21,870		\$ 21,870	4
Department of Homeland Security/Pass-Through from WA Military Department	Emergency Management Performance Grants	97.042	E13-138 (Thurston 29A-2013-006 FFY-2012 EMPG)	\$ 60,633			4
			E14-104 (Thurston 29A-2013-035 FFY-2013 EMPG)	\$ 53,798			
			N/A	\$ 562			
			Subtotal	\$ 114,993		\$ 114,993	
Department of Homeland Security	Cooperating Technical Partners	97.045	S451958NCTP12 (Thurston 29A-2012-023/CTP)		\$ 101,088	\$ 101,088	
Department of Homeland Security/Pass-Through from WA Military Department	Interoperable Emergency Communications	97.055	E13-240 (Thurston 29A-2013-021/FY 2010 IECGP)	\$ 91,122		\$ 91,122	8
Department of Homeland Security/Pass-Through from WA Military Department	Homeland Security Grant Program	97.067	K1034 (Thurston 29A-2012-020/FFY-2011 CCPP)	\$ 1,206			8
			E11-247 (Thurston 29A- 2011-022/FFY-2010 SHSP)	\$ 364,066			8
			E12-230 (Thurston 29A-2012-007/FFY-2011 SHSP)	\$ 82,384			8
			Subtotal	\$ 447,656		\$ 447,656	
Department of Homeland Security/Pass-Through from City of Seattle Police Department, Office of	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	(Thurston 29A-2013-022)/FFY 2011 RCPGP	\$ 1,121			

				Expenditures			Footnote Ref.
Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	
Emergency Management			2011-43 (Thurston 29A-11-061 FFY-2010 RCPGP)	\$ 3,090			
			Subtotal	\$ 4,211		\$ 4,211	
Department of Homeland Security/Pass-Through from Marine Exchange of Puget Sound	ARRA-Port Security Grant Program	97.116	EMW-2011-PU-K00268-S01	\$ 8,770		\$ 8,770	
Total Federal Awards Expended				\$ 10,526,404	\$ 2,087,953	\$ 12,614,357	

THURSTON COUNTY
Notes to the Schedule of Expenditures of
Federal Awards
For the Year Ended December 31, 2013

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 the following amounts passed through to a subrecipient.

CFDA #	Contract #	Amount
14.228	10-641000-009	\$85,246.71
14.228	12-6400-032	\$567,451.80
14.228	10-64009-032	\$49,332.99
14.231	13-46107-028	\$203,306.97
14.239	M09-DC-53-0207	\$27,674.87
14.239	M10-DC-53-0207	\$37,028.10
14.239	M11-DC-53-0207	\$30,286.65
14.239	M12-DC-53-0207	\$549,428.93
14.239	M13-DC-53-0207	\$58,702.85
16.727	1163-27329	\$7,500.00

20.600	NA	\$15,028.74
84.126	1263-56883	\$22,300.00
93.150	1169-34916/1269-59278	\$45,684.33
93.243	1363-90047	\$4,512.68
93.290	CCEWH111027-02-00 CCEWH111027-003-00	\$227,880.53
93.531	Interlocal (2)	\$937.40
93.778	1163-27329	\$94,472.94
93.958	1169-35520	\$325,344.49
93.959	1163-27329	\$505,344.31
97.055	E13-240 (Thurston 29A-2013-021/FY2010 IECGP)	\$91,122.34
97.067	E11-247 (Thurston 29A-2011-022/FFY-2010 SHSP), E13-019 (Thurston 29A-2012-025 FFY-2009 EXT SHSP)	\$130,319.94

NOTE 9 – PROGRAM INCOME

The total amount of \$30,754.32 current year expenditures include amounts received as program income.

NOTE 10 – MEDICAL ASSISTANCE PROGRAM

Due to timing issues associated with a random sample method used by the granting agency to calculate allowable expenditures, the amount reported for the year is the actual known expenditures at the time of schedule preparation.

NOTE 11 – FEDERAL LOANS

The County received a loan approved by EPA and DOE totaling \$1,227,780 to construct sanitary sewer systems in Woodland Creek area to replace failing septic systems and to protect Henderson Inlet watershed. The amount listed for this loan includes the amount used during 2013.

The County received a loan approved by EPA and DOE totaling \$250,000 for the purpose of providing low interest loans to repair or replace failing or antiquated on-site sewage systems or connect to sewer where available to owners of eligible Thurston County properties. The amount listed for this loan includes the amount using during 2013.

Both the current and prior year loans are also reported on the County's Schedule of Liabilities.



ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens 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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Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
Deputy Director of Quality Assurance
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Chuck Pfeil, CPA
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