



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
Thurston County

For the period January 1, 2016 through December 31, 2016

Published September 28, 2017

Report No. 1019900





Office of the Washington State Auditor
Pat McCarthy

September 28, 2017

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,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Thurston County January 1, 2016 through December 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
93.563	Child Support Enforcement

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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, 2016 through December 31, 2016**

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2017. As discussed in Note 18 to the financial statements, during the year ended December 31, 2016, the County implemented Governmental Accounting Standards Board *Statement No. 72, Fair Value Measurement and Application* and *Statement No. 79, Certain External Investment Pools and Pool Participants*.

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.

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Pat McCarthy

State Auditor

Olympia, WA

September 20, 2017

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

**Thurston County
January 1, 2016 through December 31, 2016**

Board of Commissioners
Thurston County
Olympia, Washington

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

We have audited the compliance of Thurston County, Thurston County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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


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

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

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

Purpose of this Report

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

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Pat McCarthy

State Auditor

Olympia, WA

September 20, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Thurston County January 1, 2016 through December 31, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 16.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Medic One, Treatment Sales Tax, 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.

Matters of Emphasis

As discussed in Note 18 to the financial statements, in 2016, the County adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 72, Fair Value Measurement and Application* and *Statement No. 79, Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

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 18 through 36, information on postemployment benefits other than pensions on page 123 and pension plan information on pages 124 through 132 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 September 20, 2017 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.

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Pat McCarthy

State Auditor

Olympia, WA

September 20, 2017

FINANCIAL SECTION

Thurston County January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2016

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Medic One – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Treatment Sales Tax – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (GAAP Basis) and Actual – Public Health and Social Services – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2016

Statement of Net Position – Proprietary Funds – 2016

Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2016

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities – 2016

Statement of Cash Flows – Proprietary Funds – 2016

Statement of Fiduciary Net Position – Fiduciary Funds – 2016

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Medical Benefits – Schedule of Funding Progress – LEOFF 1 and PEBB - 2016
Schedules of Proportionate Share of the Net Pension Liability – PERS 1 – 2016
Schedules of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2016
Schedules of Proportionate Share of the Net Pension Liability – PSERS – 2016
Schedules of Proportionate Share of the Net Pension Liability – LEOFF 1 – 2016
Schedules of Proportionate Share of the Net Pension Liability – LEOFF 2 – 2016
Schedules of Employer Contributions – PERS 1 – 2016
Schedules of Employer Contributions – PERS 2/3 – 2016
Schedules of Employer Contributions – PSERS – 2016
Schedules of Employer Contributions – LEOFF 2 – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the county's financial statements and notes to the financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The County's Public Health, Major Special Revenue fund saw some dramatic changes in 2016. Chiefly, the Regional Support Network (RSN) of Thurston County broke off and formed its own organization, titled the Thurston Mason Behavioral Health Organization (TMBHO). In mid-2016 the county transferred \$33.7 million out of its Public Health Fund and into this newly formed organization. Several financial statement balances were affected by this move. Details of this move are discussed later in this analysis.
- 2016 was the second year of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, implementation. As a result, the Net Pension Liability increased by \$7.9 million and \$1.1 million in the Governmental Activities and Business-Type Activities respectively.
- In 2016, the overall financial health of Thurston County's Governmental Activities improved over 2015 even though on the face of the statements there is a reduction of Net Position of \$21.2 million, primarily due to the TMBHO split off. The TMBHO split off resulted in a Special Item Transfer of \$33.7 million. Not taking this large, one-time event into account, the Change in Net Position of the Governmental Activities would've been an increase of \$12.5 million. Reasons for these increases are discussed later in this analysis.
- The overall financial health of Thurston County's Business-Type Activities improved during 2016 with an increase in Net Position of \$4.4 million over prior year. Most of this is attributed to an increase of \$3.1 million in the Net Position of the Solid Waste and Storm Water Major Enterprise Funds.
- The county did a partial bond refunding of its 2007 and 2009 GO Bond issues to take advantage of more favorable interest rates. The total amount refunded between these two bond issues was \$33 million. This refunding resulted in an economic gain of \$5 million and a \$5.6 million reduction in debt service payments over the original issue. For more information, see Note VIII.
- For 2016, total Net Position of the county (governmental and business-type, combined) is comprised of the following:
 1. Net Investment in Capital Assets, of \$434.2 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 \$62.8 million represents the portion restricted by constraints imposed from outside the county such as debt covenants, grants, and laws.
 3. Unrestricted net position of \$38.7 million represents the portion not restricted by outside constraints.

- Total Fund Balance for the General Fund was \$17.3 million at December 31, 2016 compared to \$15.1 million at the end of 2015. Of this balance, \$1.8 million is not available for appropriation as the county has reported this amount as Non-Spendable. Total ending Fund Balance represents 19.4% of 2016 General Fund total expenditures compared to 17.8% in 2015. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- The county's General Fund total revenues increased by \$2.7 million, or 3.1%, compared to 2015. Expenditures increased by \$4.4 million, or 5.2% over the same time period. Details of factors contributing to these figures are discussed later within this discussion and analysis.
- The county added its Real Estate Excise Tax Capital Project fund as a new Major Fund 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 including but not limited to: 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.

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, Treatment Sales Tax, Real Estate Excise Tax, 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. For 2016, the Real Estate Excise Tax Fund was a newly added major fund.

The County maintains budgetary controls with an annual appropriated budget to ensure compliance with legal provisions. The County moved to a biannual budget beginning in 2017. 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 in a subsequent 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.

Required Supplementary Information

This section details a funding progress schedule of retiree medical benefit information per GASB 45 as well as schedules required per GASB 68 including a schedule of employer contributions and a schedule of proportionate share of the Net Pension Liability for each of the five retirement plans in which the county participates.

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

Over time, Net Position serves 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 \$535.7 million at the end of 2016. This reflects a net decrease of \$16.8 million, or 3%, from 2015. The majority of this decrease was due to the split off of the TMBHO which is described in the Public Health section later in this analysis.

Of the county's total Net Position, \$434.2 million, or 81.1%, is invested in capital assets net of related debt. 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, \$62.8 million, or 11.7%, 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 \$38.7 million, or 7.2%, which is down from last year's \$54 million, is unrestricted and represents the amount that is not restricted by outside sources. TMBHO is the main contributor for this decrease.

Thurston County reported \$728.6 million of total assets as of December 31, 2016, compared to \$753.5 million for 2015. This represents a decrease of \$24.9 million, or 3.3%. The main driver for this decrease is the TMBHO, and more specifically, in the Cash and Pooled Investments account. That balance is \$174.9 million at the end of 2016 (24% of total assets) which represents a decrease of \$22.7 million over prior year. Capital Assets, which may, or may not, fluctuate significantly from year-to-year depending on timing of construction activity, remained very constant compared to 2015. The 2016 balance was \$507.2 million, or 69.7%, of total assets.

The county reported a Total Deferred Outflow of Resources of \$13.8 million in 2016, which was an increase of \$6.8 million over prior year mainly due to an increase in Pension activity.

Thurston County's total liabilities increased in 2016 compared to 2015, by \$5.9 million, or 3%. The increase was mainly due to the second year of Pension activity and an increase in the OPEB Payable. It was offset by a reduction of the county's largest liability balance, the Limited G.O. Bonds Payable, due to annual principal payments. During 2016, the county did a partial refunding of its 2007 and 2009 bond issues to take advantage of favorable interest rates. The amount of the refunding was \$33 million refunding bonds resulting in a \$5 million economic gain and \$5.6 million in reduced debt service payments over the duration of the bonds.

The county reported a Total Deferred Inflow of Resources of \$2.1 million in 2016, which was a reduction of \$7.2 million over 2015 due to Pension related balances.

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 2016 compares with 2015:

Thurston County Net Position

Account	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets	\$ 160,212,566	\$ 187,799,606	\$ 61,170,788	\$ 58,505,209	\$ 221,383,354	\$ 246,304,815
Capital Assets	473,002,499	473,366,122	34,229,119	33,833,598	507,231,618	507,199,720
Total Assets	633,215,065	661,165,728	95,399,907	92,338,807	728,614,972	753,504,535
Total Deferred Outflow of Resources	12,642,398	6,346,927	1,180,127	686,866	13,822,525	7,033,793
Current Liabilities	18,347,635	20,050,349	3,034,177	2,945,032	21,381,812	22,995,381
Long Term Liabilities	154,679,181	146,920,124	28,542,806	28,818,513	183,221,987	175,738,637
Total Liabilities	173,026,816	166,970,473	31,576,983	31,763,545	204,603,799	198,734,018
Total Deferred Inflow of Resources	1,934,795	8,409,091	187,864	863,990	2,122,659	9,273,081
Net Investment in Capital Assets	403,865,867	399,574,658	30,342,696	28,885,135	434,208,563	428,459,793
Restricted	61,898,850	68,052,131	875,759	2,030,134	62,774,609	70,082,265
Unrestricted	5,131,135	24,506,302	33,596,732	29,482,869	38,727,867	53,989,171
Total Net Position	\$ 470,895,852	\$ 492,133,091	\$ 64,815,187	\$ 60,398,138	\$ 535,711,039	\$ 552,531,229

Governmental activities – During 2016, the total net position for Governmental activities realized a decrease of \$21.2 million due to activity during the year. The transfer of TMBHO activity is the main reason for this decrease. \$403.9 million in total net position was invested in capital assets. This is a \$4.3 million increase over prior year and represents the effect of annual bond payments. \$61.9 million in net position is restricted and \$5.1 million is unrestricted net position. The unrestricted amount is where the TMBHO transfer is noticed the most. Nearly all unrestricted assets are assigned for certain purposes and activities but are essentially available for any future spending purposes based on actions and decisions by Thurston County's Board of County Commissioners.

Business-type activities – During 2016, the Business-type activity accounts remained fairly constant compared to prior year balances. Overall, the Net Position amount did increase by \$4.4 million, to \$64.8 million. Nearly \$2 million of this increase was due to a rate increase in the Stormwater fund. Net Invested in Capital Assets was \$30.3 million. Restricted Net Position and Unrestricted Net Position were \$876,000 and \$33.6 million respectively. The latter 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 2016, total county primary government revenues decreased by \$2.6 million, down to \$228.6 million. The main reason for this is, again, the transfer out of the TMBHO as the Charges for Services related to the TMBHO are no longer within the county. The reduction in Charges for Services was partially offset with an increase in tax collections of \$6.3 million. All of the major tax categories realized smaller increases in collections including Property, Sales, Criminal Justice, and Real Estate Excise Taxes. Total County governmental expenses decreased by \$7.3 million from 2015 to 2016. The origin of this increase, is in Health & Human Services with the transfer of TMBHO activity.

Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	\$ 39,741,621	\$ 58,182,383	\$ 35,146,369	\$ 32,350,635	\$ 74,887,990	\$ 90,533,018
Operating Grants & Contrib.	24,284,759	22,961,809	271,517	212,105	24,556,276	23,173,914
Capital Grants & Contrib.	12,536,681	7,670,813	515,645	70,814	13,052,326	7,741,627
General Revenues:						
Taxes	112,190,639	105,845,907	-	-	112,190,639	105,845,907
Interest and Invest. Earnings	3,354,196	3,607,124	167,041	162,576	3,521,237	3,769,700
Other General Revenues	107,385	76,988	274,068	46,682	381,453	123,670
Total Revenues	192,215,281	198,345,024	36,374,640	32,842,812	228,589,921	231,187,836
Program Expenses: (Net)						
General Government	10,471,310	6,206,303	-	-	10,471,310	6,206,303
Culture and Recreation	3,168,114	3,043,221	-	-	3,168,114	3,043,221
Economic Environment	7,539,703	7,682,967	-	-	7,539,703	7,682,967
Health and Human Services	41,976,182	60,371,465	-	-	41,976,182	60,371,465
Utilities and Environment	3,255,734	3,051,684	-	-	3,255,734	3,051,684
Public Safety	78,664,644	75,640,134	-	-	78,664,644	75,640,134
Transportation	30,850,710	27,397,558	-	-	30,850,710	27,397,558
Interest	3,495,114	3,360,462	-	-	3,495,114	3,360,462
Solid Waste	-	-	21,376,086	19,728,997	21,376,086	19,728,997
Water	-	-	827,470	884,264	827,470	884,264
Sewer	-	-	1,713,235	1,826,903	1,713,235	1,826,903
Stormwater	-	-	4,658,613	4,283,950	4,658,613	4,283,950
Land Use & Permitting	-	-	3,711,061	3,795,031	3,711,061	3,795,031
Total Expenses	179,421,511	186,753,794	32,286,465	30,519,145	211,707,976	217,272,939
Excess (Deficiency) of Revenues Over (Under) Expenses						
Before Transfers	12,793,770	11,591,230	4,088,175	2,323,667	16,881,945	13,914,897
Transfers	(328,874)	(995,845)	328,874	995,845	-	-
Special Item - Transfer to BHO	(33,702,135)	-	-	-	(33,702,135)	-
Change in Net Position	(21,237,239)	10,595,385	4,417,049	3,319,512	(16,820,190)	13,914,897
Ending Net Position January 1	492,133,091	527,648,512	60,398,138	63,298,771	552,531,229	590,947,283
Adjustments	-	(46,110,806)	-	(6,220,145)	-	(52,330,951)
Restated Net Position January 1	492,133,091	481,537,706	60,398,138	57,078,626	552,531,229	538,616,332
Ending Net Position	\$ 470,895,852	\$ 492,133,091	\$ 64,815,187	\$ 60,398,138	\$ 535,711,039	\$ 552,531,229

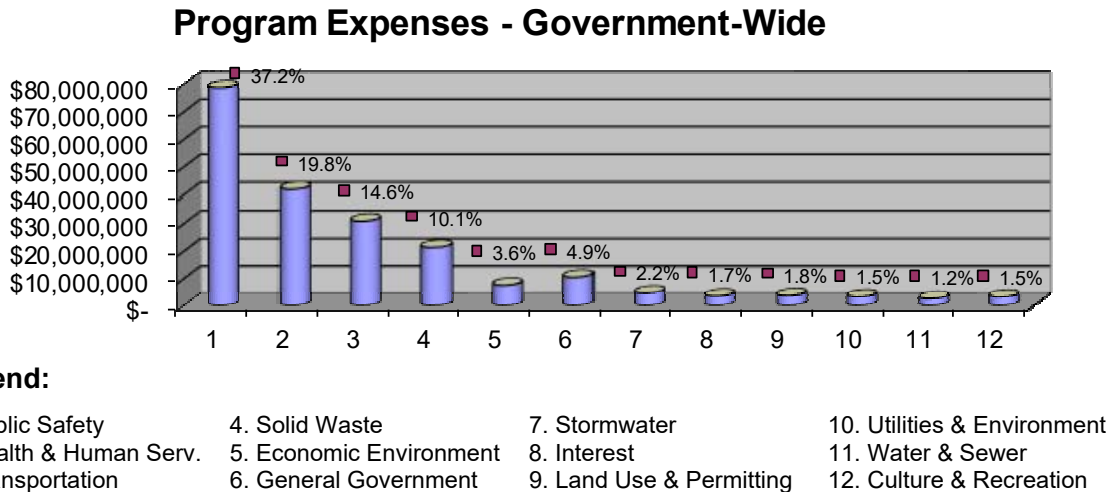
In 2016 Governmental activities provided \$192.2 million in revenues (84.1% of total revenues), while business type activities provided \$36.4 million (15.9% of total revenues). The two largest governmental revenues are - taxes at \$112.2 million, or 58.4%, of total governmental revenues and charges for services at \$39.7 million, or 20.7%, of total governmental revenues. The remaining 20.9% of governmental revenues include operating grants, capital grants, interest and investment earnings and other general revenues.

In 2016, charges for services were \$35.1 million, or 96.6%, of total business-type revenues. Within this category, Solid Waste fund revenues were \$23.6 million, or 67.2%.

Total governmental expenses decreased by \$7.3 million. The largest decrease was \$18.4 million in Health and Human Services which was previously discussed related to the TMBHO.

The governmental and business-type expense distribution of \$179.4 million, or 84.7%, and \$32.3 million, or 15.3%, closely resembles the distribution from the prior year.

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.

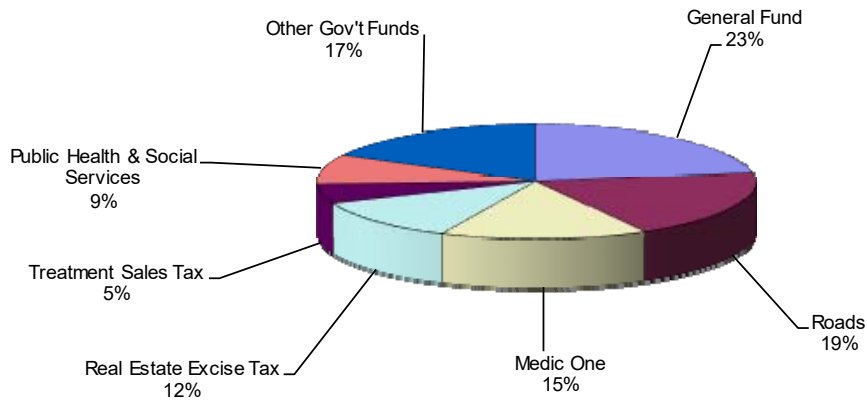
As of December 31, 2016, the county's governmental funds reported combined total ending fund balances of \$94.5 million. This represents a decrease of \$24.6 million, or 20.7%, compared with the prior year. This was due mainly to the TMBHO.

In 2016, total assets in governmental funds decreased by \$29.7 million to \$110.7 million. The main account that increased was Cash and this is directly related to TMBHO.

Total liabilities for governmental funds decreased by \$6.6 million, mainly due to TMBHO.

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

Total Assets - Governmental Funds

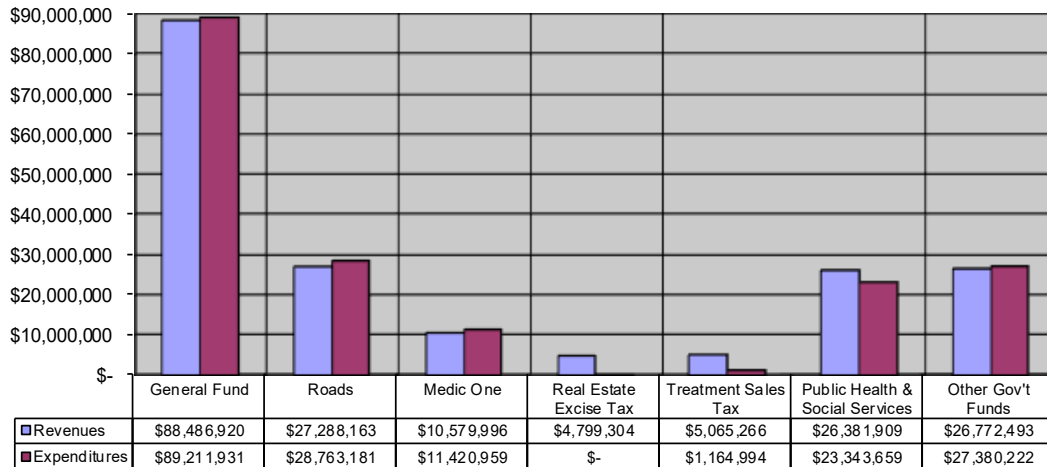


Governmental Fund revenues in 2016 decreased vs. 2015 by \$13.8 million, mainly in the Charges for Services category. Most of this change was due to TMBHO Charges for Services no longer being associated with the county.

Governmental expenditures in 2016 were lower than 2015 by \$9.9 million, mainly in the Health & Human Services category. Most of this change was due to TMBHO expenditures no longer being associated with the county.

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

Governmental Fund Revenues and Expenditures



In 2016, the General Fund, Public Health & Social Services Fund, and the Roads Fund accounted for 75.1% of total revenues and 77.9% of total expenditures.

For 2016 the county is reporting the following as major governmental funds: General, Roads, Medic One, Treatment Sales Tax, Real Estate Excise Tax, Public Health and Social Services, and Other Governmental.

The following are highlights related to each major fund in 2016:

The **General Fund** is the chief operating fund of the county. The General Fund's total ending fund balance was \$17.3 million at the end of 2016, compared to \$15.1 million at the end of 2015 for an increase of \$2.2 million, or 14.6%. Total Unassigned fund balance was \$15.4 million compared to \$13.2 million at the end of 2015. Contributing factors to this increase was an increase in property tax and sales tax revenue (\$1.9 million over 2015 levels).

General Fund total assets were \$25 million and total liabilities were \$6.8 million at the end of 2016. Compared to 2015, assets increased by \$2.6 million, or 11.6%, whereas liabilities remained fairly constant. The main increase in assets was in cash due to more tax and other revenue collections described in the preceding paragraph.

General Fund revenues increased by \$2.7 million, or 3.1%, from 2015 to 2016 due to factors previously described above. General Fund expenditures also increased by \$4.4 million, or 5.2%. This increase was mainly due to staffing increases in the Public Safety function and payroll/benefit increases across all functions.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. Balance Sheet activity in this fund remained fairly constant compared to prior year with total assets decreasing by only \$800,000 and total liabilities decreasing by \$600,000.

Compared to 2015, revenues in the Roads fund increased by just \$600,000. Expenditures increased by \$3.5 million, or 13.8% in 2016 mainly due to more road construction activity being performed than prior year.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2016, Medic One's total assets, total liabilities, revenues, and expenditures remained constant compared to 2015 with a slight decrease in fund balance of 3.2%.

The **Treatment Sales Tax** fund uses 1/10 of 1% sales tax proceeds to provide for the operation of new or expanded chemical dependency or mental health treatment programs and services. The total assets for this fund remained constant vs. prior year. The total liabilities increased by just \$800,000, or 25%. This was mainly due to year-end accruals this fund had owing to the new TMBHO.

This fund's revenue balance remained constant compared to 2015. Its expenditure balance increased by \$1.1 million, to a balance of \$1.2 million, directly related to the TMBHO year-end accrual discussed in the previously paragraph. In prior years, this fund was used to reimburse the county's Public Health fund for eligible costs incurred during the year. However, in 2016, with the break-off of the TMBHO, this activity is no longer considered intra-county. As such, the Transfers-Out account in this fund decreased by a similar amount.

The **Real Estate Excise Tax** fund is a Capital Projects fund established for holding excise tax proceeds dedicated to capital projects from the one-half percent tax on real property sales in unincorporated Thurston County. This is a new major fund in 2016 and it was reported as a non-major fund in the county's combining statements in prior years. Cash is the main asset in this fund and this balance increased by \$2 million over 2015. Likewise, revenues in this fund increased by \$1.3 million over 2015 mainly due to an increase in real estate activity over prior year.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Total assets decreased in 2016 by \$33.1 million and total liabilities decreased by \$4.3 million. Similarly, revenues decreased by \$21.4 million and expenditures decreased by \$19.1 million over 2016. The reason for these large differences is the loss of the TMBHO to county operations and its effects on various parts of operations.

The TMBHO was formed by the break-off of the Regional Support Network (RSN) previously housed in the county's Public Health Fund. There are several RSN's in the State and they were designed to administer mental health services and treatment to Medicaid recipients by contracting with provider groups, including mental health programs and private nonprofit agencies. On September 15, 2016 the County passed a resolution that formed the Thurston Mason Behavioral Health Organization (TMBHO). This disposal of operations resulted in the recording of a Special Item Transfer of Cash to the TMBHO of \$33.7 million in this fund. For more information on the TMBHO, see Note XIII, Joint Ventures/Jointly Governed Organizations.

The **Other Governmental Funds** is a major fund comprised of all non-major Special Revenue, Capital Projects, and Debt Service funds of the county. The county's operations in this roll-up fund remained fairly constant compared to prior year with the exception of the reclassification of the Real Estate Excise Tax fund out of this major fund as previously described.

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 and are therefore presented in the same accounting format.

Internal service funds, although proprietary, are not Business-Type Funds and are therefore excluded 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	\$ 25,914,316	\$ 2,417,838	\$ 9,667,152	\$ 3,702,173	\$ 41,701,479
Other Current Assets	3,146,020	394,254	332,661	260,819	4,133,754
Restricted Assets:					
Cash and Pooled Investments	-	67,155	-	104,536	171,691
Total Current Assets	29,060,336	2,879,247	9,999,813	4,067,528	46,006,924
Long-Term Assets:					
Receivables	-	251,770	-	422,939	674,709
Capital Assets	10,500,607	13,601,445	6,875,119	3,251,948	34,229,119
Restrict Assets: Cash and Pooled Investments	13,748,634	-	-	-	13,748,634
Total Long Term Assets	24,249,241	13,853,215	6,875,119	3,674,887	48,652,462
Total Assets	53,309,577	16,732,462	16,874,932	7,742,415	94,659,386
Total Deferred Outflow of Resources	383,550	143,221	295,518	357,838	1,180,127
Liabilities					
Current Liabilities:					
Accounts Payable/ Due To's	1,888,082	126,088	562,060	279,026	2,855,256
Restricted Liabilities - Debt	-	973,734	-	78,282	1,052,016
Total Current Liabilities	1,888,082	1,099,822	562,060	357,308	3,907,272
Long-Term Liabilities:					
Restricted Liabilities - Debt	-	2,546,284	-	269,694	2,815,978
Comp Abs & OPEB Payable	1,151,826	162,154	862,154	1,057,607	3,233,741
Intergov. Loans & Contracts Payable	8,926	46,486	1,495	526,007	582,914
Accumulated Landfill Closure Costs	15,241,861	-	-	-	15,241,861
Net Pension Liability	2,342,464	335,596	1,804,823	2,185,429	6,668,312
Total Long Term Liabilities	18,745,077	3,090,520	2,668,472	4,038,737	28,542,806
Total Liabilities	20,633,159	4,190,342	3,230,532	4,396,045	32,450,078
Total Deferred Inflow of Resources	65,992	9,455	50,847	61,570	187,864
Net Position					
Net Investment in Capital Assets	10,487,610	10,118,048	6,870,220	2,866,818	30,342,696
Restricted For:					
Postclosure, Net Of Related Liability	-	-	-	-	-
Debt Service	-	462,396	-	413,363	875,759
Unrestricted (Deficit)	22,506,366	2,095,442	7,018,851	362,457	31,983,116
Total Net Position	\$ 32,993,976	\$ 12,675,886	\$ 13,889,071	\$ 3,642,638	\$ 63,201,571

The Solid Waste, Grand Mound, and Storm & Surface Water Utility Funds are the major enterprise funds for Thurston County in 2016.

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 86.2% of enterprise liabilities. Account balances in these funds remained constant vs. prior year with the exception of the Cash and Pooled Investments in the Stormwater fund. This account increased by \$2 million compared to prior year and was primarily due to an increase in rates.

The combined net position for enterprise funds was \$63.2 million in 2016, of which \$59.6 million, or 94.3%, resided in the three major funds noted above. Of the total enterprise funds' net position, \$30.3 million, or 48%, is invested in capital assets net or related debt, whereas \$32 million, or 50.6%, is unrestricted. Unrestricted net position increased primarily due to the Stormwater increase in cash. Total liabilities for all enterprise funds remained constant vs. prior year.

Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2016.

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	\$ 23,614,689	\$ 1,621,858	\$ 6,444,724	\$ 4,312,768	\$ 35,994,039
Miscellaneous	178,446	46,486	-	49,136	274,068
<i>Non-Operating:</i>					
Interest Revenue	-	40,377	97,829	28,835	167,041
Operating & Capital Grant Proceeds	225,880	-	12,779	32,858	271,517
Other Non-Operating Revenues	-	-	-	-	-
Total Revenues	24,019,015	1,708,721	6,555,332	4,423,597	36,706,665
Expenses:					
<i>Operating:</i>					
Salaries and Benefits	2,874,436	450,641	2,619,594	2,919,267	8,863,938
Other Supplies and Expenses	316,823	71,964	129,849	91,564	610,200
Contractual Services	2,859,339	240,871	419,937	255,015	3,775,162
Longhaul Contract	13,500,141	-	-	-	13,500,141
Interfund Services and Charges	1,347,963	205,286	1,460,384	1,058,024	4,071,657
Depreciation/Amortization	1,050,287	616,278	476,503	202,077	2,345,145
<i>Non-Operating:</i>					
External & Internal Tax Payments	-	-	80,375	-	80,375
Interest Expense & Fiscal Charges	2,781	151,541	506	11,923	166,751
Other Including Capital Asset Gain/Loss	118,897	(31,559)	97,000	-	184,338
Total Expenses	22,070,667	1,705,022	5,284,148	4,537,870	33,597,707
Income (Loss) before contrib. and trans.	1,948,348	3,699	1,271,184	(114,273)	3,108,958
Capital Contributions	-	502,219	-	13,426	515,645
Transfers In (Out)	13,488	198,884	(129,831)	246,333	328,874
Change in Net Position	1,961,836	704,802	1,141,353	145,486	3,953,477
Net Position as of January 1	31,032,140	11,971,084	12,747,718	3,497,152	59,248,094
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-
Net Position as of January 1-Restated	31,032,140	11,971,084	12,747,718	3,497,152	59,248,094
Net Position as of December 31	\$ 32,993,976	\$ 12,675,886	\$ 13,889,071	\$ 3,642,638	\$ 63,201,571

For all enterprise funds, total operating revenues from charges for services in 2016 are \$36 million and comprise 98.1% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds stayed very constant compared to the prior year and increased by \$2.8 million. 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 65.4% of total enterprise revenues and 65.8% of total enterprise expenses.

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 5.1% of total enterprise expenses. In 2016 both revenues and expenses remained fairly constant over prior year.

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. Revenues comprise 18% of total enterprise revenues and 15.8% of total enterprise expenses.

General Fund Budgetary Highlights

Through 2016, Thurston County adopted an annual budget in December of each preceding year. Adjustments were made to the budget throughout the year. Starting in 2017, the county moved to a biannual budget with annual adjustments made for only predetermined budget line items along with quarterly budget amendments.

The following table shows changes between the original and final budget as of December 31, 2016. 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	\$ 55,862,514	\$ 55,862,514	\$ -
Licenses & Permits	2,120,900	2,154,900	34,000
Intergovernmental	8,902,352	9,133,559	231,207
Charges for Services	13,226,413	13,431,336	204,923
Fines & Forfeitures	2,758,400	2,758,400	-
Miscellaneous	2,949,224	3,041,128	91,904
Total General Revenues	85,819,803	86,381,837	562,034
Other Financing Sources	5,161,946	5,396,612	234,666
Total Revenues	90,981,749	91,778,449	796,700
Expenditures by Department:			
Assessor's Office	3,614,226	3,622,222	(7,996)
Auditor's Office	5,767,393	5,816,257	(48,864)
Assigned Counsel	4,946,480	5,407,286	(460,806)
Clerk's Office	3,259,442	3,289,989	(30,547)
Commissioner's Office	2,082,826	2,114,661	(31,835)
Coroner's Office	1,001,432	1,009,469	(8,037)
Corrections	18,873,134	19,187,993	(314,859)
District Court	3,562,515	3,562,218	297
Emergency Management	1,306,180	1,307,103	(923)
Human Resources	1,646,794	1,661,618	(14,824)
Juvenile Probation	7,220,967	7,234,342	(13,375)
Non-Departmental	4,672,403	4,579,036	93,367
Planning	2,485,971	2,591,593	(105,622)
PreTrial Services	647,057	647,057	-
Prosecuting Attorney	8,359,188	8,510,120	(150,932)
State Examiner	125,000	131,000	(6,000)
Sheriff	16,855,756	17,262,949	(407,193)
Superior Court	5,276,288	5,319,327	(43,039)
Treasurer's Office	1,148,070	1,152,927	(4,857)
WSU Extension	387,988	382,977	5,011
General Fund Expenditures	93,239,110	94,790,144	(1,551,034)
Fair	541,634	550,881	(9,247)
Historic Preservation	53,000	53,000	-
Prisoner Concession	218,181	320,081	(101,900)
Sobriety Program 24/7	11,001	11,001	-
Reported General Fund Expenditures	94,062,926	95,725,107	(1,662,181)
Net Changes in Fund Balances	(3,081,177)	(3,946,658)	(865,481)
Fund Balances as of January 1	11,825,711	13,649,735	1,824,024
Fund Balances as of December 31	\$ 8,744,534	\$ 9,703,077	\$ 958,543

The county's original and final budgets were very similar with just an \$800,000 increase in budgeted revenues and a \$1.7 million increase in budgeted expenditures.

The final budget ending fund balance was \$9.7 million, an increase of \$600,000 over 2015.

General Fund Budget to Actual Variances

The following table summarizes differences between budget and actual revenues and expenditures in the General Fund for 2016. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2016 show actual total revenues (including other financing sources) at \$93.5 million, which is \$1.8 million, or 1.9%, above the final budget. Actual expenditures were \$91.3 million, which is \$4.4 million or 4.6% under budget.

In regards to revenues, the largest variance between budget and actual was in the Taxes category, receiving just over \$1 million more than planned. All offices/departments had a positive expenditure variance in 2016, meaning no office or department over-spent its budget authority. The largest budget under-expenditure by a department was in the county's Planning department with a \$1 million under-expenditure.

Thurston County
General Fund Revenues, Expenditures & Fund Balance

	Final Budget	Actuals	Variance Pos (Neg)
Revenues:			
Taxes	\$ 55,862,514	\$ 56,884,805	\$ 1,022,291
Licenses & Permits	2,154,900	2,400,789	245,889
Intergovernmental	9,133,559	9,457,156	323,597
Charges for Services	13,431,336	13,573,814	142,478
Fines & Forfeitures	2,758,400	2,759,894	1,494
Miscellaneous	3,041,128	3,410,462	369,334
Total General Revenues	86,381,837	88,486,920	2,105,083
Total Other Financing Sources	5,396,612	5,054,199	(342,413)
Total Revenues	91,778,449	93,541,119	1,762,670
Expenditures by Department:			
Assessor's Office	3,622,222	3,619,180	3,042
Auditor's Office	5,816,257	5,503,900	312,357
Assigned Counsel	5,407,286	5,392,048	15,238
Clerk's Office	3,289,989	3,220,495	69,494
Commissioner's Office	2,114,661	2,041,947	72,714
Coroner's Office	1,009,469	1,003,656	5,813
Corrections	19,187,993	18,906,584	281,409
District Court	3,562,218	3,331,571	230,647
Emergency Management	1,307,103	1,237,513	69,590
Human Resources	1,661,618	1,541,988	119,630
Juvenile Probation	7,234,342	6,647,903	586,439
Non-Departmental	4,579,036	4,021,548	557,488
Planning	2,591,593	1,590,074	1,001,519
PreTrial Services	647,057	345,595	301,462
Prosecuting Attorney	8,510,120	8,302,608	207,512
State Examiner	131,000	123,436	7,564
Sheriff	17,262,949	16,997,898	265,051
Superior Court	5,319,327	5,166,706	152,621
Treasurer's Office	1,152,927	1,097,698	55,229
WSU Extension	382,977	359,658	23,319
General Fund Expenditures	94,790,144	90,452,006	4,338,138
Fair	550,881	525,236	25,645
Historic Preservation	53,000	52,497	503
Prisoner Concession	320,081	292,633	27,448
Sobriety Program 24/7	11,001	75	10,926
Reported General Fund Expenditures	95,725,107	91,322,447	4,402,660
Net Changes in Fund Balances	(3,946,658)	2,218,672	6,165,330
Fund Balances as of January 1	13,649,735	15,096,346	1,446,611
Fund Balances as of December 31	\$ 9,703,077	\$ 17,315,018	\$ 7,611,941

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 \$507.2 million at year end. Of this total, \$288.9 million (57%) are non-depreciable assets and \$218.3 million (43%) are depreciable. Capital assets comprise 70% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section. There was virtually no change in the level of depreciable and non-depreciable assets compared to prior year.

At year-end the county had \$2.2 million in commitments for capital expenditures related to a large Roads construction project.

Long-Term Debt

Total general obligation debt outstanding at year end was \$73.4 million (\$69.9 million in governmental activities and \$3.5 million in Business-type activities). This total represents a decrease of \$4 million over 2015.

During 2016 the county issued \$33 million of refunding bonds. \$2.7 million partially refunded a 2007 G.O Bond and \$30.3 million partially refunded a 2009 G.O Bond issue. The refunding bonds resulted in an economic gain of \$5 million and a \$5.7 million reduction in debt service over the duration of the original issue.

At the end of 2016, the county has the capacity to issue \$381 million in debt without a vote and a remaining capacity of \$682 million with a 3/5-majority vote. 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, 2016
Page 1 of 2

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash & Pooled Investments	\$ 133,150,424	\$ 41,701,479	\$ 174,851,903
Receivables:			
Taxes Receivable	1,858,536	-	1,858,536
Special Assessment Receivables	55,212	431,681	486,893
Accrued Interest & Penalties	2,758,219	49,950	2,808,169
Customer Account Receivables	14,101,875	2,707,373	16,809,248
Internal Balances	(881,512)	881,512	-
Due from Other Government Units	4,408,627	803,234	5,211,861
Inventory	735,307	-	735,307
Prepayments	196,614	525	197,139
Restricted Assets:			
Cash & Pooled Investments	-	171,691	171,691
Total Current Assets	156,383,302	46,747,445	203,130,747
Long-Term Assets:			
Community Loans Receivable	-	163,456	163,456
Special Assessment Receivables	7,150	511,253	518,403
Investment in Joint Ventures, Net	1,788,826	-	1,788,826
Net Pension Asset	2,033,288	-	2,033,288
Capital Assets:			
Non-Depreciable	285,562,001	3,336,224	288,898,225
Depreciable, Net	187,440,498	30,892,895	218,333,393
Restricted Assets : Cash and Pooled Investments	-	13,748,634	13,748,634
Total Noncurrent Assets	476,831,763	48,652,462	525,484,225
Total Assets	633,215,065	95,399,907	728,614,972
Deferred Outflow of Resources:			
Loss on Refunding	2,272,316	88,272	2,360,588
Pensions	10,370,082	1,091,855	11,461,937
Total Deferred Outflow of Resources	12,642,398	1,180,127	13,822,525

See accompanying notes to financial statements

Statement of Net Position

December 31, 2016

Page 2 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	9,294,271	1,816,084	11,110,355
Notes/Leases Payable	158,856	64,614	223,470
Due to Other Government Units	1,566,563	6,922	1,573,485
Compensated Absences	381,474	42,197	423,671
Claims & Judgments Payable	422,532	-	422,532
Limited G.O. Bonds Payable	6,264,077	973,734	7,237,811
Special Assess. Debt - Gov. Commitment	-	78,282	78,282
Unearned Revenue	259,862	52,344	312,206
Total Current Liabilities	18,347,635	3,034,177	21,381,812
Long-Term Liabilities:			
Limited G.O. Bonds Payable	63,573,996	2,546,284	66,120,280
Special Assess. Debt - Gov. Commitment	-	269,694	269,694
Compensated Absences	6,487,250	717,577	7,204,827
Other Post Employment Benefits Payable	27,905,640	2,516,164	30,421,804
Claims & Judgments Payable	3,952,393	-	3,952,393
Notes/Leases Payable	1,302,436	582,914	1,885,350
Accumulated Landfill Closure Costs	-	15,241,861	15,241,861
Net Pension Liability	51,457,466	6,668,312	58,125,778
Total Noncurrent Liabilities	154,679,181	28,542,806	183,221,987
Total Liabilities	173,026,816	31,576,983	204,603,799
Deferred Inflow of Resources:			
Gain on Refunding	481,359	-	481,359
Pensions	1,453,436	187,864	1,641,300
Total Deferred Inflow of Resources	1,934,795	187,864	2,122,659
NET POSITION			
Net Investment in Capital Assets	403,865,867	30,342,696	434,208,563
Restricted For:			
Culture & Recreation	1,279,512	-	1,279,512
Economic Environment	485,103	-	485,103
General Government	13,428,189	-	13,428,189
Health and Human Services	9,804,908	-	9,804,908
Internal Service	25,379,953	-	25,379,953
Public Safety	3,135,080	-	3,135,080
Utilities & Environment	4,295,119	-	4,295,119
Transportation	4,090,986	-	4,090,986
Debt Service	-	875,759	875,759
Unrestricted (Deficit)	5,131,135	33,596,732	38,727,867
Total Net Position	\$ 470,895,852	\$ 64,815,187	\$ 535,711,039

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2016
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	\$ 16,617,972	\$ (6,146,662)	\$ 8,499,728	\$ 2,629,259	\$ 463,339
Culture & Recreation	3,095,286	72,828	1,997,530	78,609	450
Economic Environment	7,984,200	(444,497)	2,165,932	5,310,408	196,285
Health & Human Services	41,006,321	969,861	15,352,811	8,024,861	941,358
Public Safety	76,470,481	2,194,163	7,717,608	7,134,294	602,481
Transportation	28,930,543	1,920,167	3,207,114	514,541	10,332,768
Utilities & Environment	3,094,110	161,624	800,898	592,787	-
Interest and Fiscal Charges	3,495,114	-	-	-	-
Total Governmental Activities	180,694,027	(1,272,516)	39,741,621	24,284,759	12,536,681
Business-Type Activities:					
Solid Waste	21,002,603	373,483	23,614,689	225,880	-
Water	754,255	73,215	755,853	3,859	171,882
Sewer	1,566,806	146,429	1,541,536	7,719	343,763
Stormwater	4,347,960	310,653	5,634,844	12,779	-
Land Use & Permitting	3,342,325	368,736	3,599,447	21,280	-
Total Business-Type Activities	31,013,949	1,272,516	35,146,369	271,517	515,645
Total Primary Government	\$ 211,707,976	\$ -	\$ 74,887,990	\$ 24,556,276	\$ 13,052,326

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2016
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	\$ 1,121,016	\$ -	\$ 1,121,016
Culture & Recreation	(1,091,525)	-	(1,091,525)
Economic Environment	132,922	-	132,922
Health & Human Services	(17,657,152)	-	(17,657,152)
Public Safety	(63,210,261)	-	(63,210,261)
Transportation	(16,796,287)	-	(16,796,287)
Utilities & Environment	(1,862,049)	-	(1,862,049)
Interest and Fiscal Charges	(3,495,114)	-	(3,495,114)
Total Governmental Activities	(102,858,450)	-	(102,858,450)
<i>Business-Type Activities:</i>			
Solid Waste	-	2,464,483	2,464,483
Water	-	104,124	104,124
Sewer	-	179,783	179,783
Stormwater	-	989,010	989,010
Land Use & Permitting	-	(90,334)	(90,334)
Total Business-Type Activities	-	3,647,066	3,647,066
Total Primary Government	(102,858,450)	3,647,066	(99,211,384)
General Revenues:			
<i>Taxes:</i>			
Property Taxes	69,329,676	-	69,329,676
Sales Taxes	35,237,244	-	35,237,244
Business & Harvest Taxes	1,984,583	-	1,984,583
Excise Taxes	5,639,136	-	5,639,136
<i>Other General Revenues:</i>			
Interest & Investment Earnings	3,354,196	167,041	3,521,237
Miscellaneous	107,385	274,068	381,453
Special Item - Social Services Transfer to BHO	(33,702,135)	-	(33,702,135)
Transfers In/(Out)	(328,874)	328,874	-
Total General Revenues and Transfers	81,621,211	769,983	82,391,194
Change in Net Position	(21,237,239)	4,417,049	(16,820,190)
Net Position as of January 1	492,133,091	60,398,138	552,531,229
Net Position as of December 31	\$ 470,895,852	\$ 64,815,187	\$ 535,711,039

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Roads	Medic One	Real Estate Excise Tax	Treatment Sales Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash & Pooled Investments	\$ 14,579,282	\$ 19,749,155	\$ 16,472,486	\$ 12,907,457	\$ 6,076,406	\$ 7,209,147	\$ 17,915,181	\$ 94,909,114
Receivables:								
Taxes Receivable	995,989	555,211	250,973	-	-	16,943	39,420	1,858,536
Special Assessment Receivables	-	-	-	-	-	13,643	41,569	55,212
Accrued Interest & Penalties	2,547,874	6,617	28,971	24,064	-	12,922	116,663	2,737,111
Customer Account Receivables	3,218,759	1,465	85,559	-	-	1,136	468,019	3,774,938
Due from Other Funds	1,249,578	291,850	-	-	-	843,075	48,267	2,432,770
Due from Other Government Units	2,309,633	262,360	-	-	-	1,302,712	510,267	4,384,972
Inventory	-	425,173	-	-	-	-	-	425,173
Prepayments	52,141	3,450	98,256	-	-	4,017	507	158,371
Total Assets	\$ 24,953,256	\$ 21,295,281	\$ 16,936,245	\$ 12,931,521	\$ 6,076,406	\$ 9,403,595	\$ 19,139,893	\$ 110,736,197
LIABILITIES								
Accounts Payable	\$ 3,982,840	\$ 996,471	\$ 1,501,841	\$ -	\$ 18,301	\$ 1,066,290	\$ 746,403	\$ 8,312,146
Due to Other Funds	264,894	91,262	5,534	36,792	1,344,224	61,168	213,797	2,017,671
Due to Other Government Units	1,798	-	55,039	-	1,008,175	501,206	-	1,566,218
Unearned Revenues	2,553,624	2,900	-	-	-	12,643	195,249	2,764,416
Total Liabilities	6,803,156	1,090,633	1,562,414	36,792	2,370,700	1,641,307	1,155,449	14,660,451
Deferred Inflow of Resources:								
Property Taxes	835,082	468,003	210,090	-	-	14,188	32,962	1,560,325
Total Deferred Inflow of Resources	835,082	468,003	210,090	-	-	14,188	32,962	1,560,325
FUND BALANCES								
Nonspendable	1,768,177	428,623	98,256	-	-	4,017	507	2,299,580
Restricted	186,120	419,817	6,100,037	12,703,757	3,704,871	-	13,404,295	36,518,897
Committed	-	-	-	-	-	-	232,628	232,628
Assigned	-	18,888,205	8,965,448	190,972	835	7,744,083	4,314,052	40,103,595
Unassigned	15,360,721	-	-	-	-	-	-	15,360,721
Total Fund Balance	17,315,018	19,736,645	15,163,741	12,894,729	3,705,706	7,748,100	17,951,482	94,515,421
Total Liabilities, Deferred Inflow of Resources & Fund Balances	\$ 24,953,256	\$ 21,295,281	\$ 16,936,245	\$ 12,931,521	\$ 6,076,406	\$ 9,403,595	\$ 19,139,893	\$ 110,736,197

See accompanying notes to financial statements

**Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Position
December 31, 2016**

	Governmental Funds
Fund balance as shown in the Governmental Funds Balance Sheet	\$ 94,515,421
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	430,542,090
Debt, which is not reported in governmental funds, is reported in the statement of net position	(69,327,567)
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	67,657,390
Deferred inflows and outflows of resources include deferred gains and losses on refunding, which is not reported in governmental funds, is reported in the statement of net position	1,790,957
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	7,150
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position	14,387,131
Compensated absences, other post employment benefits and pensions, which are not reported in governmental funds, are reported as accrued liabilities in the statement of net position	(67,063,104)
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)	(1,613,616)
Net position for governmental funds as shown in statement of net position	\$ 470,895,852

See accompanying notes to financial statements

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2016

	General Fund	Roads	Medic One	Real Estate Excise Tax	Treatment Sales Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 56,884,805	\$ 18,305,416	\$ 10,311,508	\$ 4,694,220	\$ 5,065,266	\$ 876,203	\$ 14,447,583	\$ 110,585,001
Licenses & Permits	2,400,789	688,123	-	-	-	714,442	-	3,803,354
Intergovernmental	9,457,156	6,852,367	92,264	-	-	9,342,490	4,915,307	30,659,584
Charges for Services	13,573,814	1,341,389	31,993	-	-	15,075,398	6,271,238	36,293,832
Fines & Forfeits	2,759,894	-	-	-	-	-	43,757	2,803,651
Miscellaneous Revenue	3,410,462	100,868	144,231	105,084	-	373,376	1,094,608	5,228,629
Total Revenues	88,486,920	27,288,163	10,579,996	4,799,304	5,065,266	26,381,909	26,772,493	189,374,051
Expenditures:								
<i>Current:</i>								
General Government	14,619,263	-	-	-	-	-	493,047	15,112,310
Culture & Recreation	872,444	978,455	-	-	-	-	830,534	2,681,433
Economic Environment	1,820,574	-	-	-	-	-	6,184,214	8,004,788
Health & Human Services	-	-	11,385,701	-	-	22,142,266	7,725,623	41,253,590
Public Safety	70,779,643	-	-	-	1,164,994	-	1,074,228	73,018,865
Transportation	172,149	22,735,372	-	-	-	-	-	22,907,521
Utilities & Environment	663,588	-	-	-	-	-	2,481,496	3,145,084
Capital Outlay	173,299	4,945,226	30,344	-	-	1,186,857	5,484	6,341,210
<i>Debt Service:</i>								
Principal	92,400	64,294	3,973	-	-	14,168	5,525,019	5,699,854
Interest & Fiscal Charges	18,571	39,834	941	-	-	368	3,060,577	3,120,291
Total Expenditures	89,211,931	28,763,181	11,420,959	-	1,164,994	23,343,659	27,380,222	181,284,946
Excess (Deficiency) of Revenues Over Expenditures	(725,011)	(1,475,018)	(840,963)	4,799,304	3,900,272	3,038,250	(607,729)	8,089,105
Other Financing Sources (Uses)								
Capital Lease Financing	67,741	12,519	-	-	-	-	-	80,260
Sale of Capital Assets	773,164	941,960	305,680	-	-	15,015	34,597	2,070,416
Issuance of Refunding Bonds	-	-	-	-	-	-	32,899,823	32,899,823
Bond Premium on Refunding Bonds	-	-	-	-	-	-	4,659,147	4,659,147
Payment to Refunding Bond Escrow Agent	-	-	-	-	-	-	(37,558,970)	(37,558,970)
Transfers In	4,213,294	891,262	-	-	-	1,821,206	8,219,406	15,145,168
Transfers Out	(2,110,516)	(1,033,179)	(5,366)	(2,677,215)	(3,479,714)	(40,415)	(6,874,973)	(16,221,378)
Total Other Financing Sources (Uses)	2,943,683	812,562	300,314	(2,677,215)	(3,479,714)	1,795,806	1,379,030	1,074,466
Special Item								
Transfer of Social Services to BHO	-	-	-	-	-	(33,702,135)	-	(33,702,135)
Net Changes In Fund Balances	2,218,672	(662,456)	(540,649)	2,122,089	420,558	(28,868,079)	771,301	(24,538,564)
Fund Balances as of January 1	15,096,346	20,399,101	15,704,390	10,772,640	3,285,148	36,616,179	17,180,181	119,053,985
Fund Balances as of December 31	\$ 17,315,018	\$ 19,736,645	\$ 15,163,741	\$ 12,894,729	\$ 3,705,706	\$ 7,748,100	\$ 17,951,482	\$ 94,515,421

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, 2016**

		Governmental Funds
Change in fund balance as shown in the Governmental Funds		
Statement of Revenues, Expenditures and Changes in Fund Balances		\$ (24,538,564)
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	6,341,210	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(11,786,380)	
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>4,843,410</u>	(601,760)
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	5,736,335	
Costs related to debt, such as premiums, discounts, and other similar items, are reported as revenues or expenditures in governmental funds when debt is issued. They are deferred in the statement of net position and recognized over the life of the bond issue in the statement of activities	(374,823)	
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.	<u>(80,260)</u>	5,281,252
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	901,439	
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	(1,736,088)	
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>1,272,516</u>	437,867
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	211,444	
Compensated absences, other post employment benefits and pensions, which are not reported in governmental funds, are reported as an expense in the statement of activities	<u>(2,027,478)</u>	(1,816,034)
Change in net position for governmental funds as shown in the		
Statement of Activities		<u><u>\$ (21,237,239)</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, 2016
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	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Revenues By Funding Source				
General Revenues:				
Taxes	\$ 55,862,514	\$ 55,862,514	\$ 56,884,805	\$ 1,022,291
Licenses & Permits	2,120,900	2,154,900	2,400,789	245,889
Intergovernmental	8,902,352	9,133,559	9,457,156	323,597
Charges for Services	13,226,413	13,431,336	13,573,814	142,478
Fines & Forfeits	2,758,400	2,758,400	2,759,894	1,494
Miscellaneous Revenue	2,949,224	3,041,128	3,410,462	369,334
Total General Revenues	85,819,803	86,381,837	88,486,920	2,105,083
Other Financing Sources:				
Capital Lease Financing	-	68,033	67,741	(292)
Other Finance Sources - Capital Asset Sales	200,700	200,700	773,164	572,464
Transfers In	4,961,246	5,127,879	4,213,294	(914,585)
Total Other Financing Sources	5,161,946	5,396,612	5,054,199	(342,413)
Total Revenues	\$ 90,981,749	\$ 91,778,449	\$ 93,541,119	\$ 1,762,670

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, 2016
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	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Expenditures by Department				
Assessor's Office:				
General Government	\$ 3,614,226	\$ 3,622,222	\$ 3,619,180	\$ 3,042
Total Assessor's Office	3,614,226	3,622,222	3,619,180	3,042
Auditor's Office:				
General Government	5,740,018	5,769,173	5,470,498	298,675
Capital Outlay	-	19,709	11,530	8,179
Debt Service:				
Principal	6,107	6,107	4,634	1,473
Interest and Fiscal Charges	6,268	6,268	2,238	4,030
Transfers Out	15,000	15,000	15,000	-
Total Auditor's Office	5,767,393	5,816,257	5,503,900	312,357
Assigned Counsel:				
Public Safety	4,943,024	5,403,830	5,375,599	28,231
Capital Outlay	-	-	13,662	(13,662)
Debt Service:				
Principal	3,135	3,135	1,905	1,230
Interest and Fiscal Charges	321	321	882	(561)
Total Assigned Counsel	4,946,480	5,407,286	5,392,048	15,238
Clerk's Office:				
Public Safety	3,245,842	3,276,389	3,204,344	72,045
Debt Service:				
Principal	11,600	11,600	12,040	(440)
Interest and Fiscal Charges	2,000	2,000	4,111	(2,111)
Total Clerk's Office	3,259,442	3,289,989	3,220,495	69,494

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, 2016
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	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Commissioner's Office:				
General Government	1,883,605	1,915,440	1,863,973	51,467
Transportation	193,121	193,121	172,039	21,082
Debt Service:				
Principal	5,500	5,500	5,417	83
Interest and Fiscal Charges	600	600	518	82
Total Commissioner's Office	2,082,826	2,114,661	2,041,947	72,714
Coroner's Office:				
Public Safety	996,492	1,004,529	993,464	11,065
Capital Outlay	-	-	5,000	(5,000)
Debt Service:				
Principal	2,890	2,890	3,772	(882)
Interest and Fiscal Charges	2,050	2,050	1,420	630
Total Coroner's Office	1,001,432	1,009,469	1,003,656	5,813
Corrections:				
Public Safety	18,854,313	19,105,281	18,819,048	286,233
Capital Outlay	-	8,891	15,954	(7,063)
Debt Service:				
Principal	16,730	16,730	15,326	1,404
Interest and Fiscal Charges	2,091	2,091	1,256	835
Transfers Out	-	55,000	55,000	-
Total Corrections	18,873,134	19,187,993	18,906,584	281,409
District Court				
Public Safety	3,559,664	3,559,367	3,322,364	237,003
Capital Outlay	-	-	9,207	(9,207)
Debt Service:				
Principal	2,686	2,686	-	2,686
Interest and Fiscal Charges	165	165	-	165
Total District Court	3,562,515	3,562,218	3,331,571	230,647

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, 2016
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	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Emergency Management:				
Public Safety	1,304,180	1,305,103	1,217,507	87,596
Capital Outlay	-	-	18,006	(18,006)
Transfers Out	2,000	2,000	2,000	-
Emergency Management	1,306,180	1,307,103	1,237,513	69,590
Human Resources:				
General Government	1,506,141	1,520,965	1,409,933	111,032
Public Safety	128,139	128,139	125,963	2,176
Debt Service:				
Principal	9,858	9,858	5,302	4,556
Interest and Fiscal Charges	2,656	2,656	790	1,866
Total Human Resources	1,646,794	1,661,618	1,541,988	119,630
Juvenile Probation:				
Public Safety	7,220,967	7,234,342	6,644,256	590,086
Debt Service:				
Principal	-	-	3,184	(3,184)
Interest and Fiscal Charges	-	-	463	(463)
Total Juvenile Probation	7,220,967	7,234,342	6,647,903	586,439

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, 2016
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	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Non-Departmental:				
General Government	1,210,406	982,406	1,005,048	(22,642)
Public Safety	257,637	165,637	142,676	22,961
Utilities & Environment	653,727	653,727	663,588	(9,861)
Transportation	500	500	110	390
Economic Environment	231,500	231,500	230,500	1,000
Transfers Out	2,318,633	2,545,266	1,979,626	565,640
Total Non-Departmental	4,672,403	4,579,036	4,021,548	557,488
Planning:				
Economic Environment	2,485,971	2,591,593	1,590,074	1,001,519
Total Planning	2,485,971	2,591,593	1,590,074	1,001,519
PreTrial Services:				
Public Safety	647,057	647,057	343,182	303,875
Transfers Out	-	-	2,413	(2,413)
Total PreTrial Services	647,057	647,057	345,595	301,462
Prosecuting Attorney:				
Public Safety	8,301,396	8,443,806	8,231,803	212,003
Capital Outlay	31,992	40,514	46,407	(5,893)
Debt Service:				
Principal	20,400	20,400	20,165	235
Interest and Fiscal Charges	5,400	5,400	4,233	1,167
Total Prosecuting Attorney	8,359,188	8,510,120	8,302,608	207,512
State Examiner:				
General Government	125,000	131,000	123,436	7,564
Total State Examiner	125,000	131,000	123,436	7,564

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, 2016
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	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Sheriff:				
Public Safety	16,838,810	17,237,503	16,946,527	290,976
Capital Outlay	5,000	13,500	40,094	(26,594)
Principal	9,079	9,079	10,403	(1,324)
Interest and Fiscal Charges	2,867	2,867	874	1,993
Total Sheriff	16,855,756	17,262,949	16,997,898	265,051
Superior Court:				
Public Safety	5,268,365	5,311,404	5,120,202	191,202
Capital Outlay	-	-	5,413	(5,413)
Debt Service:				
Principal	5,300	5,300	7,329	(2,029)
Interest and Fiscal Charges	2,623	2,623	1,005	1,618
Transfers Out	-	-	32,757	(32,757)
Total Superior Court	5,276,288	5,319,327	5,166,706	152,621
Treasurer's Office				
General Government	1,148,070	1,152,927	1,097,698	55,229
Total Treasurer's Office	1,148,070	1,152,927	1,097,698	55,229
WSU Extension				
Culture and Recreation	384,956	379,945	356,355	23,590
Debt Service:				
Principal	1,417	1,417	2,752	(1,335)
Interest and Fiscal Charges	1,615	1,615	551	1,064
Total WSU Extension	387,988	382,977	359,658	23,319
Total General Fund Expenditures	93,239,110	94,790,144	90,452,006	4,338,138

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, 2016
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Reconciliation of Budgetary Perspective Differences Due to GASB 54:

	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Fair:				
Culture and Recreation	541,634	542,135	516,089	26,046
Capital Outlay	-	8,026	8,026	-
Debt Service:				
Principal	-	-	171	(171)
Interest and Fiscal Charges	-	-	230	(230)
Transfers Out	-	720	720	-
Total Fair	541,634	550,881	525,236	25,645
Historic Preservation:				
General Government	30,000	30,000	29,497	503
Transfers Out	23,000	23,000	23,000	-
Total Historic Preservation	53,000	53,000	52,497	503
Prisoner Concession:				
Public Safety	218,181	320,081	292,633	27,448
Total Prisoner Concession	218,181	320,081	292,633	27,448
Sobriety Program 24/7:				
Public Safety	11,001	11,001	75	10,926
Total Sobriety Program 24/7	11,001	11,001	75	10,926
Total GASB 54 Expenditures	823,816	934,963	870,441	64,522
Total Reported General Fund Expenditures	94,062,926	95,725,107	91,322,447	4,402,660
Net Changes in Fund Balances	(3,081,177)	(3,946,658)	2,218,672	6,165,330
Fund Balances as of January 1	11,825,711	13,649,735	15,096,346	1,446,611
Fund Balances as of December 31	\$ 8,744,534	\$ 9,703,077	\$ 17,315,018	\$ 7,611,941

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, 2016

	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 10,278,757	\$ 10,278,757	\$ 10,311,508	\$ 32,751
Intergovernmental	59,320	59,320	92,264	32,944
Charges for Services	24,030	24,030	31,993	7,963
Miscellaneous Revenue	304,370	304,370	144,231	(160,139)
Total Revenues	10,666,477	10,666,477	10,579,996	(86,481)
Expenditures:				
<i>Current:</i>				
Health & Human Services	12,214,656	12,238,024	11,385,701	852,323
Capital Outlay	611,632	611,632	30,344	581,288
<i>Debt Service:</i>				
Principal	3,973	3,973	3,973	-
Interest & Fiscal Charges	941	941	941	-
Total Expenditures	12,831,202	12,854,570	11,420,959	1,433,611
Excess (Deficiency) of Revenues Over Expenditures	(2,164,725)	(2,188,093)	(840,963)	1,347,130
Other Financing Sources (Uses)				
Capital Lease Financing				
Sale of Capital Assets	33,000	33,000	305,680	272,680
Transfers In	6,500	6,500	-	(6,500)
Transfers Out	(6,500)	(11,866)	(5,366)	6,500
Total Other Financing Sources (Uses)	33,000	27,634	300,314	272,680
Net Changes In Fund Balances	(2,131,725)	(2,160,459)	(540,649)	1,619,810
Fund Balances as of January 1	16,773,035	15,704,390	15,704,390	-
Fund Balances as of December 31	\$ 14,641,310	\$ 13,543,931	\$ 15,163,741	\$ 1,619,810

See accompanying notes to financial statements

Treatment Sales Tax
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2016

	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 4,590,000	\$ 4,590,000	\$ 5,065,266	\$ 475,266
Total Revenues	4,590,000	4,590,000	5,065,266	475,266
Expenditures:				
<i>Current:</i>				
Public Safety	206,545	206,545	1,164,994	(958,449)
Total Expenditures	206,545	206,545	1,164,994	(958,449)
Excess (Deficiency) of Revenues Over Expenditures	4,383,455	4,383,455	3,900,272	(483,183)
Other Financing Sources (Uses)				
Transfers Out	(5,274,783)	(5,426,748)	(3,479,714)	1,947,034
Total Other Financing Sources (Uses)	(5,274,783)	(5,426,748)	(3,479,714)	1,947,034
Net Changes In Fund Balances	(891,328)	(1,043,293)	420,558	1,463,851
Fund Balances as of January 1	2,736,000	3,285,148	3,285,148	-
Fund Balances as of December 31	\$ 1,844,672	\$ 2,241,855	\$ 3,705,706	\$ 1,463,851

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, 2016

	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 870,472	\$ 870,472	\$ 876,203	\$ 5,731
Licenses & Permits	651,464	651,464	714,442	62,978
Intergovernmental	17,685,305	9,904,454	9,342,490	(561,964)
Charges for Services	35,042,939	15,413,730	15,075,398	(338,332)
Miscellaneous Revenue	727,042	642,442	373,376	(269,066)
Total Revenues	54,977,222	27,482,562	26,381,909	(1,100,653)
Expenditures:				
<i>Current:</i>				
Health & Human Services	28,312,367	26,239,861	22,142,266	4,097,595
Capital Outlay	1,390,000	1,320,000	1,186,857	133,143
<i>Debt Service:</i>				
Principal	14,675	13,625	14,168	(543)
Interest & Fiscal Charges	1,549	1,549	368	1,181
Total Expenditures	29,718,591	27,575,035	23,343,659	4,231,376
Excess (Deficiency) of Revenues Over Expenditures	25,258,631	(92,473)	3,038,250	3,130,723
Other Financing Sources (Uses)				
Sale of Capital Assets	11,250	11,250	15,015	3,765
Transfers In	3,222,331	1,911,679	1,821,206	(90,473)
Transfers Out	(45,600)	(72,702)	(40,415)	32,287
Total Other Financing Sources (Uses)	3,187,981	1,850,227	1,795,806	(54,421)
Special Item				
Transfer of Social Services to BHO	(33,702,135)	(33,702,135)	(33,702,135)	-
Net Changes In Fund Balances	(5,255,523)	(31,944,381)	(28,868,079)	3,076,302
Fund Balances as of January 1	28,608,514	35,460,097	36,616,179	1,156,082
Fund Balances as of December 31	\$ 23,352,991	\$ 3,515,716	\$ 7,748,100	\$ 4,232,384

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, 2016

	Original 2016 Budget	Final 2016 Budget	Actual 2016	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 18,596,065	\$ 18,596,065	\$ 18,305,416	\$ (290,649)
Licenses & Permits	443,500	443,500	688,123	244,623
Intergovernmental	10,331,906	10,331,906	6,852,367	(3,479,539)
Charges for Services	669,575	726,675	1,341,389	614,714
Miscellaneous Revenue	81,100	81,100	100,868	19,768
Total Revenues	30,122,146	30,179,246	27,288,163	(2,891,083)
Expenditures:				
<i>Current:</i>				
Culture & Recreation	1,044,924	1,069,924	978,455	91,469
Transportation	23,752,338	25,613,619	22,735,372	2,878,247
Capital Outlay	11,242,088	12,648,534	4,945,226	7,703,308
<i>Debt Service:</i>				
Principal	66,399	66,399	64,294	2,105
Interest & Fiscal Charges	39,285	39,285	39,834	(549)
Total Expenditures	36,145,034	39,437,761	28,763,181	10,674,580
Excess (Deficiency) of Revenues Over Expenditures	(6,022,888)	(9,258,515)	(1,475,018)	7,783,497
Other Financing Sources (Uses)				
Capital Lease Financing	-	12,446	12,519	73
Sale of Capital Assets	120,000	120,000	941,960	821,960
Transfers In	4,020,038	4,395,038	891,262	(3,503,776)
Transfers Out	(4,055,326)	(4,151,641)	(1,033,179)	3,118,462
Total Other Financing Sources (Uses)	84,712	375,843	812,562	436,719
Net Changes In Fund Balances	(5,938,176)	(8,882,672)	(662,456)	8,220,216
Fund Balances as of January 1	16,962,392	20,398,901	20,399,101	200
Fund Balances as of December 31	\$ 11,024,216	\$ 11,516,229	\$ 19,736,645	\$ 8,220,416

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2016
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	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
ASSETS						
Current Assets:						
Cash & Pooled Investments	\$ 25,914,316	\$ 2,417,838	\$ 9,667,152	\$ 3,702,173	\$ 41,701,479	\$ 38,241,310
<i>Receivables:</i>						
Special Assessment Receivables	-	120,265	263,530	47,886	431,681	-
Accrued Interest & Penalties	-	26,668	16,260	7,022	49,950	21,108
Customer Account Receivables	2,383,110	217,035	-	107,228	2,707,373	4,685
Due From Other Funds	13,107	17,437	18,720	91,727	140,991	506,173
Due From Other Government Units	749,758	12,849	34,128	6,499	803,234	23,655
Inventory	-	-	-	-	-	310,134
Prepayments	45	-	23	457	525	38,243
<i>Restricted Assets:</i>						
Cash and Pooled Investments	-	67,155	-	104,536	171,691	-
Total Current Assets	29,060,336	2,879,247	9,999,813	4,067,528	46,006,924	39,145,308
Noncurrent Assets:						
Community Loans Receivable	-	-	-	163,456	163,456	-
Special Assessment Receivables	-	251,770	-	259,483	511,253	-
<i>Capital Assets:</i>						
Non-Depreciable	1,430,460	1,478,034	396,830	30,900	3,336,224	5,053,604
Depreciable, Net	9,070,147	12,123,411	6,478,289	3,221,048	30,892,895	39,195,631
<i>Restricted Assets: Cash and Pooled Investments</i>	13,748,634	-	-	-	13,748,634	-
Total Noncurrent Assets	24,249,241	13,853,215	6,875,119	3,674,887	48,652,462	44,249,235
Total Assets	53,309,577	16,732,462	16,874,932	7,742,415	94,659,386	83,394,543
Deferred Outflow of Resources:						
Loss on Refunding	-	88,272	-	-	88,272	-
Pensions	383,550	54,949	295,518	357,838	1,091,855	1,008,950
Total Deferred Outflow of Resources	383,550	143,221	295,518	357,838	1,180,127	1,008,950

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2016
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	1,339,223	65,918	244,479	166,464	1,816,084	982,125
Notes/Leases Payable	4,071	5,165	3,404	51,974	64,614	1,985
Due To Other Funds	523,995	3,693	302,273	43,134	873,095	189,168
Due To Other Government Units	6,922	-	-	-	6,922	345
Compensated Absences	13,871	3,927	11,904	12,495	42,197	42,326
Claims and Judgments Payable	-	-	-	-	-	422,532
Unearned Revenue	-	47,385	-	4,959	52,344	-
Lim. Tax G. O. Bond - Current Portion	-	973,734	-	-	973,734	105,000
Spec Assessment Debt - Govern. Commitment	-	-	-	78,282	78,282	-
Total Current Liabilities	1,888,082	1,099,822	562,060	357,308	3,907,272	1,743,481
Noncurrent Liabilities:						
Limited G.O. Bonds Payable	-	2,546,284	-	-	2,546,284	1,854,600
Special Assess. Debt - Gov. Commitment	-	-	-	269,694	269,694	-
Compensated Absences	235,881	66,775	202,428	212,493	717,577	719,787
Other Post Employment Benefits Payable	915,945	95,379	659,726	845,114	2,516,164	2,130,045
Claims and Judgments Payable	-	-	-	-	-	3,952,393
Notes/Leases Payable	8,926	46,486	1,495	526,007	582,914	10,213
Accumulated Landfill Closure Costs	15,241,861	-	-	-	15,241,861	-
Net Pension Liability	2,342,464	335,596	1,804,823	2,185,429	6,668,312	6,161,986
Total Noncurrent Liabilities	18,745,077	3,090,520	2,668,472	4,038,737	28,542,806	14,829,024
Total Liabilities	20,633,159	4,190,342	3,230,532	4,396,045	32,450,078	16,572,505
Deferred Inflow of Resources:						
Pensions	65,992	9,455	50,847	61,570	187,864	173,598
NET POSITION						
Net Investment in Capital Assets	10,487,610	10,118,048	6,870,220	2,866,818	30,342,696	42,277,437
Restricted For:						
Debt Service	-	462,396	-	413,363	875,759	-
Unrestricted (Deficit)	22,506,366	2,095,442	7,018,851	362,457	31,983,116	25,379,953
Total Net Position	\$ 32,993,976	\$ 12,675,886	\$ 13,889,071	\$ 3,642,638	\$ 63,201,571	\$ 67,657,390

See accompanying notes to financial statements

**Reconciliation of The Statement of
Net Position of Proprietary Funds
To The Statement of Net Position
*December 31, 2016***

	Business Type Funds
Enterprise net position as shown in the Proprietary Funds Statement of Net Position	\$ 63,201,571
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<u>1,613,616</u>
Net position for business-type funds as shown in Statement of Net Position	<u><u>\$ 64,815,187</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, 2016

	Enterprise Funds					Internal
	Solid	Grand	Storm	Other	Total	Service
	Waste	Mound	Water	Enterprise	Enterprise	Funds
				Funds	Funds	
Operating Revenues:						
Charges for Services	\$ 23,614,689	\$ 1,621,858	\$ 6,444,724	\$ 4,312,768	\$ 35,994,039	\$ 16,067,343
Equipment Rental	-	-	-	-	-	7,826,300
Miscellaneous	178,446	46,486	-	49,136	274,068	109,455
Total Operating Revenues	23,793,135	1,668,344	6,444,724	4,361,904	36,268,107	24,003,098
Operating Expenses:						
Salaries and Benefits	2,874,436	450,641	2,619,594	2,919,267	8,863,938	8,619,749
Other Supplies and Expenses	316,823	71,964	129,849	91,564	610,200	2,752,301
Contractual Services	2,859,339	240,871	419,937	255,015	3,775,162	6,313,661
Longhaul Contract	13,500,141	-	-	-	13,500,141	-
Interfund Services and Charges	1,347,963	205,286	1,460,384	1,058,024	4,071,657	1,740,847
Depreciation/Amortization	1,050,287	616,278	476,503	202,077	2,345,145	4,519,042
Claims Payments	-	-	-	-	-	777,171
Total Operating Expenses	21,948,989	1,585,040	5,106,267	4,525,947	33,166,243	24,722,771
Operating Income (Loss)	1,844,146	83,304	1,338,457	(164,043)	3,101,864	(719,673)
Nonoperating Revenue (Expenses):						
Interest Revenue	-	40,377	97,829	28,835	167,041	96,835
Operating Grants & Contributions	225,880	-	12,779	32,858	271,517	4,035
External & Internal Tax Payments	-	-	(80,375)	-	(80,375)	-
Gain/Loss on Disposition of Capital Assets	(118,897)	31,559	(97,000)	-	(184,338)	810,746
Insurance Recoveries	-	-	-	-	-	24,167
Interest Expense & Fiscal Charges	(2,781)	(151,541)	(506)	(11,923)	(166,751)	(62,007)
Total Nonoperating Revenue (Expense)	104,202	(79,605)	(67,273)	49,770	7,094	873,776
Income Before Contributions and Transfers	1,948,348	3,699	1,271,184	(114,273)	3,108,958	154,103
Capital Grants & Contributions	-	502,219	-	13,426	515,645	-
Capital Contributions from Gov't Activities	-	-	-	-	-	156,477
Special Item:						
Capital Asset Transfer from Gov't Activities	-	-	-	-	-	306,862
Transfers In	28,145	200,000	-	261,915	490,060	1,607,779
Transfers Out	(14,657)	(1,116)	(129,831)	(15,582)	(161,186)	(860,443)
Change in Net Position	1,961,836	704,802	1,141,353	145,486	3,953,477	1,364,778
Net Position as of January 1	31,032,140	11,971,084	12,747,718	3,497,152	59,248,094	66,292,612
Net Position as of December 31	\$ 32,993,976	\$ 12,675,886	\$ 13,889,071	\$ 3,642,638	\$ 63,201,571	\$ 67,657,390

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, 2016**

	<u>Business-Type Funds</u>
Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 3,953,477
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	1,736,088
Allocated direct and indirect costs from the County's cost plan	<u>(1,272,516)</u>
 Change in net position for business-type funds as shown in the Statement of Activities	 \$ <u><u>4,417,049</u></u>

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2016
Page 1 of 2

	Enterprise Funds					Internal
	Solid	Grand	Storm	Other	Total	Service
	Waste	Mound	Water	Enterprise	Enterprise	Funds
				Funds	Funds	
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 22,274,055	\$ 1,627,351	\$ 6,304,615	4,142,161	34,348,182	\$ 23,268,918
Cash Paid for Goods & Services	(18,786,107)	(516,975)	(1,731,237)	(1,414,619)	(22,448,938)	(11,950,172)
Cash Paid to Employees	(2,268,338)	(367,136)	(2,079,225)	(2,533,374)	(7,248,073)	(7,316,147)
Net Cash Provided (Used) by Operating Activities	1,219,610	743,240	2,494,153	194,168	4,651,171	4,002,599
Cash Flows from Noncapital						
Financing Activities:						
Transfers In	28,145	200,000	-	261,915	490,060	1,193,055
Transfers Out	(14,657)	(1,116)	(129,831)	(15,582)	(161,186)	(423,727)
Grant Proceeds	(132,636)	(2,728)	(21,019)	37,768	(118,615)	4,035
Tax and Assessment Receipts	-	-	(38,096)	-	(38,096)	-
Community Loans Issued to Homeowners	-	-	-	18,590	18,590	-
Community Loan Financing Payments	-	-	-	(41,015)	(41,015)	-
Community Loan Financing Proceeds	-	-	-	16,206	16,206	-
Insurance Recoveries	-	-	-	-	-	24,184
Tax Payments	-	-	(80,375)	-	(80,375)	-
Interest Payments	-	-	-	(11,159)	(11,159)	-
Net Cash Provided (Used) by Noncapital						
Financing Activities	(119,148)	196,156	(269,321)	266,723	74,410	797,547
Cash Flows from Capital &						
Related Financing Activities:						
Cash Proceeds from Sale of Capital Assets	-	-	-	-	-	532,289
Capital Asset Purchases	(2,402,694)	(82,305)	(391,252)	(46,008)	(2,922,259)	(4,539,275)
Bond/Loan Payments	(12,831)	(911,579)	(3,157)	(101,421)	(1,028,988)	(104,739)
Bond/Loan Proceeds	9,459	-	-	38,436	47,895	13,437
Contributed Capital	-	502,219	-	13,426	515,645	39,949
Assessment Receipts	-	155,585	-	59,963	215,548	-
Interest Payments	(2,781)	(141,442)	(506)	(764)	(145,493)	(62,007)
Net Cash Provided (Used) by Capital &						
Related Financing Activities	(2,408,847)	(477,522)	(394,915)	(36,368)	(3,317,652)	(4,120,346)
Cash Flows from Investing Activities:						
Interest Receipts	-	48,697	91,845	27,263	167,805	91,336
Net Cash Provided (Used) by Investing Activities	-	48,697	91,845	27,263	167,805	91,336
Net Increase (Decrease) in Cash &						
Cash Equivalents	(1,308,385)	510,571	1,921,762	451,786	1,575,734	771,136
Cash & Cash Equivalents as of January 1	40,971,335	1,974,422	7,745,390	3,354,923	54,046,070	37,470,174
Cash & Cash Equivalents as of December 31	\$ 39,662,950	\$ 2,484,993	\$ 9,667,152	\$ 3,806,709	\$ 55,621,804	\$ 38,241,310

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2016
Page 2 of 2

	Enterprise Funds					Internal
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	Service Funds
Reconciliation of Operating Income To Net Cash Provided (Used) by Operating Income:						
Operating Income	\$ 1,844,146	\$ 83,304	\$ 1,338,457	\$ (164,043)	\$ 3,101,864	\$ (719,673)
Adjustments to Reconcile Operating Income to						
Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	1,050,287	616,278	476,503	202,077	2,345,145	4,519,042
(Increase) Decrease in:						
Customer Account Receivables	(1,113,445)	(2,949)	-	2,815	(1,113,579)	164,996
Due from Other Funds	6,553	10,946	176,495	166,296	360,290	144,222
Due from Other Government Units	-	-	-	-	-	47,986
Inventories	-	-	-	-	-	32,575
Prepaid Expense	-	-	-	-	-	(9,356)
Increase (Decrease) in:						
Accounts Payable	(65,847)	9,991	79,589	(44,286)	(20,553)	(119,896)
Due to Other Funds	92,828	(8,845)	199,344	34,270	317,597	(75,489)
Due to Other Government Units	6,922	-	-	-	6,922	345
Claims and Judgments	-	-	-	-	-	(194,371)
Unearned Revenue	-	10,850	-	2,000	12,850	-
Compensated Absences Payable	173,431	37,436	187,287	109,390	507,544	308,780
Net Pension Liability	20,479	(13,771)	36,478	(114,351)	(71,165)	(96,562)
Accumulated Landfill Closure	(795,744)	-	-	-	(795,744)	-
Total Adjustments	(624,536)	659,936	1,155,696	358,211	1,549,307	4,722,272
Net Cash Provided (Used) by Operating Activities	\$ 1,219,610	\$ 743,240	\$ 2,494,153	\$ 194,168	\$ 4,651,171	\$ 4,002,599

Noncash Investing, Capital, and Financing

Activities:

Disposition of Capital Assets:

Gain on Disposition	\$ -	\$ 31,559	\$ -	\$ -	\$ 31,559	\$ 348,002
Loss on Disposition	\$ (118,897)	\$ -	\$ (97,000)	\$ -	\$ (215,897)	\$ (69,545)
Capital Lease Financing Proceeds	\$ 9,459	\$ -	\$ -	\$ 38,436	\$ 47,895	\$ -
Capital Asset Transfer from Governmental Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,862
Contribution of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,528

See accompanying notes to financial statements

Statement Of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

ASSETS	Investment Trust Fund	Private Purpose Trust Fund	Agency Funds
Assets:			
Cash & Pooled Investments	\$ 569,373,101	\$ 2,917,000	\$ 13,250,914
Cash and Investments in Trust	-	-	485,407
Deposits with Fiscal Agent	-	-	10,000
Receivables:			
Accrued Interest Receivables	28,427	-	-
Customer Account Receivables	4,281	-	-
Investments at Fair Value:			
US Agency & Instrumentality Securities	(6,227,580)	-	-
Total Assets	563,178,229	2,917,000	13,746,321
LIABILITIES			
Liabilities:			
Warrant Payable	-	-	11,987,828
Accounts Payable	-	-	34,074
Payroll Payable	-	-	1,229,012
Due to Other Governments	-	-	495,407
Total Liabilities	-	-	13,746,321
NET POSITION			
Investments Held in Trust for Pool Participants	563,178,229	-	-
Investments Held in Trust for Other Purposes	-	2,917,000	-
Total Net Position	\$ 563,178,229	\$ 2,917,000	\$ -

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended December 31, 2016

	Investment Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Additions By Participants	\$ 1,256,847,488	\$ 21,896,024
Trust Revenues	230,555	-
Total Contributions	<u>1,257,078,043</u>	<u>21,896,024</u>
Investment Income:		
Net Increase (Decrease) In Fair Value Of Investments	(6,227,580)	-
Interest, Dividends and Other	4,621,481	214
Total Investment Income	<u>(1,606,099)</u>	<u>214</u>
Total Additions	<u>1,255,471,944</u>	<u>21,896,238</u>
Deductions:		
Distributions to Participants	1,108,759,120	20,736,005
Trust Administrative Costs	230,555	-
Total Deductions	<u>1,108,989,675</u>	<u>20,736,005</u>
Change in Net Position Held for Individuals, Organizations and Other Governments	146,482,269	1,160,233
Net Position as of January 1 - Restated	<u>416,695,960</u>	<u>1,756,767</u>
Net Position as of December 31	<u><u>\$ 563,178,229</u></u>	<u><u>\$ 2,917,000</u></u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

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, the primary government. During 2016, the county had no component units currently in operation for which it was financially accountable. See next paragraph for a component unit not currently in operation. 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.

Blended Component Unit:

On December 31, 2014, the Thurston County Board of County Commissioners adopted an ordinance establishing the Thurston County Transportation Benefit District (TBD) in unincorporated Thurston County, pursuant to chapter 36.73 of the Revised Code of Washington (RCW). The purpose of the TBD, as an independent taxing authority, is to provide a source of funding for transportation improvements that preserve, maintain, and improve the transportation and related infrastructure within the unincorporated limits of Thurston County. Once operational, the TBD is authorized to collect a \$20 per vehicle fee for vehicles registered to owners living in unincorporated Thurston County. An interlocal agreement between the TBD and the county has been entered into for the purpose of identifying the responsibilities of the TBD and the county.

As soon as operational, the TBD will be a component unit of the county because: 1) it is a separate legal entity; 2) The Board of County Commissioners comprises the Board of the TBD and has operational responsibility for the TBD; and 3) the county can impose its will on the TBD.

The TBD is governed by a three member board composed of the three members of the Thurston County Board of County Commissioners. Although it is legally separated from the county, the TBD will be reported as if it was part of the primary government because its sole purpose is to finance transportation improvements. The TBD did not collect any revenues in 2016 as an agreement on a funding mechanism has yet to be reached. As such, there were no financial operations for the TBD to report this year. It is expected that the TBD will begin to collect revenues and transfer them to the county during 2017.

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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not 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. Fiduciary Funds are not included in the government-wide statements.

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.

- *Real Estate Excise Tax fund* – a fund established for holding excise tax proceeds dedicated to capital projects from the one-half percent tax on real property sales in unincorporated Thurston County. This fund is a newly added major fund for 2016. In prior years it was a Non-Major Capital Projects fund.
- *Treatment Sales Tax Special Revenue Fund* – uses sales tax proceeds to provide for the operation or delivery of new or expanded chemical dependency or mental health treatment programs and services and for the operation or delivery of new or expanded therapeutic court programs and services.
- *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 third week of November. Public hearings are held the first week of December and the final budget is adopted, by resolution, shortly thereafter.

2. Amending the Budget

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

The 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, 2016, 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 \$9,454,100.

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. Cash applicable to a particular fund is readily identifiable. Earnings on cash and cash equivalents accrue to the individual fund owning the cash, with the exception of the following funds, which accrue to the County's General Fund: Law Library, Auditor's Maintenance & Operation, Treatment Sales Tax, Medic One, Roads Operations, Prisoner's Concession, Solid Waste, Insurance Risk, Central Services, Equipment Rental & Revolving, and Agency Clearing Funds. 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. 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 acquisition 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. Unearned revenues in the government-wide financial statements represent resources received but not yet earned.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Rebateable Arbitrage

Thurston County has not incurred any rebateable arbitrage as of December 31, 2016. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

11. 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). 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.

12. 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.

13. Minimum Fund Balance

The County's formal adopted minimum fund balance policy for the General Fund stipulates that the minimum balance should 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 \$430,542,090 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	\$ 431,607,189
Gains (Losses) and Adjustments on Dispositions of Capital Assets	4,380,071
Governmental Capital Outlays	6,341,210
Governmental Depreciation & Amortization Expense	(11,786,380)
Governmental Net Book Value - End of Current Year	<u>\$ 430,542,090</u>

Another element of the reconciliation, as detailed below, was for \$69,327,567 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	\$ 72,470,917
Bond/Note Proceeds	80,260
Refunding, Amortization, Deferrals & Debt Issue Costs	2,512,725
Principal Payments	(5,736,335)
Computed Governmental Debt - End of Current Year	<u>\$ 69,327,567</u>

A third element of the reconciliation, as detailed below, was for \$67,657,390 because assets and liabilities of transfers in/out, Contributed Capital, and 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	\$ 66,292,612
Net Transfers In/Out	747,336
Contributed Capital	463,339
Net Profit	154,103
Net Position - End of Current Year	<u>\$ 67,657,390</u>
Cash	\$ 38,241,310
Capital Assets	44,249,235
Other Assets	903,998
Claims and Judgments Payable	(3,952,393)
Other Liabilities	(12,620,112)
Deferrals	835,352
Net Position - End of Current Year	<u>\$ 67,657,390</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

There were no violations of excess expenditures over appropriations during 2016.

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

Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The County has an adopted policy that addresses deposit custodial risk; however, the County's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the County's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool. The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. All deposits held at December 31, 2016 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, 2016 were \$10,253,843.

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). The LGIP is reported at amortized cost. This State Treasurer's Investment Pool was created by the Washington State Legislature in 1986 and is administered by the State Treasurer. Additionally, the State Finance Committee adopts and administers appropriate rules relating to the State Treasurer's Investment Pool. The State Treasurer created the Local Government Investment Pool Advisory Committee to give advice on the operation of the pool. The committee is comprised of 12 members selected from active pool participants. Washington statutes and the federal Single Audit Act of 1984 require an annual single audit of the state including the State Treasurer's Office. In addition, the pool contracts with the State Auditor's Office for an outside independent audit of the pool's financial statements.

The LGIP operates in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized costs. Further, The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission

The weighted average maturities of the LGIP is less than three (3) months with cash available to the county on demand. The on demand availability of these funds defines them as cash equivalent liquid investments and not subject to interest rate risk. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP.

County investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. Wells Fargo Bank acts as safekeeping agent for the Thurston County Treasurer. During 2016 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

During 2016, the County's safekeeping agent for investments changed from Bank of New York Mellon to Wells Fargo Bank effective April 1. The Agent agrees to provide Safekeeping Services, also referred to as Custodian Services, for custody, record keeping and cash management of the state investments. The State of Washington issued a Request for Proposal to the purpose of obtaining proposals for Custodian Services and Wells Fargo Bank was the successful bidder. The term of the agreement is four years. Annually the term of this agreement will be automatically extended for a period of one year, with the total contract period including extensions not to exceed eight years.

C. Thurston County Investment Pool (TCIP)

The Thurston County Investment Pool (TCIP) operates on an amortized cost-book value basis and reports on a fair 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 portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure investments at amortized cost. The only limitations or restrictions with the money in LGIP are a minimum transaction size of \$5,000 for deposits and withdrawals and a request to notify LGIP of a deposit or withdrawal of ten million dollars (\$10,000,000) or more of at least one day prior to the transfer.

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 market value of the investments during 2016. At 12/31/2016, the market value of investments was \$6,227,580 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 2016, TCIP sold five investments with a total realized gain of \$3,965.

Fair market 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 districts with investments outside the TCIP.

D. Investments Measured at Amortized Cost

As of December 31, 2016, the County held the following investments at amortized cost:

Investment at amortized cost as of: 12/31/2016

Investment Type	Thurston County Investments	Investments held by Thurston County as an agent for other local governments	Total	Weighted Average Maturity (Years)
Pool Investments:				
State Investment Pool	16,536,742	46,463,258	\$ 63,000,000	0.00
Money Market Accounts	6,037,223	16,962,777	23,000,000	0.00
Total Pool Investments	\$ 22,573,965	\$ 63,426,035	\$ 86,000,000	

Credit risk related to investments at amortized costs 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 County's exposure to credit risk is limited to its investment in the Washington State Investment Pool. This pool is currently not rated by a nationally recognized statistical rating organization.

E. Investments Measured at Fair Value

The County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

At December 31, 2016, the County had the following investments measured at fair value:

Investment Measured at Fair Value as of: 12/31/2016

Investment Type	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Municipal Bonds	3,829,974		3,829,974
US Treasury Notes	34,918,828	34,918,828	
US Agency Securities	630,475,785		630,475,785
Total Investments by Fair Value Level	\$ 669,224,587	\$ 34,918,828	\$ 634,305,759

The County's investments measured at fair value are subject to the following risks:

- **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, 2016 are:

US Agency Security	S&P Rating
Federal Home Loan Bank (FHLB)	AA+
Federal National Mortgage Association (FNMA)	AA+
Federal Home Loan Mortgage Corporation (FHLMC)	AA+
Federal Farm Credit Bank System (FFCB)	AA+

WA Municipal Bonds	S&P Rating
King Co Sewer Rev	AA+ S&P
Douglas Co PUD #001	AA S&P
Snohomish Co BABS GO	AA+ S&P
Pierce Co SD 10 Tacoma	AA+ S&P

- **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.

F. Deposits and Investments Reconciliations

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

**Composition of Cash & Investments
December 31, 2016**

	Total	Pooled Cash Investments	Non-Pooled Cash & Investments
State Investment Pool	\$ 63,000,000	\$ 63,000,000	\$ -
Municipal Bonds	3,805,000	3,805,000	-
US Treasury & Agency Securities	671,760,294	671,760,294	-
Money Market Accounts	23,000,000	23,000,000	-
Total Investment Pool Investments	761,565,294	761,565,294	-
Deposits With Financial Institutions	10,253,843	10,253,843	-
Net Increase (Decrease) in Fair Value of Investments	(6,227,580)	(6,227,580)	-
Pool Accruals	28,547	28,547	-
Total Investment Pool Cash & Investments	765,620,104	765,620,104	-
Fiscal and Petty Cash	76,674	-	76,674
Clerk's Trust Funds	2,917,000	-	2,917,000
Total Reported Cash & Investments	\$ 768,613,778	\$ 765,620,104	\$ 2,993,674

**Reconciliation of Cash & Investments to Statements
December 31, 2016**

	Total	Statements of	
		Fiduciary Net Position	Net Position
Cash & Pooled Investments - County Funds	\$ 188,705,554	\$ -	\$ 188,705,554
Cash & Pooled Investments - Investment Trust Fund	569,373,101	569,373,101	-
Cash & Pooled Investments - Agency Funds	13,736,321	13,736,321	-
Net Increase (Decrease) in Investment Fair Value	(6,227,580)	(6,227,580)	-
Pool Accruals	32,708	32,708	-
Total Investment Pool Cash & Investments	765,620,104	576,914,550	188,705,554
Fiscal and Petty Cash	76,674	10,000	66,674
Private Purpose Trust Funds	2,917,000	2,917,000	-
Total Reported Cash & Investments	\$ 768,613,778	\$ 579,841,550	\$ 188,772,228

A condensed statement of net position and statement of changes in net position for the external portion of the County's investment trust pool and the Clerk's private purpose trust fund at December 31, 2016 is reported in the following schedule:

**Condensed Statement of Net Position
December 31, 2016**

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 576,914,550	\$ 2,917,000
Total Assets	576,914,550	2,917,000
Pool Liabilities	(13,736,321)	-
Total Liabilities	(13,736,321)	-
Net Position Held in Trust for Pool Participants	\$ 563,178,229	\$ 2,917,000

**Condensed Statement of Changes in Net Position
December 31, 2016**

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Position Resulting from Operations	\$ 4,621,481	\$ 214
Earnings Distributions to Participants	(4,621,481)	(214)
Changes in Net Position Resulting from Depositor Transactions	146,482,269	1,160,233
Net Position Available	146,482,269	1,160,233
Net Position Beginning of Year	416,695,960	1,756,767
Net Position End of Year	\$ 563,178,229	\$ 2,917,000

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 these 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 2015 for collection in 2016:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.2874	\$ 27,898,056,620	\$ 35,915,733
Medic One	\$ 0.3665	\$ 27,898,056,620	\$ 10,225,254
Roads	\$ 1.5680	\$ 13,779,163,503	\$ 21,605,668

NOTE VI – CAPITAL ASSETS AND COMMITMENTS

A. Capital Assets

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance 01/01/2016	Increases	Decreases & Adjustments	Ending Balance 12/31/2016
<u>GOVERNMENTAL TYPE ACTIVITIES</u>				
Capital Assets - Non-Depreciable:				
Land	\$258,890,393	\$ 541,413	\$ (140,429)	\$259,291,377
Construction in Progress	24,427,025	2,106,920	(2,647,182)	23,886,763
Intangible Assets	2,371,860	12,000	-	2,383,860
Capital Assets - Non-Depreciable	285,689,278	2,660,333	(2,787,611)	285,562,000
Capital Assets - Depreciable:				
Buildings	145,171,154	9,901,464	(7,674,211)	147,398,407
Intangible Assets	1,861,726	113,681	(113,681)	1,861,726
Improvements Other Than Buildings	6,820,473	-	-	6,820,473
Machinery & Equipment	41,031,546	7,967,669	(5,872,386)	43,126,829
Infrastructure	147,809,419	7,487,647	(8,036,804)	147,260,262
Original Cost	342,694,318	25,470,461	(21,697,082)	346,467,697
Less Accumulated Depreciation:				
Buildings	(40,418,104)	(4,089,334)	(112,909)	(44,620,347)
Improvements Other Than Buildings	(4,721,458)	(438,626)	-	(5,160,084)
Machinery & Equipment	(29,136,402)	(3,742,937)	4,376,055	(28,503,284)
Intangible Assets	(1,756,478)	(37,979)	-	(1,794,457)
Infrastructure	(78,985,032)	(7,996,546)	8,032,554	(78,949,024)
Accumulated Depreciation	(155,017,474)	(16,305,422)	12,295,700	(159,027,196)
Capital Assets - Depr, Net	187,676,844	9,165,039	(9,401,382)	187,440,501
Total Original Cost	628,383,596	28,130,794	(24,484,693)	632,029,697
Total Accumulated Depreciation	(155,017,474)	(16,305,422)	12,295,700	(159,027,196)
Governmental Capital Assets, Net	\$473,366,122	\$11,825,372	\$ (12,188,993)	\$473,002,501

Depreciation expense was charged to functions as follows:

Depreciation Expense was charged to functions as follows:	
General Government	\$ 313,887
Public Safety	2,505,543
Utilities and Environment	773
Transportation	8,359,845
Economic Environment	1,772
Health and Human Services	182,453
Culture and Recreation	422,107
Subtotal	11,786,380
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.	4,519,042
Total Governmental Activities Depreciation Expense	\$ 16,305,422

Business Type Activities for the year ended December 31, 2016 was as follows:

	Beginning Balance 01/01/2016	Increases	Decreases & Adjustments	Ending Balance 12/31/2016
BUSINESS TYPE ACTIVITIES				
Capital Assets, not being depreciated:				
Land	\$ 1,461,158	\$ -	\$ -	\$ 1,461,158
Construction In Progress	374,453	1,496,301	(1,482,972)	387,782
Intangible	864,608	622,676	-	1,487,284
Total Capital Assets, not being depreciated	2,700,219	2,118,977	(1,482,972)	3,336,224
Capital Assets, being depreciated:				
Buildings	24,710,044	64,770	-	24,774,814
Intangible	1,858,553	-	-	1,858,553
Improvements other than buildings	23,610,070	1,599,252	(2,344,104)	22,865,218
Machinery & Equipment	5,280,941	2,790,314	(2,288,207)	5,783,048
Infrastructure	15,714,572	1,400,660	(10,279)	17,104,953
Total Capital Assets, being depreciated	71,174,180	5,854,996	(4,642,590)	72,386,586
Less Accumulated Depreciation For:				
Buildings	(10,443,887)	(749,675)	-	(11,193,562)
Improvements other than buildings	(20,556,074)	(391,244)	32,169	(20,915,149)
Machinery & Equipment	(3,850,145)	(373,451)	860,090	(3,363,506)
Intangible - M&E	(575,910)	(143,848)	-	(719,758)
Infrastructure	(4,614,785)	(686,929)	1	(5,301,713)
Total Accumulated Depreciation	(40,040,801)	(2,345,147)	892,260	(41,493,688)
Total Capital Assets being depreciated, net	31,133,379	3,509,849	(3,750,330)	30,892,898
Business Type Activities Capital Assets, net	\$ 33,833,598	\$ 5,628,826	\$ (5,233,302)	\$ 34,229,122

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:	
Solid Waste	\$ 1,050,287
Water	232,271
Sewer	573,009
Stormwater	476,503
Land Use & Permitting	13,076
Total	\$ 2,345,146

B. Construction Commitments

Management has determined that for materiality purposes, only construction commitments of greater than \$1 million will be disclosed.

Thurston County has the following active construction commitments as of December 31, 2016:

Project	Spent-to-Date	Remaining Commitment
Bald Hill Road Upgrade	-	2,246,166
Total	\$ -	\$ 2,246,166

This project is financed with local road funds and federal money.

NOTE VII – RECEIVABLE BALANCES

Receivables as of December 31, 2016 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	Com- munity Loans	Total
<u>Governmental Activities:</u>							
General Fund	\$ 995,989	\$ -	\$ 2,547,874	\$ 3,218,759	\$ 2,309,633	\$ -	\$ 9,072,255
Roads	555,211	-	6,617	1,465	262,360	-	825,653
Medic One	250,973	-	28,971	85,559	-	-	365,503
Real Estate Excise Tax	-	-	24,064	-	-	-	24,064
Public Health and Social Services	16,943	13,643	12,922	1,136	1,302,712	-	1,347,356
Other Governmental	39,420	41,569	116,663	468,019	510,267	-	1,175,938
Internal Service	-	-	21,108	4,685	23,655	-	49,448
Total Governmental Activities	\$ 1,858,536	\$ 55,212	\$ 2,758,219	\$ 3,779,623	\$ 4,408,627	\$ -	\$ 12,860,217
<u>Business-Type Activities:</u>							
Solid Waste	\$ -	\$ -	\$ -	\$ 2,383,110	\$ 749,758	\$ -	\$ 3,132,868
Grand Mound	-	372,035	26,668	217,035	12,849	-	628,587
Storm Water	-	263,530	16,260	-	34,128	-	313,918
Other Enterprise Funds	-	307,369	7,022	107,228	6,499	163,456	591,574
Total Business-Type Activities	\$ -	\$ 942,934	\$ 49,950	\$ 2,707,373	\$ 803,234	\$ 163,456	\$ 4,666,947

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. At the end of the year, the various components of unearned revenue reported in the governmental funds were as follows:

Unearned Revenue	
Delinquent special assessment and other receivable (Public Health & Social Services)	12,643
Delinquent special assessment receivable (Other Governmental Funds)	41,569
Delinquent accrued interest and penalties receivable (General Fund)	2,547,874
Taxes receivable (Other Governmental Funds)	56
Customer accounts receivable (Other Governmental Funds)	153,624
Unearned revenue - other receivables (General Fund)	5,750
Unearned revenue - other receivables (Roads Fund)	2,900
Total unearned revenue for governmental funds	\$ 2,764,416

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 various sources, dependent on the purpose of the debt. Those include real estate excise tax fees, detention facility sales tax, conservation futures, roads, General fund and proprietary revenues.

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. In 2016, the county issued 2016 Limited Tax General Obligation Bonds to refund the majority of these bonds, leaving one payment in 2017. The balance at December 31, 2016 was \$235,000.

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. In 2016, the county issued 2016 Limited Tax General Obligation Bonds to refund the majority of these bonds, leaving two annual payments in 2017 and 2018. The balance at December 31, 2016 was \$3,065,000.

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 Grand Mound Debt Service Fund includes assessments from ULID No. 96-2. The total principal assessment due for 2016 were \$125,332. The amount paid was \$122,857, leaving a delinquent amount in 2016 of \$2,475. The remaining debt balance portion of the Grand Mound Utility was paid off in 2016. The balance at December 31, 2016 was \$4,075,000.

\$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, 2016 was \$13,660,000.

\$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, 2016 was \$ 2,040,000. A sinking fund was created in 2011 for future principal payments for the QECB bonds. The cash balance of the sinking fund at December 31, 2016 was \$605,500.

2015 Limited Tax General Obligation Bonds of \$13,795,000 were issued in 2015. The Bonds were issued to refund the 2004 Limited General Obligation Bonds of \$6,650,000 and a partial refunding of the 2005 Limited General Obligation Bonds of \$8,940,000. The bonds bear interest rates of 2.5% to 5.0% semi-annually with annual principal installments ranging from \$145,000 to \$3,560,000 a year. The term of the bonds is 10 years with a final payment due in 2025. The balance at December 31, 2016 is \$11,400,000 of which \$3,283,571 was for the Grand Mound Utility.

2016 Limited Tax General Obligation Bonds of \$33,010,000 were issued in 2016. The Bonds were issued to partially refund the 2007 Limited General Obligation Bonds of \$2,680,000 and a partial refunding of the 2009 Limited General Obligation Bonds of \$30,330,000. The bonds bear interest rates of 2.0% to 5.0% semi-annually with annual principal installments ranging from \$210,000 to \$3,255,000 a year. The term of the bonds is 14 years with a final payment due in 2030. The balance at December 31, 2016 is \$33,010,000.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	5,801,266	2,623,752	973,734	135,363
2018	3,972,750	2,411,079	1,097,250	99,561
2019	4,112,413	2,251,263	1,212,587	45,617
2020	4,330,000	2,073,650	-	-
2021	4,610,000	1,894,200	-	-
2022 - 2026	22,220,000	6,401,210	-	-
2027 - 2030	19,155,000	1,651,758	-	-
Total	\$ 64,201,429	\$ 19,306,912	\$ 3,283,571	\$ 280,541

2. Loans and Contracts Payable

The Community Loan Repayment Funds (Enterprise Funds) have entered into nine 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 final payment was made in 2015. The second loan is not to exceed \$200,000 with an interest rate of 0%. The balance at December 31, 2016 is \$14,904. 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, 2016 is \$48,631. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2016 is \$6,400. 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, 2016 is \$45,661. 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, 2016 was \$111,429. 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, 2016 was \$207,273. The eighth loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment will begin in 2017. The balance as of December 31, 2016 was \$91,650. The ninth loan is not to exceed \$150,000 with an interest rate of 2.7%. Repayment will begin in 2017. The balance as of December 31, 2016 is \$14,791.

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, 2016 was \$51,651.

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 began in 2015. The balance as of December 31, 2016 was \$1,203,962.

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, 2016 was \$347,977. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2016, the amount of delinquent assessment principal was \$3,878.

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. This loan was paid off in 2016.

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
2017	54,083	33,530	128,144	13,375
2018	55,617	31,996	130,646	11,295
2019	57,194	30,419	131,697	10,165
2020	58,816	28,797	127,814	9,004
2021	60,484	27,128	74,944	7,268
2022 - 2026	329,147	108,917	190,683	28,134
2027 - 2031	378,547	59,516	126,098	11,270
2032 - 2036	210,074	8,957	30,339	2,062
Total	\$ 1,203,962	\$ 329,260	\$ 940,365	\$ 92,573

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 2023. Operating lease expenditures for the year ended December 31, 2016 were \$621,493. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2017	\$ 384,903
2018	167,335
2019	114,579
2020	77,280
2021	77,280
2022-2023	154,560
Total	\$ 975,937

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	\$ 508,414	\$ 97,593
Less: accumulated depreciation	(251,085)	(42,454)
Present Value of Minimum Lease Payments	257,329	55,139
Plus amount representing interest	41,584	6,594
Total Invested in Capital Leases	\$ 298,913	\$ 61,733

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2016 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2017	\$ 124,553	\$ 17,873
2018	74,534	15,186
2019	53,600	10,888
2020	39,344	10,889
2021	6,882	6,897
Total Minimum Lease Payments	298,913	61,733
Less: Interest	(41,584)	(6,594)
Present Value of Minimum Lease Payments	\$ 257,329	\$ 55,139

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, 2016:

Asset	Governmental Activities
Land	\$ 505,701
Buildings	3,600,094
Less: Accumulated Depreciation	(794,183)
Total Invested in Long Term Leases	\$ 3,311,612

The County received \$101,529 of operating lease revenues from these contracts in 2016. Amounts that will be received in future years under these lease agreements are noted below:

Year Ending December 31	Amount
2017	\$ 105,968
2018	105,968
2019	80,281
2020	33,453
2021	4
2022-2056	123
Total Lease Receivable	\$ 325,797

The \$123 receivable from 2022 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 12-24.75 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 50 days of vacation may be accrued. County employees, who chose the alternative leave plan, earn 12-30.75 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 280 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 300 hours.

The County reported a liability of \$7,628,499 at December 31, 2016 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$6,106,611 for governmental funds, \$762,113 for internal service funds and \$759,775 for enterprise funds. \$423,671 of this liability is expected to be incurred in 2016. 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 \$3,474,305 was recognized for LEOFF 1 benefits in the statement of net position in 2016. A long term liability of \$26,947,500 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, \$27,905,640 was recognized in the statement of net position for governmental and internal service funds and \$2,516,164 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, 2016**

	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	\$ 71,621,430	\$ 33,010,000	\$ 40,430,000	\$ 64,201,430	\$ 5,801,267
For Issuance Premiums	1,368,919	4,556,623	288,897	5,636,645	462,810
Total Bonds Payable	72,990,349	37,566,623	40,718,897	69,838,075	6,264,077
<u>Notes Payable:</u>					
Loans Payable	1,256,553	-	52,591	1,203,962	54,083
Capital Leases Payable	287,115	93,367	123,152	257,330	104,773
Total Notes Payable	1,543,668	93,367	175,743	1,461,292	158,856
Claims and Judgments Payable	4,569,296	272,042	466,413	4,374,925	422,532
Compensated Absences	6,636,324	563,887	331,487	6,868,724	381,474
Other Post Employment Benefits (OPEB)	24,306,022	3,599,618	-	27,905,640	-
Net Pension Liability	43,620,135	7,837,331	-	51,457,466	-
Total Governmental Activities	\$ 153,665,794	\$ 49,932,868	\$ 41,692,540	\$ 161,906,122	\$ 7,226,939

Business-type Activities:

<u>Bonds Payable:</u>					
General Obligation Bonds	\$ 4,163,571	\$ -	\$ 880,000	\$ 3,283,571	\$ 973,734
For Issuance Premiums	262,861	(26,414)	-	236,447	-
Total Bonds Payable	4,426,432	(26,414)	880,000	3,520,018	973,734
<u>Notes Payable:</u>					
Loans Payable	622,363	16,206	46,180	592,389	49,862
Capital Leases Payable	43,634	47,894	36,389	55,139	14,752
Total Notes Payable	665,997	64,100	82,569	647,528	64,614
Special Assessments Payable	428,995	-	81,019	347,976	78,282
Compensated Absences	717,606	78,013	35,845	759,774	42,197
Accumulated Landfill Closure Costs	16,037,605	-	795,744	15,241,861	-
Other Post Employment Benefits (OPEB)	2,050,787	465,377	-	2,516,164	-
Net Pension Liability	5,559,991	1,108,321	-	6,668,312	-
Total Business-type Activities	\$ 29,887,413	\$ 1,689,397	\$ 1,875,177	\$ 29,701,633	\$ 1,158,827

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$762,113 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$1,959,600 of general

obligation bonds payable and \$2,130,045 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: Anti-Profitteering, Auditor Election Reserve, Basin Planning, Clerk Court Family Services, Conservation Futures, Law Library, Detention Facilities Sales Tax Holding, Victim Advocate Program, Emergency Management Council, Real Estate Excise Tax, Trial Court Improvement, Treatment Sales Tax, Stadium/Convention/Art Center, Tax Refunds, Tourism Promotion, Communications, 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, 2016, the County had \$730,256 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, 2016 the County also had \$875,759 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 2016:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 450,519,154	\$ 381,305,193
General Government (With 3/5-majority vote)	\$ 750,865,257	\$ 681,651,296

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 four outstanding refunded issues.

Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities
As of December 31, 2016

	01/01/16	Increases	Decreases	12/31/16
Refunded & Defeased Bonds Outstanding	\$ 25,145,826	\$ 43,935,791	(4,524,826)	\$ 64,556,791

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.

General Obligation Bonds of \$13,795,000 were issued in 2015 of which \$5,505,000 was used for a refunding of the 2004 General Obligation Bonds and of which \$8,290,000 was used for a refunding of the 2005 General Obligation Bonds. The refunding of these bonds resulted in an economic gain of \$1,491,693 with a \$1,612,234 reduction in debt service payments over the duration of the original issue.

General Obligation Bonds of \$33,010,000 were issued in 2016 of which \$2,680,000 was used for a refunding of the 2007 General Obligation Bonds and of which \$30,330,000 was used for a refunding of the 2009 General Obligation Bonds. The refunding of these bonds resulted in an economic gain of \$5,001,475 with a \$5,651,087 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, 2016 is shown in the following table:

Due From Other Funds												
Due to Other Funds	General Fund	Roads	Public Health	Treatment Sales Tax	REET	Non-Maj Gov	Internal Service	Solid Waste	Grand Mound	Storm Water	Non-Maj Enter	Total
General Fund		\$ 9,136	\$ 6,000	\$ -	\$ -	\$ 40,924	\$ 128,188	\$ 10,135	\$ -	\$ -	\$ 70,511	\$ 264,894
Roads	11,344		129	-	-	-	62,124	2,439	5,074	6,791	3,361	91,262
Medic One	-	-	-	-	-	-	5,534	-	-	-	-	5,534
Public Health	-	-		-	-	-	60,377	313	-	478	-	61,168
Treatment Sales Tax	1,064,732	-	272,977		-	6,515	-	-	-	-	-	1,344,224
REET	-	36,792	-	-		-	-	-	-	-	-	36,792
Non-Major Governmental	130,503	66,413	215	-	-	655	15,963	48	-	-	-	213,797
Internal Service	70	375	864	-	-	173	187,627	59	-	-	-	189,168
Solid Waste	23,235	1,347	488,085	-	-	-	11,328		-	-	-	523,995
Grand Mound	65	264	613	-	-	-	1,775	113	-	-	863	3,693
Stormwater	16,380	177,523	73,949	-	-	-	17,429	-	-		16,992	302,273
Non-Major Enterprise	3,249	-	243	-	-	-	15,828	-	12,363	11,451	-	43,134
Total Due to/Due from	\$ 1,249,578	\$ 291,850	\$ 843,075	\$ -	\$ -	\$ 48,267	\$ 506,173	\$ 13,107	\$ 17,437	\$ 18,720	\$ 91,727	\$ 3,079,934

B. Interfund Loans and Advances

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 county had no interfund loans or advances outstanding at the end of 2016.

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 Public Health and Land Use and Permitting 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 could 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, 2016 are summarized below:

Transfer In													
Transfer Out	General Fund	Roads	Medic One	Treatment Sales Tax	REET	Public Health	Non-Major Govt	Internal Service	Solid Waste	Grand Mound	Storm water	Non-Major Enterprise	Total
General Fund		\$ -	\$ -	\$ -	\$ -	\$ 1,113,529	\$ 506,037	\$ 200,890	\$ 28,145	\$ -	\$ -	\$ 261,915	\$ 2,110,516
Roads	-		-	-	-	-	798,002	235,177	-	-	-	-	\$ 1,033,179
Medic One	-	-		-	-	-	-	5,366	-	-	-	-	\$ 5,366
Treatment Sales Tax	2,791,903	-	-		-	665,714	22,097	-	-	-	-	-	\$ 3,479,714
REET	-	536,270	-	-		-	1,940,945	-	-	200,000	-	-	\$ 2,677,215
Public Health	-	-	-	-	-		-	40,415	-	-	-	-	\$ 40,415
Non-Major Govt	1,397,271	354,992	-	-	-	41,963	4,943,325	137,422	-	-	-	-	\$ 6,874,973
Internal Service	24,120	-	-	-	-	-	9,000	827,323	-	-	-	-	\$ 860,443
Solid Waste	-	-	-	-	-	-	-	14,657		-	-	-	\$ 14,657
Ground Mound	-	-	-	-	-	-	-	1,116	-		-	-	\$ 1,116
StormWater	-	-	-	-	-	-	-	129,831	-	-		-	\$ 129,831
Non-Major Entr.	-	-	-	-	-	-	-	15,582	-	-	-	-	\$ 15,582
Total Transfers	\$4,213,294	\$891,262	\$ -	\$ -	\$ -	\$ 1,821,206	\$8,219,406	\$ 1,607,779	\$ 28,145	\$200,000	\$ -	\$ 261,915	\$17,243,007

NOTE X – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of [GASB Statement 68, Accounting and Financial Reporting for Pensions](#) for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (58,125,778)
Pension assets	\$ 2,033,288
Deferred outflows of resources	\$ 11,461,937
Deferred inflows of resources	\$ (1,641,300)
Pension expense/expenditures	\$ 6,311,055

State Sponsored Pension Plans

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council

adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee

contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%

* For employees participating in JBM, the contribution rate was 15.30%

The county's actual PERS plan contributions were \$3,152,092 to PERS Plan 1 and \$3,464,070 to PERS Plan 2/3 for the years ended December 31, 2016.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, 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 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.

PSERS covered employers include:

- Certain 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)
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (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. Members are eligible for retirement

at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. 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 three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions - The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2016 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.54%	6.59%

The County's actual contributions to the plan were \$676,123 for the year ended December 31, 2016.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and

Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions - The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	8.59%	8.41%

The County's actual contributions to the plan were \$422,633 for the year ended December 31, 2016.

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 the state fiscal year ending June 30, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$259,625.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation:

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market

assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the county's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the county's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
PERS 1	\$ 34,592,231	\$ 28,685,834	\$ 23,603,016
PERS 2/3	\$ 51,983,453	\$ 28,233,773	\$ (14,697,308)
PSERS 2	\$ 5,237,397	\$ 1,206,174	\$ (1,665,280)
LEOFF 1	\$ (308,440)	\$ (519,223)	\$ (699,396)
LEOFF 2	\$ 4,245,854	\$ (1,514,064)	\$ (5,855,370)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2016, the county reported a total net pension liability of \$58,125,778 and a total net pension asset of \$2,033,288 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 28,685,834
PERS 2/3	\$ 28,233,773
PSERS 2	\$ 1,206,174
LEOFF 1	\$ (519,223)
LEOFF 2	\$ (1,514,064)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the county. The amount recognized by the county as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension asset that was associated with the county were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Thurston County's proportionate share	\$ 519,223	\$ 1,514,064
Washington State's proportionate share of the net pension liability/(asset) associated with Thurston County	\$ 3,512,011	\$ 987,060
TOTAL	\$ 4,031,234	\$ 2,501,124

At June 30, the county's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion current year less prior year
PERS 1	0.5411%	0.5341%	-0.0070%
PERS 2/3	0.5690%	0.5608%	-0.0083%
PSERS 2	2.9758%	2.8382%	-0.1376%
LEOFF 1	0.0487%	0.0504%	0.0017%
LEOFF 2	0.2576%	0.2603%	0.0027%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88

percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the county's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (1,169,355)
PERS 2/3	\$ (3,812,695)
PSERS	\$ (885,892)
LEOFF 1	\$ 83,695
LEOFF 2	\$ (526,808)
TOTAL	\$ (6,311,055)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the county's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	722,264	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,600,861	-
TOTAL	\$ 2,323,125	\$ -

PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,503,429	\$ (932,045)
Net difference between projected and actual investment earnings on pension plan investments	3,455,000	-
Changes of assumptions	291,819	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(671,515)
Contributions subsequent to the measurement date	1,746,516	-
TOTAL	\$ 6,996,763	\$ (1,603,560)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 410,856	\$ -
Net difference between projected and actual investment earnings on pension plan investments	248,767	-
Changes of assumptions	4,683	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(19,703)
Contributions subsequent to the measurement date	360,445	-
TOTAL	\$ 1,024,751	\$ (19,703)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$52,778	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ 52,778	\$ -

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,468	\$ -
Net difference between projected and actual investment earnings on pension plan investments	544,064	-
Changes of assumptions	5,709	-
Changes in proportion and differences between contributions and proportionate share of contributions	93,437	(18,036)
Contributions subsequent to the measurement date	213,842	-
TOTAL	\$ 1,064,520	\$ (18,036)

Deferred outflows of resources related to pensions resulting from the county's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PERS 1	
2017	\$ (177,837)
2018	\$ (177,837)
2019	\$ 663,322
2020	\$ 414,615
2021	\$ -
Thereafter	\$ -

PERS 2/3	
2017	\$ (233,117)
2018	\$ (233,117)
2019	\$ 2,491,766
2020	\$ 1,621,154
2021	\$ -
Thereafter	\$ -

PSERS	
2017	\$ 77,502
2018	\$ 77,502
2019	\$ 230,764
2020	\$ 180,045
2021	\$ 79,261
Thereafter	\$ (470)

LEOFF 1	
2017	\$ (10,907)
2018	\$ (10,907)
2019	\$ 45,710
2020	\$ 28,882
2021	\$ -
Thereafter	\$ -

LEOFF 2	
2017	\$ 11,255
2018	\$ 11,255
2019	\$ 468,199
2020	\$ 328,158
2021	\$ 13,774
Thereafter	\$ -

NOTE XI – RISK MANAGEMENT

A. RISK POOL AND GENERAL LIABILITY INSURANCE

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2016, Thurston County selected a per-occurrence deductible of \$250,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2015-16, this "corridor" increased the SIR to \$2 million, but with an aggregated stop loss of \$3.45 million. Other reinsurance agreements respond to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2015-16, Thurston County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three times each year with the Annual Meeting of the Pool' being held in summer. The Board approves the extent of risk-sharing, approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool's operations, program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

During 2015-16, the WCRP's assets decrease 4% to \$46.8 million while its liabilities increased slightly to \$29 million. The Pool's net position decreased slightly from \$18.9 million to \$17.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2016 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties

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.

Thurston County paid general claims costs of \$181,463 during 2016. The County's suggested reserves which are (Thurston County's proportionate share of the Pool's expected losses) plus reserve funding for uninsured losses and a catastrophic property loss at least equal to the current minimum deductible of (\$1 million) for this exposure, equates to \$4,374,925. 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-insured claims, 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. 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		
	2016	2015
Beginning claims liability	\$ 4,569,296	\$ 4,405,752
Claims incurred during the year (including IBNRs)*	272,042	284,951
Claims payments	(181,462)	(121,407)
Change in methodology used to estimate claims	(284,951)	-
Ending claims liability	\$ 4,374,925	\$ 4,569,296

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

B. OTHER

The County is not self-insured for other types of risks and losses except as described above under "Risk Pool and General Liability Insurance". The County reimburses Washington State Employment Security for unemployment compensation claims. These claims are funded through employee related fund transfers into the County's Unemployment Compensation fund. The County also pays Washington State Labor and Industries a stipulated amount per employee per payroll period for a state mandated industrial insurance program for worker compensation claims. As discussed in Note VIII.B., 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 2016, 17 retirees received benefits under this act. As of December 31, 2016, there were no active officers.

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, 2016, 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 \$3,474,305 is reported as a non-current liability on the Statement of Net Position.

	Year Ending 12/31/2014	Year Ending 12/31/2015	Year Ending 12/31/2016
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Determination of Annual Required Contribution:

Normal Cost at Year End	\$ 18,468	\$ -	\$ -
Amortization of UAAL*	719,131	939,407	842,560
Annual Required Contribution	\$ 737,599	\$ 939,407	\$ 842,560

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 737,599	\$ 939,407	\$ 842,560
Interest on Prior Year Net OPEB Obligation	89,721	104,370	123,762
Adjustment to ARC	(201,740)	(234,677)	(278,282)
Annual OPEB Cost	625,580	809,100	688,040
Contributions Made	(259,382)	(324,275)	(307,786)
Increase in Net OPEB Obligation	\$ 366,198	\$ 484,825	\$ 380,254

Net OPEB Obligation - End Of Year:

Net OPEB Obligation - Beginning of Year	\$ 2,243,028	\$ 2,609,226	\$ 3,094,051
Increase in Net OPEB Obligation	366,198	484,825	380,254
Net OPEB Obligation-end of year (NOO)	\$ 2,609,226	\$ 3,094,051	\$ 3,474,305

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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
12/31/2014	\$ 625,580	\$ 259,382	41.5%	\$ 2,609,226	\$ 98,584	8110.42%
12/31/2015	\$ 809,100	\$ 324,275	40.1%	\$ 3,094,051	\$ 133,718	7810.99%
12/31/2016	\$ 688,040	\$ 307,786	44.7%	\$ 3,474,305	\$ -	N/A

4. Funded Status and Funding Progress

As of December 31, 2016 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$9,367,909 and the actuarial value of the assets was \$0 resulting in a UAAL of \$9,367,909.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2016, these costs total \$67,583 with a cost per retiree of \$3,975. 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 55.3 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, 2014 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 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. 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 2016 calendar year:

Plan	Retiree	Retiree & Spouse or SSDP*	Retiree & Children	Full Family
Group Health Classic	\$ 600.80	\$ 1,195.35	\$ 1,046.71	\$ 1,641.26
Group Health Value	\$ 569.38	\$ 1,132.51	\$ 991.73	\$ 1,554.86
Group Health CDHP	\$ 530.10	\$ 1,044.74	\$ 930.66	\$ 1,386.97
Kaiser Permanente Classic	\$ 619.65	\$ 1,233.05	\$ 1,079.70	\$ 1,693.10
Kaiser Permanente CDHP	\$ 540.35	\$ 1,064.74	\$ 948.23	\$ 1,414.29
Uniform Medical Plan Classic	\$ 578.51	\$ 1,150.77	\$ 1,007.71	\$ 1,579.97
Uniform Medical Plan CDHP	\$ 535.82	\$ 1,056.18	\$ 940.67	\$ 1,402.70

Explicit Medicare subsidies are capped at \$150 per month for 2016.

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 2014. 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 12/31/2014	Year Ending 12/31/2015	Year Ending 12/31/2016
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Determination of Annual Required Contribution:

Normal Cost at Year End	\$ 1,645,867	\$ 2,326,771	\$ 2,326,771
Amortization of UAAL*	1,184,279	1,734,344	1,734,344
Annual Required Contribution	\$ 2,830,146	\$ 4,061,115	\$ 4,061,115

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 2,830,146	\$ 4,061,115	\$ 4,061,115
Interest on Prior Year Net OPEB Obligation	682,543	782,656	930,510
Amortization of Net OPEB Obligation	(702,437)	(798,155)	(957,632)
Annual OPEB Cost	2,810,252	4,045,616	4,033,993
Contributions Made	(307,437)	(349,251)	(349,251)
Increase in Net OPEB Obligation	\$ 2,502,815	\$ 3,696,365	\$ 3,684,742

Net OPEB Obligation - End Of Year:

Net OPEB Obligation - Beginning of Year	\$ 17,063,578	\$ 19,566,393	\$ 23,262,758
Increase in Net OPEB Obligation	2,502,815	3,696,365	3,684,742
Net OPEB Obligation-end of year	\$ 19,566,393	\$ 23,262,758	\$ 26,947,500

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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
12/31/2014	\$ 2,810,252	\$ 307,437	10.94%	\$ 19,566,393	\$ 69,330,722	41.87%
12/31/2015	\$ 4,045,616	\$ 349,251	8.63%	\$ 23,262,758	\$ 70,529,164	60.28%
12/31/2016	\$ 4,033,993	\$ 349,251	8.66%	\$ 26,947,500	\$ 72,992,734	58.25%

6. Funded Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$42.5 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$42.5 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 2015 PEBB 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 8 percent in 2015 and gradually decrease to 5 percent in 2070 and beyond. The inflation rate assumption used in the calculation is 3 percent. The data used for this valuation was identified by department number from the data disclosed in the 2015 OPEB Report. Please see <http://leg.wa.gov/osa/Pages/default.aspx> for more detail.

Thurston County selected the 25-year rolling average amortization period for the UAAL starting in 2014.

NOTE XIII – JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

Thurston County participates in two joint ventures and five jointly governed organizations as follows: Animal Control Services, the Inter-local Drug Control Unit, Olympic Region Clean Air Agency (ORCAA), Thurston Regional Planning Council (TRPC), the Thurston County Regional Health and Human Services Council and The Chehalis River Flood Control Authority.

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 \$601,416 as its share of operations in 2016 which is 52.36% of the total contributions from participating agencies. The County's equity interest at December 31, 2016 is therefore \$1,788,826. 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 2016 totaled \$3,416,397. 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	\$ 4,112,851
Total Deferred Outflows of Resources	107,487
Total Liabilities:	(766,999)
Total Deferred Inflows of Resources	(36,942)
Net Position	\$ 3,416,397
Total Revenues	\$ 1,745,344
Total Expenses	1,724,037
Change in Net Position	21,307
Net Position - Beginning 12/31/2015	3,395,090
Net Position - Ending 12/31/2016	\$ 3,416,397

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 2016. The Inter-local Drug Control Unit is funded by grants and seizures of drug funds. Financial information on the Inter-local Drug Control Unit can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

Olympic Region Clean Air Agency is a jointly-governed organization governed by a nine member board of which Thurston County is a member. Thurston County contributed \$62,172 as its share of operations in 2016. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2016. 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 \$201,812 as its share of operations in 2016 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2016. 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 2016, Thurston County contributed \$8,111 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.

Thurston County Regional Health and Human Services Council is a jointly-governed organization formed by an interlocal agreement between Thurston County and the cities of Lacey, Olympia and Tumwater. The council was formed for the purpose of working together, joining resources, and consolidating services necessary to address common gaps in meeting basic health and human services needs within this region. The council is governed by one elected official from each participating jurisdiction. The required annual funding contribution from each jurisdiction shall not be less than one half of one percent of the last full year general sales and use tax collected as of the time each jurisdiction is preparing its budget. Thurston County provides administrative staffing for the Council. During 2016, the county contributed \$67,000 as its share of annual operations.

Thurston Mason Behavioral Health Organization (TMBHO) is a jointly governed organization that was formed on April 1, 2016. It was formed when the Regional Support Network of the Thurston County Public Health Department (along with the Health Department of Mason County, a neighboring county to the northwest) split off from the county and formed its own Behavioral Health Organization. The name of the organization is the Thurston Mason Behavioral Health Organization. On September 15, 2016, the Thurston County Board of County Commissioners passed resolution #15183 that officially created this joint operating agreement pursuant to State Law, RCW Chapters 71.24 and 39.34. The TMBHO's governing body is comprised of three members, two of which are appointed by the Thurston County Commissioners and one by the Mason County Commissioners. After several discussions with the Washington State Auditor's Office, it was determined that this newly formed organization was considered a jointly governed organization and the results of which were not included within the County's general-purpose financial statements. Pursuant to GASB 69, the County did report a \$33.7 million Special Item in its Statement of Revenues, Expenditures, and Changes in Fund Balance for the Public Health & Social Services Major Special Revenue Fund for the transfer of resources to the new organization during the year. Additionally, this same amount was reported within the General Revenues section of the Entity Wide Statement of Activities. The main source of revenue for the TMBHO is Medicare payments from the Washington State Department of Social and Health Services.

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 \$15,241,861 on December 31, 2016.

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, 2016 and cash and pooled investments of \$13,748,634 are held for these purposes.

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, 2016.

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2016
Page 1 of 2

ASSETS	General Fund	Major Special Revenue					Other Funds
		Roads	Medic One	Real Estate Excise Tax	Treatment Sales Tax	Public Health & Social Services	
Nonspendable:							
Fines & Forfeitures	1,716,036	-	-	-	-	-	-
Inventory	-	425,173	-	-	-	-	-
Prepayments	52,141	3,450	98,256	-	-	4,017	507
Total Non-Spendable	1,768,177	428,623	98,256		-	4,017	507
Restricted for:							
Capital Projects	-	-	-	12,703,757	-	-	2,222,349
Conservation Futures	-	-	-	-	-	-	4,110,419
Economic Development	-	-	-	-	-	-	36,446
Elections	-	-	-	-	-	-	-
General Obligation Debt	-	-	-	-	-	-	3,960
Health and Social Services	-	-	-	-	-	-	-
Historic Preservation	-	-	-	-	-	-	658,042
Housing Services	-	-	-	-	-	-	356,048
Judicial	-	-	-	-	-	-	526,371
Law Enforcement	-	-	-	-	-	-	182,531
Legislative/Admin/Support Services	-	-	-	-	-	-	66,390
Life Support and Transport Services	-	-	6,100,037	-	-	-	-
Mental Health	-	-	-	-	3,704,871	-	
Noxious Weed Control	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	1,243,061
Public Safety	-	-	-	-	-	-	2
Purchases on Order	186,120	-	-	-	-	-	-
Roads Construction	-	-	-	-	-	-	3,671,169
Roads Operations	-	419,817	-	-	-	-	-
Special assessments	-	-	-	-	-	-	179,523
Veteran's Relief	-	-	-	-	-	-	129,055
Water Management	-	-	-	-	-	-	18,929
Total Restricted	186,120	419,817	6,100,037	12,703,757	3,704,871	-	13,404,295

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2016
Page 2 of 2

ASSETS	General Fund	Major Special Revenue					Other Funds
		Roads	Medic One	Real Estate Excise Tax	Treatment Sales Tax	Public Health & Social Services	
Committed for:							
Elections	-	-	-	-	-	-	232,628
Total Committed	-	-	-		-	-	232,628
Assigned to:							
Capital Projects	-	-	-	190,972	-	-	88,186
Conservation Futures	-	-	-	-	-	-	475,339
Economic Development	-	-	-	-	-	-	2,991
Elections	-	-	-	-	-	-	36,668
General Obligation Debt	-	-	-	-	-	-	710,523
Health and Social Services	-	-	-	-	-	7,744,083	-
Historic Preservation	-	-	-	-	-	-	439,092
Housing Services	-	-	-	-	-	-	1,177,673
Judicial	-	-	-	-	-	-	649,002
Law Enforcement	-	-	-	-	-	-	34,701
Legislative/Admin/Support Services	-	-	-	-	-	-	417,205
Life Support and Transport Services	-	-	8,965,448	-	-	-	-
Mental Health	-	-	-	-	835	-	-
Noxious Weed Control	-	-	-	-	-	-	161,763
Parks and Recreation	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	1,815
Purchases on Order	-	-	-	-	-	-	-
Roads Construction	-	-	-	-	-	-	-
Roads Operations	-	18,888,205	-	-	-	-	-
Special assessments	-	-	-	-	-	-	23,401
Veteran's Relief	-	-	-	-	-	-	85,510
Water Management	-	-	-		-	-	10,183
Total Assigned	-	18,888,205	8,965,448	190,972	835	7,744,083	4,314,052
Unassigned	15,360,721	-	-		-	-	-
Total Fund Balance	\$ 17,315,018	\$ 19,736,645	\$ 15,163,741	\$ 12,894,729	\$ 3,705,706	\$ 7,748,100	\$ 17,951,482

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.

Reconciliation of Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Depreciation	\$ 473,002,499	\$ 34,229,119
Less: Total Reported Outstanding Debt	(71,299,365)	(4,515,522)
Net Investment in Capital Assets Before Adjustments	401,703,134	29,713,597
Adjustments: Non-County Agency Debt	350,723	-
Un-Expended Debt Proceeds	21,053	-
Loss on Refunding	2,272,316	88,272
Gain on Refunding	(481,359)	-
Negative Investments in Capital Assets	-	89
Non-Capital Debt	-	540,738
Net Investment in Capital Assets	\$ 403,865,867	\$ 30,342,696

NOTE XVII – SPECIAL ITEM, DISPOSAL OF OPERATIONS

On April 1, 2016 the Regional Support Network of Thurston County, managed by the County's Public Health Major Special Revenue Fund, separated from the County per direction from the Washington State Department of Social and Health Services (DSHS) and state RCW Chapter 71.24. On September 15, 2016 the County passed a resolution that formed the Thurston Mason Behavioral Health Organization (TMBHO). This disposal of operations resulted in a Special Item Loss of approximately \$33.7 million when the County transferred DSHS owned cash out of the Public Health Fund. This balance had been accumulating in the fund for several years. The transfer of operations took place April 1, 2016. For the remaining nine months of 2016, the TMBHO had \$38.8 million of revenues and \$33.5 million of expenditures. Additionally, in the first six months of 2017, the TMBHO had \$30.4 million in revenues and \$18.3 million in expenditures. For more information on the TMBHO, see Note XIII, Joint Ventures/Jointly Governed Organizations.

NOTE XVIII – OTHER DISCLOSURES

A. Fund Changes

The following funds were established in 2016 and added to the 2016 financial statements:

- Elections Stabilization Fund
- Large systems Replacement Reserve
- G.O. Bonds 2016

B. 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.

C. Accounting and Reporting Changes

During the year, the county implemented two GASB statements as follows:

- *GASB 72, Fair Value Measurement and Application* – GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. This standard is preferable because it will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.
- *GASB 79, Certain External Investment Pools and Pool Participants* – GASB 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This standard preferable because it will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.
- *GASB 82, Pension Issues* – GASB 82 amends GASB Statements No. 67, 68, and 73 to ensure consistency in the application of financial reporting requirements related to certain pension issues. This standard made changes to how the county reported covered payroll in the Required Supplementary Information.

**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
12/31/2014	\$ -	\$ 7,995,574	\$ 7,995,574	0%	\$ 98,584	8110.42%
12/31/2015	\$ -	\$ 10,444,694	\$ 10,444,694	0%	\$ 133,718	7810.99%
12/31/2016	\$ -	\$ 9,367,909	\$ 9,367,909	0%	\$ -	N/A

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
12/31/2014	\$ -	\$ 29,032,065	\$ 29,032,065	0%	\$ 69,330,722	41.87%
12/31/2015	\$ -	\$ 42,516,605	\$ 42,516,605	0%	\$ 70,529,164	60.28%
12/31/2016	\$ -	\$ 42,516,605	\$ 42,516,605	0%	\$ 72,992,734	58.25%

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – BY PLAN**

**Thurston County
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2016
Last 10 Fiscal Years***

	2016	2015
Employer's proportion of the net pension liability (asset)	0.53414%	0.54111%
Employer's proportionate share of the net pension liability	\$28,685,834	\$28,305,295
Employer's covered employee payroll	\$62,772,447	\$60,498,584
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.70%	46.79%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2016
Last 10 Fiscal Years*

	2016	2015
Employer's proportion of the net pension liability (asset)	0.56076%	0.56903%
Employer's proportionate share of the net pension liability	\$28,233,771	\$20,331,695
Employer's covered employee payroll	\$52,509,692	\$50,535,914
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	53.77%	40.23%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
PSERS
As of June 30, 2016
Last 10 Fiscal Years*

	2016	2015
Employer's proportion of the net pension liability (asset)	2.83819%	2.97578%
Employer's proportionate share of the net pension liability	\$ 1,206,174	\$ 543,139
Employer's covered employee payroll	\$ 9,245,155	\$ 8,732,083
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	13.05%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	90.41%	95.08%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2016
Last 10 Fiscal Years*

	2016	2015
Employer's proportion of the net pension liability (asset)	0.05040%	0.04875%
Employer's proportionate share of the net pension (asset)	\$ (519,223)	\$ (587,485)
State's proportionate share of the net pension liability (asset) associated with the employer	(3,512,011)	\$ (3,973,734)
TOTAL	\$ (4,031,234)	\$ (4,561,219)
Employer's covered employee payroll	\$ 45,806	\$ 97,578
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-1133.53%	-602.07%
Plan fiduciary net position as a percentage of the total pension liability	123.74%	127.36%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

** For covered payroll, the amount is only for 7/1/15 - 12/31/15. As of the start of 2016, the County had no current employees active in the LEOFF 1 Plan.*

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2016
Last 10 Fiscal Years*

	2016	2015
Employer's proportion of the net pension liability (asset)	0.26031%	0.25764%
Employer's proportionate share of the net pension (asset)	\$ (1,514,065)	\$ (2,648,014)
State's proportionate share of the net pension liability (asset) associated with the employer	(987,060)	\$ (1,750,899)
TOTAL	\$ (2,501,125)	\$ (4,398,913)
Employer's covered employee payroll	\$ 7,909,406	\$ 7,505,894
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-19.14%	-35.28%
Plan fiduciary net position as a percentage of the total pension liability	106.04%	111.67%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – BY PLAN**

**Thurston County
Schedule of Employer Contributions
PERS 1
As of December 31, 2016
Last 10 Fiscal Years***

	2016	2015
Contractually required contributions	\$ 3,152,092	\$ 2,753,010
Contributions in relation to the contractually required contributions	3,152,092	2,753,010
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered employee payroll	\$64,911,819	\$61,270,546
Contributions as a percentage of covered employee payroll	4.86%	4.49%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2016
Last 10 Fiscal Years*

	2016	2015
Contractually required contributions	\$ 3,464,070	\$ 2,973,565
Contributions in relation to the contractually required contributions	3,464,070	2,973,565
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered employee payroll	\$54,048,064	\$51,167,804
Contributions as a percentage of covered employee payroll	6.41%	5.81%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Employer Contributions
PSERS
As of Decmeber 31, 2016
Last 10 Fiscal Years*

	2016	2015
Contractually required contributions	\$ 676,123	\$ 596,718
Contributions in relation to the contractually required contributions	676,123	596,718
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered employee payroll	\$ 9,987,030	\$ 8,965,975
Contributions as a percentage of covered employee payroll	6.77%	6.66%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2016
Last 10 Fiscal Years*

	2016	2015
Contractually required contributions	\$ 422,633	\$ 401,274
Contributions in relation to the contractually required contributions	422,633	401,274
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered employee payroll	\$ 8,080,915	\$ 7,672,529
Contributions as a percentage of covered employee payroll	5.23%	5.23%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data.*

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards		
Child Nutrition Cluster							
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	School Breakfast Program	10.553	N/A	10,501	-	10,501	3
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	N/A	17,120	-	17,120	3
Total Child Nutrition Cluster:				27,621	-	27,621	-
Forest Service Schools and Roads Cluster							
Forest Service, Department Of Agriculture (via Washington State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	603	-	603	3
Total Forest Service Schools and Roads Cluster:				603	-	603	-
CDBG - Entitlement Grants Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-16-UC-53- 007	-	83,362	83,362	24,054
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-53- 007	-	337,212	337,212	167,890
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-53- 007	-	24,474	24,474	24,474
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-53- 007	-	300,054	300,054	300,054

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards		
		Total CDBG - Entitlement Grants Cluster:		-	745,102		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington Department of Commerce)	Emergency Solutions Grant Program	14.231	14-46107-011	180,288	-	180,288	516,472
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M16-DC-53- 0207	-	8,919	8,919	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-DC-53- 0207	-	505,582	505,582	472,709
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-DC-53- 0207	-	113,881	113,881	83,690
		Total CFDA 14.239:		-	628,382	628,382	556,399
Fish And Wildlife Service, Department Of The Interior	Fish and Wildlife Management Assistance	15.608	F15AC00452	-	8,057	8,057	-
Fish And Wildlife Service, Department Of The Interior (via Washington Department of Fish and Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	WDFW #132232	47,587	-	47,587	-
Fish And Wildlife Service, Department Of The Interior (via Washington Department of Fish and Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	WDFW #14- 02365	49,229	-	49,229	-

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 15.615:	96,816	-	96,816	-	
Fish And Wildlife Service, Department Of The Interior	Endangered Species Conservation – Recovery Implementation Funds	15.657	F13AP00598	-	101,371	101,371	-	5
Violence Against Women Office, Department Of Justice	Justice Systems Response to Families	16.021	2014-FJ-AX- 003	-	79,438	79,438	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S17-31119-037	57,188	-	57,188	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S17-31102-530	38,477	-	38,477	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	F16-31119-931	3,309	-	3,309	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S16-31119-037	49,296	-	49,296	-	
			Total CFDA 16.575:	148,270	-	148,270	-	
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F15-31101-032	13,337	-	13,337	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F15-31103-103	50,000	-	50,000	-	
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F15-31103-031	13,720	-	13,720	-	
Violence Against Women Office, Department Of Justice (via Administrative Office of the Courts)	Violence Against Women Formula Grants	16.588	ICA 17583	8,400	-	8,400	-	
Total CFDA 16.588:				85,457	-	85,457	-	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2016-AP-BX- 0160	-	30,489	30,489	-	
Bureau Of Justice Assistance, Department Of Justice (via Lacey -Thurston County Narcotics Task Force)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F15-31440-011	61,778	-	61,778	-	
Bureau Of Justice Assistance, Department Of Justice (via Lacey -Thurston County Narcotics Task Force)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F16-31440-011	31,972	-	31,972	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX- 0216	-	23,259	23,259	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX- 0837	-	24,811	24,811	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX- 0551	-	13,200	13,200	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
				Total CFDA 16.738:				
Highway Planning and Construction Cluster								
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPR-H345 (003)	106,915	-	106,915	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HPP-2034 (065)	7,755	-	7,755	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-2034 (070)	1,719	-	1,719	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5271 (001)	75,603	-	75,603	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (437)	4,140	-	4,140	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	SRTS-2034 (073)	70,864	-	70,864	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (446)	93,078	-	93,078	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	Federal Highway Administration (fha), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-V343 (002)	675	-	675	-	
	Federal Highway Administration (fha), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (445)	895	-	895	-	
Total Highway Planning and Construction Cluster:					361,644	-	361,644	-	
Highway Safety Cluster									
	National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Grant Award # Section 402	5,062	-	5,062	-	
	National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	SE17-04	3,207	-	3,207	-	
Total CFDA 20.600:					8,269	-	8,269	-	
	National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	Grant Award # MAP-21 Section 405b	2,200	-	2,200	-	
	National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	Grant Award # MAP-21 Section 405d	3,952	-	3,952	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note	
				From Pass- Through Awards	From Direct Awards	Total			
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	Grant Award # Section 405b, Project # M1*SE16-02	4,310	-	4,310	-		
		Total CFDA 20.616:			10,462	-	10,462	-	
		Total Highway Safety Cluster:			18,731	-	18,731	-	
Region 10, Environmental Protection Agency (via Washington Department of Commerce)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	14-63401-006	144,126	-	144,126	-	5	
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J90301	135,827	-	135,827	-		
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2017-29	6,279	-	6,279	-	5	
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J90301 2016-35	55,460	-	55,460	-	5	
Region 10, Environmental Protection Agency (via Washington Department of Fish and Wildlife)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WDFW #15- 03130	47,242	-	47,242	-	5	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Region 10, Environmental Protection Agency (via Washington State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17129	73,547	-	73,547	5
Clean Water State Revolving Fund Cluster				462,481	-	462,481	
Total CFDA 66.123:							
Office Of Water, Environmental Protection Agency (via Washington State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300010	12,281	-	12,281	7
Drinking Water State Revolving Fund Cluster				12,281	-	12,281	
Total Clean Water State Revolving Fund Cluster:							
Office Of Water, Environmental Protection Agency (via Washington State Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N21246	11,578	-	11,578	
Total Drinking Water State Revolving Fund Cluster:				11,578	-	11,578	
Office Of Water, Environmental Protection Agency (via Washington State Department of Health)	Beach Monitoring and Notification Program Implementation Grants	66.472	C17129	2,722	-	2,722	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17129	179,679	-	179,679	5

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Sodium Reduction in Communities	93.082	C17129	30,214	-	30,214	5
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C17129	26,592	-	26,592	5
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1569-50519	34,717	-	34,717	
Agency For Healthcare Research And Quality, Department Of Health And Human Services (via University of Washington)	Research on Healthcare Costs, Quality and Outcomes	93.226	N/A	698	-	698	3, 5
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	N/A	6,031	-	6,031	3, 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17129	46,443	-	46,443	
Total CFDA 93.268:				52,474	-	52,474	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of The Secretary, Department Of Health And Human Services	National Community Centers of Excellence in Women's Health	93.290	CCEWH111027 -05-03	-	212,884	212,884	5
Administration For Children And Families, Department Of Health And Human Services (via Washington Social and Health Services)	Child Support Enforcement	93.563	2110-80383	960,309	-	960,309	5
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Health)	Medicare_Hospital Insurance	93.773	C17129	4,774	-	4,774	5
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Medical Assistance Program	93.778	N/A	8,356	-	8,356	3, 6
Total Medicaid Cluster:				8,356	-	8,356	
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C17129	40,560	-	40,560	5
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Block Grants for Community Mental Health Services	93.958	1569-43774	108,803	-	108,803	
						108,480	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43894	40,340	-	40,340	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42496	20,447	-	20,447	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via University of Washington)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	18,275	-	18,275	3, 4
Total CFDA 93.959:				79,062	-	79,062	
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17129	158,543	-	158,543	5
Executive Office Of The President (via Lacey-Thurston County Narcotics Task Force)	High Intensity Drug Trafficking Areas Program	95.001	N/A	3,420	-	3,420	3
Executive Office Of The President (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9004000069	58,926	-	58,926	
Total CFDA 95.001:				62,346	-	62,346	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	United States Coast Guard (uscg), Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3316FAS16015 3	18,018	-	18,018	-	
	Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department)	Hazard Mitigation Grant	97.039	D14-024	16,949	-	16,949	-	
	Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department)	Emergency Management Performance Grants	97.042	E16-097	87,977	-	87,977	-	
	Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department)	Emergency Management Performance Grants	97.042	E17-122	63,726	-	63,726	-	
Total CFDA 97.042:					151,703	-	151,703	-	
	Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department)	Homeland Security Grant Program	97.067	E15-103	209,691	-	209,691	26,520	
	Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department)	Homeland Security Grant Program	97.067	E16-060	107,712	-	107,712	26,491	
Total CFDA 97.067:					317,403	-	317,403	53,011	
Total Federal Awards Expended:					3,753,442	1,866,993	5,620,435	1,659,486	

The accompanying notes are an integral part of this schedule.

THURSTON COUNTY
Notes to the Schedule of Expenditures of
Federal Awards
For the Year Ended December 31, 2016

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. There is one exception to this general rule. See Note 6 below for a further explanation.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – NOT AVAILABLE (N/A)

The County was unable to obtain other identification numbers.

NOTE 4 – NONCASH AWARDS

The amount of naloxone doses reported on the schedule is the value of doses received by the County during current year and priced as prescribed by the University of Washington.

The amount of childhood vaccines reported on the schedule is the value of vaccines received by the County during current year and priced as prescribed by the Washington State Department of Health.

NOTE 5 – INDIRECT COST RATE

The amount expended includes indirect cost recovery. The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following provides details of the indirect costs recovered:

CFDA #	Contract #	Indirect Cost Rate	Amount
15.657	F13AP00598	10%	\$9,190.49
66.123	14-63401-006	25%	\$16,048.28
66.123	2017-29	14%	\$194.51
66.123	15-03130	25%	\$4,830.49
66.123	PC-00J90301 2016-35	14%	\$583.53

66.123	C17129	30%	\$16,581.49
66.472	C17129	30%	\$946.15
93.069	C17129	30%	\$32,120.30
93.082	C17129	24%	\$8,487.15
93.116	C17129	30%	\$5,915.74
93.226	N/A	30%	\$160.97
93.290	CCEWH111027-05-03	24%	\$9,155.32
93.563	2110-80383	8.28%	\$52,440
93.563	2110-80383	8.97%	\$23,564
93.563	2110-80383	12.89%	\$7,428
93.773	C17129	30%	\$1,101.67
93.889	C17129	30%	\$8,833.95
93.994	C17129	30%	\$17,557.51

NOTE 6 – MEDICAL ASSISTANCE PROGRAM

Due to timing issues associated with a random sample method used by the granting agency to calculate allowable expenditures, we have been advised by our on-site auditors to report the receipts of cash for this grant. This represents a departure from our normal basis of accounting as described in Note 1 above.

NOTE 7 – FEDERAL LOANS

The County received a loan approved by EPA and DOE totaling \$12,281 including the federal portion of the loan. The purpose of the loan is to provide 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 used during 2016.

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

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

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

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

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

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

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