



**Office of the Washington State Auditor**  
**Pat McCarthy**

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

## **Thurston County**

**For the period January 1, 2017 through December 31, 2017**

**Published June 28, 2018**

**Report No. 1021665**





**Office of the Washington State Auditor  
Pat McCarthy**

June 28, 2018

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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Thurston County January 1, 2017 through December 31, 2017

### 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 its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

The County qualified 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, 2017 through December 31, 2017**

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 25, 2018.

**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.



Pat McCarthy  
State Auditor  
Olympia, WA

June 25, 2018

**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, 2017 through December 31, 2017**

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, 2017. 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, 2017.

## **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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

June 25, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Thurston County** **January 1, 2017 through December 31, 2017**

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 14.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Medic One, Public Health & Social Services and Roads and Transportation funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 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 June 25, 2018 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.



Pat McCarthy  
State Auditor  
Olympia, WA

June 25, 2018

## FINANCIAL SECTION

### **Thurston County January 1, 2017 through December 31, 2017**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) to Actual – General Fund – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) to Actual – Medic One – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) to Actual – Public Health & Social Services – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) to Actual – Roads & Transportation – 2017

Statement of Net Position – Proprietary Funds – 2017

Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2017

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities – 2017

Statement of Cash Flows – Proprietary Funds – 2017

Statement of Net Position – Fiduciary Funds – 2017

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017

## **REQUIRED SUPPLEMENTARY INFORMATION**

Retiree Medical Benefits – Schedule of Funding Progress – LEOFF 1 and PEBB – 2017  
Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2017  
Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2017  
Schedule of Proportionate Share of Net Pension Liability – PSERS – 2017  
Schedule of Proportionate Share of Net Pension Liability – LEOFF 1 – 2017  
Schedule of Proportionate Share of Net Pension Liability – LEOFF 2 – 2017  
Schedule of Employer Contributions – PERS 1 – 2017  
Schedule of Employer Contributions – PERS 2/3 – 2017  
Schedule of Employer Contributions – PSERS – 2017  
Schedule of Employer Contributions – LEOFF 2 – 2017

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2017  
Notes to the Schedule of Expenditures of Federal Awards – 2017

# 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, 2017. 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

- Total Fund Balance for the General Fund was down to \$11.9 million at December 31, 2017 compared to \$17.3 million at the end of 2016. Total ending Fund Balance represents 12.3% of 2017 General Fund total expenditures compared to 19.4% in 2016. Two reasons for this decrease are one-time adjustments including a prior period adjustment to fix an accounting error and a write off of bad debt expense. Additionally, the General Fund contributed more interfund charges because of a strategic building up of reserves and there were staffing and benefit rate increases all negatively affecting Fund Balance. Details of these factors are discussed later in this report.
- 2017 was the third year of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, implementation. Compared to prior year, the Net Pension Liability decreased by \$11.2 million and \$1.4 million in the Governmental Activities and Business-Type Activities respectively. This decrease was due to an increase at the statewide level of required employer and employee rates. Deferred Outflows of Resources also decreased significantly due to current year Pension calculations. Deferred Inflows of Resources, however, increased notably due to GASB 68 Pension calculations.
- Treatment Sales Tax no longer a major fund in Governmental Funds whereas Land Use and Permitting is now a major fund in Business-Type funds.
- The county's 2017 Public Health fund balances no longer included the Thurston Mason Behavioral Health Organization (TMBHO) as it did in 2016 and earlier. Because 2016 still included these balances for the first three months, there were some large discrepancies noted later in this report. Overall, the fund balance in this fund increased by over 23% from prior year.
- For 2017, total Net Position of the county (governmental and business-type, combined) stayed very constant compared to 2016. The 2017 balances are comprised of the following:
  1. Net Investment in Capital Assets, of \$431.8 million. This includes property, infrastructure, and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of the county's capital assets.
  2. Restricted net position of \$60.3 million represents the portion restricted by constraints imposed from outside the county such as debt covenants, grants, and laws.
  3. Unrestricted net position of \$46.6 million represents the portion not restricted by outside constraints.
- Remaining capacity for non-voted and voted debt was \$420.4 million and \$742.6 million respectively.



## 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, 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 2017, the Treatment Sales Tax Fund was removed as a major fund compared to 2016.

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, Land Use and Permitting, and Storm Water funds are considered major funds for financial reporting purposes. The County reports four non-major enterprise funds. Land Use and Permitting was newly added as a major fund in 2017.

**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 \$538.7 million at the end of 2017. This reflects an increase of only \$3 million from 2016.

Of the County's total Net Position, \$431.8 million, or 80.2%, 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, \$60.3 million, or 11.2%, 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 \$46.6 million, or 8.6%, which is up from last year's \$38.7 million, is unrestricted and represents the amount that is not restricted by outside sources. This increase was mainly due to annual depreciation and debt payments.

Thurston County reported \$729.6 million of total assets as of December 31, 2017, compared to \$728.6 million for 2016. This represents an increase of just \$1.0 million. The Cash and Pooled Investments account increased by \$9.6 million but it was offset with a decrease of \$9.5 million Capital Assets. This decrease was mainly annual depreciation and a prior period adjustment as the county did not acquire any major Capital Assets during the year.

The County reported a Total Deferred Outflow of Resources of \$9.7 million in 2017, which was a decrease of \$4.1 million, or 30%, over prior year mainly due to a decrease in GASB 68 Pension related balances.

Thurston County's total liabilities decreased in 2017 compared to 2016, by \$13.2 million, or 6.5%. The decrease was mainly due to a reduction in the GASB 68 Pension Liability and annual debt payments. The pension reduction was due to a change in the employer and employee contribution rates at the State level to two of the county's larger pension plans.

The County reported a Total Deferred Inflow of Resources of \$9.2 million in 2017, which was an increase of \$7.0 million over 2016. This was mainly due to due to changes in 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 2017 compares with 2016:

## Thurston County Net Position

Account	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current & Non-Capital Assets	\$ 167,487,613	\$ 160,212,566	\$ 64,488,238	\$ 61,170,788	\$ 231,975,851	\$ 221,383,354
Capital Assets	464,579,272	473,002,499	33,081,137	34,229,119	497,660,409	507,231,618
<b>Total Assets</b>	<b>632,066,885</b>	<b>633,215,065</b>	<b>97,569,375</b>	<b>95,399,907</b>	<b>729,636,260</b>	<b>728,614,972</b>
<b>Total Deferred Outflow of Resources</b>	<b>8,840,564</b>	<b>12,642,398</b>	<b>813,750</b>	<b>1,180,127</b>	<b>9,654,314</b>	<b>13,822,525</b>
Current Liabilities	18,132,344	18,347,635	4,196,853	3,034,177	22,329,197	21,381,812
Long Term Liabilities	143,027,616	154,679,181	26,064,703	28,542,806	169,092,319	183,221,987
<b>Total Liabilities</b>	<b>161,159,960</b>	<b>173,026,816</b>	<b>30,261,556</b>	<b>31,576,983</b>	<b>191,421,516</b>	<b>204,603,799</b>
<b>Total Deferred Inflow of Resources</b>	<b>8,331,214</b>	<b>1,934,795</b>	<b>854,308</b>	<b>187,864</b>	<b>9,185,522</b>	<b>2,122,659</b>
Net Investment in Capital Assets	401,510,661	403,865,867	30,282,873	30,342,696	431,793,534	434,208,563
Restricted	59,678,896	61,898,850	653,567	875,759	60,332,463	62,774,609
Unrestricted	10,226,718	5,131,135	36,330,821	33,596,732	46,557,539	38,727,867
<b>Total Net Position</b>	<b>\$ 471,416,275</b>	<b>\$ 470,895,852</b>	<b>\$ 67,267,261</b>	<b>\$ 64,815,187</b>	<b>\$ 538,683,536</b>	<b>\$ 535,711,039</b>

**Governmental activities** – During 2017, the total net position for Governmental activities realized a slight increase of only \$0.5 million due to activity over prior year. \$401.5 million in total net position was invested in capital assets, which is a decrease on just \$2.4 million over prior year. \$59.7 million in net position is restricted and \$10.2 million is unrestricted net position. The unrestricted amount increased by \$5.1 million over prior year mainly due to the reduction in Pension Liability discussed earlier. Nearly all unrestricted assets are assigned for certain purposes 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 2017, the Business-type activity accounts remained very constant compared to prior year balances. Overall, the Net Position amount did increase by \$2.5 million, to \$67.3 million. Net Invested in Capital Assets was \$30.3 million. Restricted Net Position and Unrestricted Net Position were \$654,000 and \$36.3 million respectively. The latter category of net position is available for future spending in the Business-Type funds and increased by \$2.7 million because of the Pension Liability decrease previously discussed.

### Analysis of the Statement of Activities

The following chart presents key elements in the Statement of Activities. In 2017, total County primary government revenues decreased by \$3.7 million, down to \$224.9 million. The main reason for this is was the county received less State Grant revenue than prior year. This reduction was partially offset with an increase in tax collections of \$7.3 million. All of the major tax categories realized smaller increases in collections including Property, Sales, Criminal Justice, and Real Estate Excise Taxes. Total Primary County governmental expenses increased by \$4.1 million from 2016 to 2017. The origin of this increase is mainly in the county's Public Safety function spread out over the various departments from which it is comprised.

## Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues:</b>						
Charges for Services	\$ 33,765,480	\$ 39,741,621	\$ 37,672,623	\$ 35,146,369	\$ 71,438,103	\$ 74,887,990
Operating Grants & Contrib.	20,730,972	24,284,759	57,657	271,517	20,788,629	24,556,276
Capital Grants & Contrib.	9,495,496	12,536,681	31,868	515,645	9,527,364	13,052,326
<b>General Revenues:</b>						
Taxes	119,530,683	112,190,639	-	-	119,530,683	112,190,639
Interest and Invest. Earnings	2,824,553	3,354,196	106,725	167,041	2,931,278	3,521,237
Other General Revenues	346,439	107,385	288,990	274,068	635,429	381,453
<b>Total Revenues</b>	<b>186,693,623</b>	<b>192,215,281</b>	<b>38,157,863</b>	<b>36,374,640</b>	<b>224,851,486</b>	<b>228,589,921</b>
<b>Program Expenses: (Net)</b>						
General Government	10,317,986	10,471,310	-	-	10,317,986	10,471,310
Culture and Recreation	3,160,143	3,168,114	-	-	3,160,143	3,168,114
Economic Environment	7,884,987	7,539,703	-	-	7,884,987	7,539,703
Health and Human Services	37,750,552	41,976,182	-	-	37,750,552	41,976,182
Utilities and Environment	2,635,800	3,255,734	-	-	2,635,800	3,255,734
Public Safety	85,512,732	78,664,644	-	-	85,512,732	78,664,644
Transportation	30,746,668	30,850,710	-	-	30,746,668	30,850,710
Interest	2,252,694	3,495,114	-	-	2,252,694	3,495,114
Solid Waste	-	-	22,510,430	21,376,086	22,510,430	21,376,086
Water	-	-	958,571	827,470	958,571	827,470
Sewer	-	-	1,993,535	1,713,235	1,993,535	1,713,235
Stormwater	-	-	5,543,737	4,658,613	5,543,737	4,658,613
Land Use & Permitting	-	-	4,521,517	3,711,061	4,521,517	3,711,061
<b>Total Expenses</b>	<b>180,261,562</b>	<b>179,421,511</b>	<b>35,527,790</b>	<b>32,286,465</b>	<b>215,789,352</b>	<b>211,707,976</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses Before Transfers</b>	<b>6,432,061</b>	<b>12,793,770</b>	<b>2,630,073</b>	<b>4,088,175</b>	<b>9,062,134</b>	<b>16,881,945</b>
Transfers	177,999	(328,874)	(177,999)	328,874	-	-
Special Item - Transfer to BHO	-	(33,702,135)	-	-	-	(33,702,135)
<b>Change in Net Position</b>	<b>6,610,060</b>	<b>(21,237,239)</b>	<b>2,452,074</b>	<b>4,417,049</b>	<b>9,062,134</b>	<b>(16,820,190)</b>
Ending Net Position January 1	470,895,852	492,133,091	64,815,187	60,398,138	535,711,039	552,531,229
Adjustments	(6,089,637)	-	-	-	(6,089,637)	-
<b>Restated Net Position January 1</b>	<b>464,806,215</b>	<b>492,133,091</b>	<b>64,815,187</b>	<b>60,398,138</b>	<b>529,621,402</b>	<b>552,531,229</b>
<b>Ending Net Position</b>	<b>\$ 471,416,275</b>	<b>\$ 470,895,852</b>	<b>\$ 67,267,261</b>	<b>\$ 64,815,187</b>	<b>\$ 538,683,536</b>	<b>\$ 535,711,039</b>

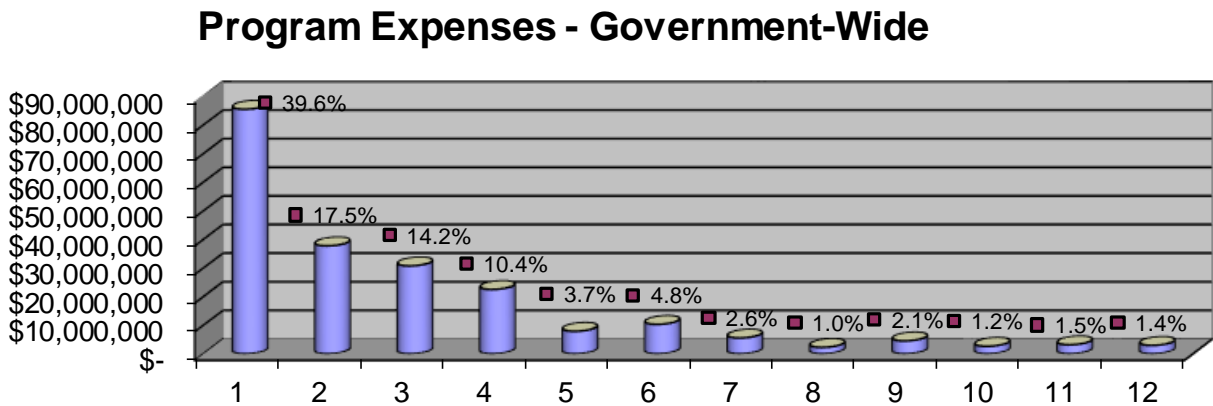
In 2017 Governmental activities provided \$186.7 million in revenues (83.0% of total revenues), while business type activities provided \$38.2 million (17% of total revenues). The two largest governmental revenues are - taxes at \$119.5 million, or 64%, of total governmental revenues and charges for services at \$33.8 million, or 18.1%, of total governmental revenues. The remaining 17.9% of governmental revenues include operating grants, capital grants, interest and investment earnings and other general revenues.

In 2017, charges for services were \$37.7 million, or 98.7%, of total business-type revenues, which were \$38.2 million. This represents an increase of just \$1.8 million over 2016. Within this category, Solid Waste fund revenues were \$25.1 million, or 65.7%.

Total governmental expenses increased by just \$0.9 million. The largest increase in the Public Safety function was mostly offset with a decrease in the county's Public Health department. This decrease is the result of an April 2016 separation of the county's Regional Support Network (RSN). The RSN formed its own operation called the Thurston Mason Behavioral Health Organization (TMBHO). For a complete description of this activity, see Note XVII of Thurston County's 2016 CAFR for a Special Item, Disposal of Operations.

The governmental and business-type expense distribution of \$180.3 million, or 83.5%, and \$35.5 million, or 16.5%, 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.



**Legend:**

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

**FINANCIAL ANALYSIS OF THE COUNTY’S MAJOR FUNDS**

Following is an analysis of the County’s major governmental and proprietary funds.

**Governmental Funds Analysis**

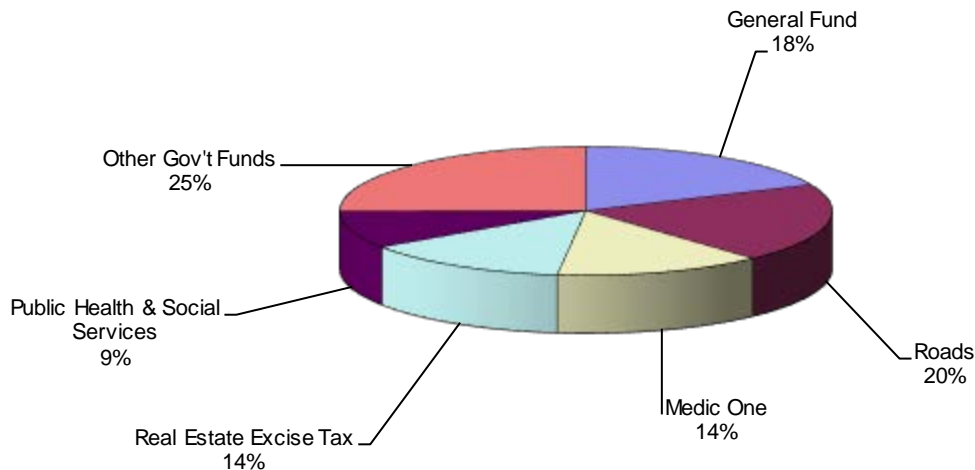
The focus of Thurston County’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Fund balance serves as a useful measure of the County’s net resources available for spending at the end of the fiscal year.

The activity in these funds compared to last year was very stable as witnessed by the County’s governmental funds reporting combined total ending fund balances of \$94.3 million, a decrease of just \$200,000 from prior year (\$94.5 million).



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

### Total Assets - Governmental Funds

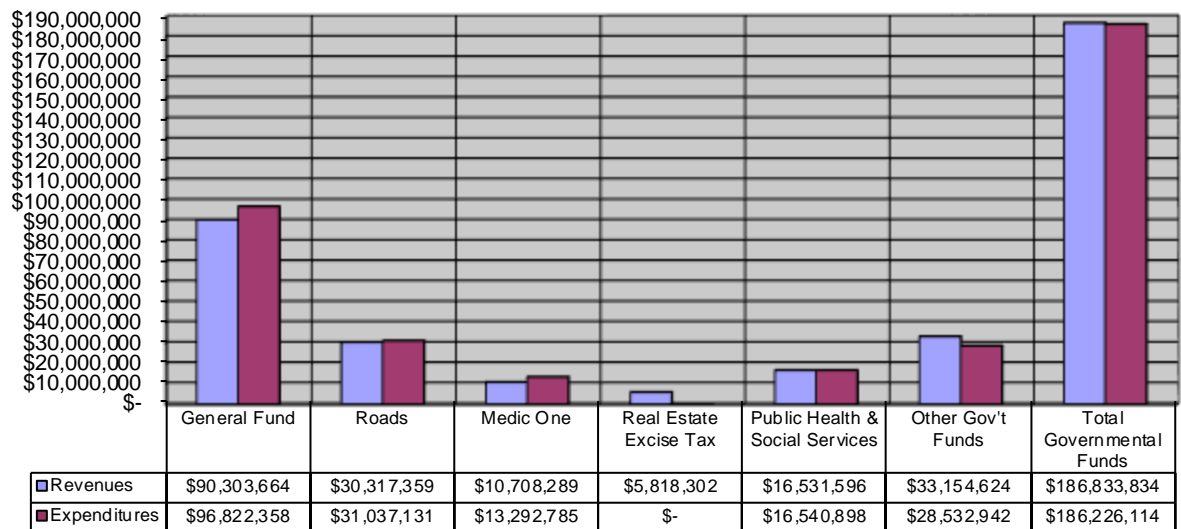


Governmental Fund revenues in 2017 decreased vs. 2016 by \$2.6 million, mainly in the Charges for Services category. Most of this change was due to TMBHO Charges for Services no longer being associated with the County as of April of 2016. Also, the County wrote off \$1.1 million on bad debt related to Customer Accounts Receivable in its Parent Pay program in Juvenile Court. Receipt of taxes was \$5.9 million more in 2017 which partially offset the decrease in Charges for Services.

Governmental expenditures in 2017 were higher than 2016 by \$4.9 million, or 2.7%, mainly in the Public Safety and Transportation categories. In Public Safety, the Salaries and Benefits accounts in Corrections, Prosecuting Attorney, and Sheriff's departments increased the most whereas expenditures of grant funds increased for Transportation

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 2017, the General Fund, Public Health & Social Services Fund, and the Roads Fund accounted for 73.4% of total revenues and 77.6% of total expenditures.

For 2017 the County is reporting the following as major governmental funds: General, Roads, Medic One, Real Estate Excise Tax, Public Health and Social Services, and Other Governmental. The county's Treatment Sales Tax was reported as a major fund in 2016 but it did not qualify as one in 2017.

The following are highlights related to each major fund in 2017:

The **General Fund** is the chief operating fund of the County. The General Fund's total ending fund balance was \$11.9 million at the end of 2017, compared to \$17.3 million at the end of 2016. This represents a decrease of \$5.4 million, or 31.2%. There are several factors contributing to such a substantial decrease in this important fund. Revenues were \$90.3 million and expenditures were \$96.8 million for the year. However, at year-end the county chose to write off \$1.1 million in Bad Debt related to its Juvenile Court Parent Pay program. This one-time adjustment reduced Revenues (and Fund Balance) by the stated amount. Additionally, there was an accounting prior period adjustment reduction of \$1.4 million to Fund Balance to clean up the way the county was reporting its Superior and District Court Receivables. Factoring out these two, one-time adjustments resulted in a reduction of Fund Balance from annual operations of just \$2.9 million. The county is assessing its General Fund operations and will make adjustments for the upcoming year.

Total Unassigned fund balance was \$11.5 million compared to \$15.4 million at the end of 2016. This decrease corresponds closely with the above-stated decrease in total fund balance as the other categories of Fund Balance changed very little from prior year.



General Fund total assets were \$21 million and total liabilities were \$4.7 million at the end of 2017. Compared to 2016, assets decreased by \$4 million, or 16%, and liabilities decreased by 30.9%. The main decrease in assets was in the cash and pooled investments account. This account went down in 2017 vs. 2016 by \$4 million, or 27.4%. This was chiefly due to operational expenditures exceeding revenues as described in the preceding paragraph. Additionally, per GASB 79, the county wrote down investments to fair value across its several funds. The General Fund experienced a decrease of \$805,000 of fair value of investments. The decrease in liabilities, which was \$2.1 million in 2017, was mainly due to an accounting adjustment that reclassified \$2.7 million of amounts related to property taxes and court fines, previously reported as Unearned Revenues, as Deferred Inflows of Resources.

General Fund revenues increased by \$1.8 million, or 2%, from 2016 to 2017 due to increases in property and sales taxes. General Fund expenditures increased by \$7.6 million, or 8.5%. This increase was mainly due to staffing increases in the Public Safety function and payroll/benefit rate increases across all functions. Additionally, the General Fund also contributed more in interfund payments in 2017 vs. 2016 as the county is beginning to strategically accelerate the accumulation of reserve funds mainly for IT system replacements and buildings.

The General Fund also had a \$1.4 million prior period adjustment that reduced beginning Fund Balance which was due to the correction of an accounting error in how the county was reporting Unearned Revenues in association to its Court Fine Receivables. The uncollected current portion of these receivables were removed from Fund Balance and reported as a Deferred Inflow of Resources.

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 increasing by only \$1.4 million and total liabilities increasing by \$0.7 million. As a result, Fund Balance in this fund increased by only \$0.8 million compared to last year.

Compared to 2016, revenues in the Roads fund increased by \$3 million, or 11%. Expenditures increased by \$2.2 million, or 7.6% in 2017 mainly due to more road construction activity being performed than prior year. Grant funds, and the spending thereof, contributed to these increases.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2017, Medic One's total assets decreased by \$1.3 million, or 7.7%. The reason for this decrease was this fund purchased \$1.1 million worth of ambulances during 2017. Total liabilities increased by \$1.1 million as these ambulances were purchased at year-end incurring Accounts Payables.

Revenues in this fund very constant, whereas expenditures increased by \$1.9 million with the capital outlay mentioned above being the main reason. As such, Fund Balance at year-end was \$12.7 million, decreasing by 2.5 million over 2016. Additionally, because of an internal classification change, the 2016 Restricted portion of fund balance is now reported as Assigned within this fund. This adjustment resulted in no overall change to fund balance.

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. Cash is the main asset in this fund and this balance increased by \$2.6 million over 2016. Likewise, revenues in this fund increased by \$1 million over 2016 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 increased in 2017 by \$1.4 million and total liabilities decreased by \$400,000. Revenues, on the other hand, decreased by \$9.9 million and expenditures decreased by \$6.8 million. The main reason for these large differences was due to the loss of the TMBHO in April of 2016 as previously described. This fund still had three months of operations of the TMBHO reported in it in the 2016 balances. Fund Balance in this fund increased by \$1.8 million, or 23.4%.

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 Treatment Sales Tax fund into 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**

<b>Assets</b>	<b>Solid Waste</b>	<b>Grand Mound</b>	<b>Storm Water</b>	<b>Land Use And Permitting</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
Cash & Pooled Investments	\$28,348,978	\$ 2,152,847	\$10,327,231	\$ 2,743,333	\$ 1,462,509	\$ 45,034,898
Other Current Assets	3,012,047	451,629	545,858	209,999	130,773	4,350,306
Restricted Assets:						
Cash and Pooled Investments	-	113,108	-	-	77,885	190,993
Total Current Assets	31,361,025	2,717,584	10,873,089	2,953,332	1,671,167	49,576,197
Long-Term Assets:						
Receivables	-	94,499	-	-	358,593	453,092
Capital Assets	9,698,101	13,267,637	7,017,318	29,467	3,068,614	33,081,137
Restrict Assets: Cash and Pooled Investments	13,711,812	-	-	-	-	13,711,812
Total Long Term Assets	23,409,913	13,362,136	7,017,318	29,467	3,427,207	47,246,041
<b>Total Assets</b>	<b>54,770,938</b>	<b>16,079,720</b>	<b>17,890,407</b>	<b>2,982,799</b>	<b>5,098,374</b>	<b>96,822,238</b>
<b>Total Deferred Outflow of Resources</b>	<b>227,478</b>	<b>119,070</b>	<b>207,834</b>	<b>231,036</b>	<b>28,332</b>	<b>813,750</b>
<b>Liabilities</b>						
Current Liabilities:						
Accounts Payable/ Due To's	2,317,325	142,986	377,065	964,918	114,145	3,916,439
Restricted Laibilities - Debt	-	1,097,250	-	-	78,282	1,175,532
<b>Total Current Liabilities</b>	<b>2,317,325</b>	<b>1,240,236</b>	<b>377,065</b>	<b>964,918</b>	<b>192,427</b>	<b>5,091,971</b>
Long-Term Liabilities:						
Restricted Laibilities - Debt	-	1,422,621	-	-	191,412	1,614,033
Comp Abs & OPEB Payable	1,304,732	211,538	915,835	1,152,989	117,421	3,702,515
Intergov. Loans & Contracts Payable	4,555	41,320	-	22,472	448,843	517,190
Accumulated Landfill Closure Costs	14,910,873	-	-	-	-	14,910,873
Net Pension Liability	1,645,242	295,794	1,503,166	1,670,978	204,912	5,320,092
Total Long Term Liabilities	17,865,402	1,971,273	2,419,001	2,846,439	962,588	26,064,703
<b>Total Liabilities</b>	<b>20,182,727</b>	<b>3,211,509</b>	<b>2,796,066</b>	<b>3,811,357</b>	<b>1,155,015</b>	<b>31,156,674</b>
<b>Total Deferred Inflow of Resources</b>	<b>264,195</b>	<b>47,498</b>	<b>241,381</b>	<b>268,329</b>	<b>32,905</b>	<b>854,308</b>
<b>Net Position</b>						
Net Investment in Capital Assets	9,689,175	10,779,454	7,015,823	(499)	2,798,920	30,282,873
Restricted For:						
Debt Service	-	317,514	-	-	336,053	653,567
Unrestricted (Deficit)	24,862,319	1,842,815	8,044,971	(865,352)	803,813	34,688,566
<b>Total Net Position</b>	<b>\$34,551,494</b>	<b>\$12,939,783</b>	<b>\$15,060,794</b>	<b>\$ (865,851)</b>	<b>\$ 3,938,786</b>	<b>\$ 65,625,006</b>

The Solid Waste, Grand Mound, Storm & Surface Water Utility, and Land Use and Permitting Funds are the major enterprise funds for Thurston County in 2017. Land Use and Permitting was newly added in 2017.

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. **Land Use and Permitting Fund** uses development license fees and service charges to provide planning, permitting, and development inspection services in unincorporated Thurston County. These funds comprise 94.7% of enterprise assets and 96.2% of enterprise liabilities. All account balances in these funds remained constant vs. prior year with only slight increases in most due to more activity from population increases and annual inflation.

The combined net position for enterprise funds was \$65.6 million in 2017, of which \$61.7 million, or 94.1%, resided in the four major funds noted above. Of the total enterprise funds' net position, \$30.3 million, or 46.2%, is invested in capital assets net or related debt, whereas \$35.3 million, or 53.8%, is restricted for debt service or is unrestricted. 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 2017.

### Thurston County Washington Enterprise Funds Revenues and Expenses

	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds
<b>Revenues:</b>						
<i>Operating:</i>						
Charges for Services	\$ 24,774,076	\$ 1,769,655	\$ 6,664,309	\$ 3,737,994	\$ 726,589	\$ 37,672,623
Miscellaneous	247,769	32,282	-	372	8,567	288,990
<i>Non-Operating:</i>						
Interest Revenue	-	22,868	55,995	4,529	23,333	106,725
Operating & Capital Grant Proceeds	45,436	-	12,221	-	-	57,657
Other Non-Operating Revenues	-	-	-	-	-	-
<b>Total Revenues</b>	<b>25,067,281</b>	<b>1,824,805</b>	<b>6,732,525</b>	<b>3,742,895</b>	<b>758,489</b>	<b>38,125,995</b>
<b>Expenses:</b>						
<i>Operating:</i>						
Salaries and Benefits	2,706,305	575,734	2,580,572	3,246,119	372,864	9,481,594
Other Supplies and Expenses	124,219	132,656	137,646	62,291	63,535	520,347
Contractual Services	2,764,697	339,474	829,962	151,102	197,552	4,282,787
Longhaul Contract	13,669,167	-	-	-	-	13,669,167
Interfund Services and Charges	2,096,921	216,690	1,401,990	1,083,806	121,910	4,921,317
Depreciation/Amortization	1,107,195	613,066	593,314	7,687	184,264	2,505,526
<i>Non-Operating:</i>						
External & Internal Tax Payments	-	-	-	-	-	-
Interest Expense & Fiscal Charges	1,869	119,911	253	1,000	12,601	135,634
Other Including Capital Asset Gain/Loss	40,057	-	-	-	-	40,057
<b>Total Expenses</b>	<b>22,510,430</b>	<b>1,997,531</b>	<b>5,543,737</b>	<b>4,552,005</b>	<b>952,726</b>	<b>35,556,429</b>
Income (Loss) before contrib. and trans.	2,556,851	(172,726)	1,188,788	(809,110)	(194,237)	2,569,566
Capital Contributions	-	31,868	-	-	-	31,868
Transfers In (Out)	(999,333)	404,755	(17,065)	433,644	-	(177,999)
<b>Change in Net Position</b>	<b>1,557,518</b>	<b>263,897</b>	<b>1,171,723</b>	<b>(375,466)</b>	<b>(194,237)</b>	<b>2,423,435</b>
Net Position as of January 1	32,993,976	12,675,886	13,889,071	(490,385)	4,133,023	63,201,571
<b>Net Position as of January 1-Restated</b>	<b>32,993,976</b>	<b>12,675,886</b>	<b>13,889,071</b>	<b>(490,385)</b>	<b>4,133,023</b>	<b>63,201,571</b>
<b>Net Position as of December 31</b>	<b>\$ 34,551,494</b>	<b>\$ 12,939,783</b>	<b>\$ 15,060,794</b>	<b>\$ (865,851)</b>	<b>\$ 3,938,786</b>	<b>\$ 65,625,006</b>

For all enterprise funds, total operating revenues from charges for services in 2017 are \$37.7 million and comprise 99% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds stayed very constant compared to the prior year, increasing by just \$1.7 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 65.7% of total enterprise revenues and 63.2% of total enterprise expenses. Net Position increased by just \$1.6 million over 2016.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 4.7% of total enterprise revenues and 5.6% of total enterprise expenses. In 2017 both revenues and expenses remained fairly constant over prior year. Net Position was nearly identical in 2017 vs. 2016.

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 17.6% of total enterprise revenues and 15.4% of total enterprise expenses. Net Position increased by just \$1.2 million in this fund over prior year.

The **Land Use and Permitting Fund** provides planning, permitting, and development inspection services in to citizens living in unincorporated Thurston County. As mentioned earlier, this fund is a new Major fund for 2017 due to a one-time liability accrual that doesn't normally happen in this fund. Total assets and total revenues in this fund changed very little from prior year. Liabilities increased by \$0.7 million, or 22.6% due to the one-time liability accrual just mentioned. Likewise, expenses increased by \$0.9 million, or 24.3%. The Net Position in this fund for 2017 was a negative \$866,000 compared to a negative \$490,000 in 2016.

### **General Fund Budgetary Highlights**

Beginning in 2017, Thurston County began a biennial budget, adopted in December of 2016. Quarterly adjustments were made to the budget during the year. Although the budget is considered a biennial, appropriations still lapse at the end of each year.

The following table shows changes between the original and final budget as of December 31, 2017. 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)
<b>Revenues:</b>			
Taxes	\$ 57,455,000	\$ 58,550,000	\$ 1,095,000
Licenses & Permits	2,155,300	2,455,300	300,000
Intergovernmental	10,331,203	10,114,655	(216,548)
Charges for Services	13,195,512	13,691,736	496,224
Fines & Forfeitures	2,723,400	2,723,400	-
Miscellaneous	3,071,009	3,256,651	185,642
<b>Total General Revenues</b>	<b>88,931,424</b>	<b>90,791,742</b>	<b>1,860,318</b>
Other Financing Sources	5,307,817	5,555,501	247,684
<b>Total Revenues</b>	<b>94,239,241</b>	<b>96,347,243</b>	<b>2,108,002</b>
<b>Expenditures by Department:</b>			
Assessor's Office	4,099,003	4,099,003	-
Auditor's Office	5,973,101	5,973,101	-
Assigned Counsel	5,544,667	6,340,646	(795,979)
Clerk's Office	3,534,605	3,534,605	-
Commissioner's Office	2,568,518	2,493,533	74,985
Coroner's Office	1,111,052	1,123,052	(12,000)
Corrections	19,912,677	20,504,815	(592,138)
District Court	3,695,576	3,730,929	(35,353)
Emergency Management	1,428,524	1,447,093	(18,569)
Human Resources	1,853,728	1,868,368	(14,640)
Juvenile Probation	7,433,216	7,420,677	12,539
Non-Departmental	5,559,633	4,394,226	1,165,407
Planning	2,740,404	3,253,412	(513,008)
PreTrial Services	549,391	570,791	(21,400)
Prosecuting Attorney	8,832,386	9,116,155	(283,769)
State Examiner	131,000	131,000	-
Sheriff	17,440,542	18,181,935	(741,393)
Superior Court	5,719,126	5,900,253	(181,127)
Treasurer's Office	1,230,372	1,230,372	-
WSU Extension	504,776	504,776	-
<b>General Fund Expenditures</b>	<b>99,862,297</b>	<b>101,818,742</b>	<b>(1,956,445)</b>
Fair	605,267	620,267	(15,000)
Historic Preservation	57,817	70,971	(13,154)
Prisoner Concession	339,522	339,813	(291)
Public, Educational & Governmental Access:	485,000	485,000	-
Sobriety Program 24/7	-	-	-
<b>Reported General Fund Expenditures</b>	<b>101,349,903</b>	<b>103,334,793</b>	<b>(1,984,890)</b>
Net Changes in Fund Balances	(7,110,662)	(6,987,550)	123,112
Fund Balances as of January 1	15,158,477	15,875,594	717,117
<b>Fund Balances as of December 31</b>	<b>\$ 8,047,815</b>	<b>\$ 8,888,044</b>	<b>\$ 840,229</b>

The County's original and final budgets were very similar with just a \$2.1 million increase in budgeted revenues and a \$2 million increase in budgeted expenditures.

The final budget ending fund balance was \$8.9 million, a decrease of \$800,000 over 2016.

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

The following table summarizes differences between budget and actual revenues and expenditures in the General Fund for 2017. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2017 show actual total revenues (including other financing sources) at \$95.5 million, which is \$0.9 million, or 0.9%, below the final budget. Actual expenditures were \$99.5 million, which is \$3.8 million or 3.7% under budget.

In regards to revenues, the largest variance between budget and actual was in the Taxes category, receiving just under \$0.7 million more than planned. All offices/departments had a positive expenditure variance in 2017, 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 \$1.3 million under-expenditure.



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

	<b>Final Budget</b>	<b>Actuals</b>	<b>Variance Pos (Neg)</b>
<b>Revenues:</b>			
Taxes	\$ 58,550,000	\$ 59,247,155	\$ 697,155
Licenses & Permits	2,455,300	2,319,457	(135,843)
Intergovernmental	10,114,655	9,336,120	(778,535)
Charges for Services	13,691,736	13,371,059	(320,677)
Fines & Forfeitures	2,723,400	2,779,132	55,732
Miscellaneous	3,256,651	3,250,741	(5,910)
<b>Total General Revenues</b>	<b>90,791,742</b>	<b>90,303,664</b>	<b>(488,078)</b>
Total Other Financing Sources	5,555,501	5,181,925	(373,576)
<b>Total Revenues</b>	<b>96,347,243</b>	<b>95,485,589</b>	<b>(861,654)</b>
<b>Expenditures by Department:</b>			
Assessor's Office	4,099,003	4,016,911	82,092
Auditor's Office	5,973,101	5,739,782	233,319
Assigned Counsel	6,340,646	6,093,337	247,309
Clerk's Office	3,534,605	3,471,752	62,853
Commissioner's Office	2,493,533	2,308,688	184,845
Coroner's Office	1,123,052	1,117,080	5,972
Corrections	20,504,815	20,500,256	4,559
District Court	3,730,929	3,514,526	216,403
Emergency Management	1,447,093	1,356,388	90,705
Human Resources	1,868,368	1,642,713	225,655
Juvenile Probation	7,420,677	6,990,985	429,692
Non-Departmental	4,394,226	4,127,306	266,920
Planning	3,253,412	1,990,282	1,263,130
PreTrial Services	570,791	527,313	43,478
Prosecuting Attorney	9,116,155	9,067,987	48,168
State Examiner	131,000	122,501	8,499
Sheriff	18,181,935	18,122,166	59,769
Superior Court	5,900,253	5,716,400	183,853
Treasurer's Office	1,230,372	1,166,319	64,053
WSU Extension	504,776	478,960	25,816
<b>General Fund Expenditures</b>	<b>101,818,742</b>	<b>98,071,652</b>	<b>3,747,090</b>
Fair	620,267	597,089	23,178
Historic Preservation	70,971	58,128	12,843
Prisoner Concession	339,813	323,272	16,541
Public, Educational & Governmental Access:	485,000	446,587	38,413
Sobriety Program 24/7	-	5	(5)
<b>Reported General Fund Expenditures</b>	<b>103,334,793</b>	<b>99,496,733</b>	<b>3,838,060</b>
Net Changes in Fund Balances	(6,987,550)	(4,011,144)	2,976,406
Fund Balances as of January 1	15,875,594	17,315,018	1,439,424
Prior Period Adjustments	-	(1,418,974)	(1,418,974)
Fund Balances as of January 1 - Restated	15,875,594	15,896,044	20,450
<b>Fund Balances as of December 31</b>	<b>\$ 8,888,044</b>	<b>\$ 11,884,900</b>	<b>\$ 2,996,856</b>

## **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 \$497.7 million at year end. Of this total, \$294.7 million (59.2%) are non-depreciable assets and \$203 million (40.8%) are depreciable. Capital assets comprise 68.2% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section. Total capital assets in both governmental and business-type decreased by \$9.5 million over prior year. This decrease was in the depreciable category as that saw a decrease of \$15.3 million. The main reasons for this decrease was annual depreciation, a \$4.6 million prior period adjustment to fix an accounting error in Infrastructure assets, and the selling of a county building during the year.

At year-end the County had \$1.7 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 \$66.1 million (\$63.6 million in governmental activities and \$2.5 million in Business-type activities). This total represents a decrease of \$7.3 million over 2016 due to annual debt payments.

At the end of 2017, the County has the capacity to issue \$420.4 million in debt without a vote and a remaining capacity of \$742.6 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, 2017**  
**Page 1 of 2**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash & Pooled Investments	\$ 139,447,377	\$ 45,034,898	\$ 184,482,275
<i>Receivables:</i>			
Taxes Receivable	1,610,993	-	1,610,993
Special Assessment Receivables	47,541	450,576	498,117
Accrued Interest & Penalties	2,529,395	49,653	2,579,048
Customer Account Receivables	12,438,319	2,929,294	15,367,613
Internal Balances	(1,299,226)	1,299,226	-
Due from Other Government Units	5,477,286	347,502	5,824,788
Inventory	920,303	-	920,303
Prepayments	128,807	21,192	149,999
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	190,993	190,993
Total Current Assets	161,300,795	50,323,334	211,624,129
<b>Long-Term Assets:</b>			
Community Loans Receivable	-	148,344	148,344
Special Assessment Receivables	-	304,748	304,748
Investment in Joint Ventures, Net	1,772,806	-	1,772,806
Net Pension Asset	4,414,012	-	4,414,012
<i>Capital Assets:</i>			
Non-Depreciable	290,822,088	3,852,108	294,674,196
Depreciable, Net	173,757,184	29,229,029	202,986,213
<i>Restricted Assets: Cash and Pooled Investments</i>	-	13,711,812	13,711,812
Total Noncurrent Assets	470,766,090	47,246,041	518,012,131
<b>Total Assets</b>	632,066,885	97,569,375	729,636,260
<b>Deferred Outflow of Resources:</b>			
Loss on Refunding	2,094,670	78,173	2,172,843
Pensions	6,745,894	735,577	7,481,471
<b>Total Deferred Outflow of Resources</b>	8,840,564	813,750	9,654,314

See accompanying notes to financial statements

**Statement of Net Position**  
**December 31, 2017**  
**Page 2 of 2**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	11,891,101	2,140,793	14,031,894
Notes/Leases Payable	139,534	65,723	205,257
Due to Other Government Units	766,813	5,468	772,281
Compensated Absences	373,368	40,447	413,815
Claims & Judgments Payable	380,227	-	380,227
Limited G.O. Bonds Payable	4,435,560	1,097,250	5,532,810
Special Assess. Debt - Gov. Commitment	-	78,282	78,282
Unearned Revenue	145,741	768,890	914,631
Total Current Liabilities	18,132,344	4,196,853	22,329,197
<b>Long-Term Liabilities:</b>			
Limited G.O. Bonds Payable	59,137,476	1,422,621	60,560,097
Special Assess. Debt - Gov. Commitment	-	191,412	191,412
Compensated Absences	6,688,981	724,628	7,413,609
Other Post Employment Benefits Payable	31,478,221	2,977,887	34,456,108
Claims & Judgments Payable	4,128,995	-	4,128,995
Notes/Leases Payable	1,253,520	517,190	1,770,710
Accumulated Landfill Closure Costs	-	14,910,873	14,910,873
Net Pension Liability	40,340,423	5,320,092	45,660,515
Total Noncurrent Liabilities	143,027,616	26,064,703	169,092,319
<b>Total Liabilities</b>	<b>161,159,960</b>	<b>30,261,556</b>	<b>191,421,516</b>
<b>Deferred Inflow of Resources:</b>			
Gain on Refunding	427,875	-	427,875
Pensions	7,903,339	854,308	8,757,647
<b>Total Deferred Inflow of Resources</b>	<b>8,331,214</b>	<b>854,308</b>	<b>9,185,522</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	401,510,661	30,282,873	431,793,534
<b>Restricted For:</b>			
Culture & Recreation	1,700,971	-	1,700,971
Economic Environment	201,337	-	201,337
General Government	14,058,437	-	14,058,437
Health and Human Services	4,247,932	-	4,247,932
Internal Service	28,525,977	-	28,525,977
Public Safety	1,449,701	-	1,449,701
Utilities & Environment	4,598,880	-	4,598,880
Transportation	4,895,661	-	4,895,661
Debt Service	-	653,567	653,567
Unrestricted (Deficit)	10,226,718	36,330,821	46,557,539
<b>Total Net Position</b>	<b>\$ 471,416,275</b>	<b>\$ 67,267,261</b>	<b>\$ 538,683,536</b>

See accompanying notes to financial statements

**Statement Of Activities**  
**For The Year Ended December 31, 2017**  
**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	\$ 16,396,390	\$ (6,078,404)	\$ 8,924,994	\$ 2,639,678	\$ -
Culture & Recreation	3,101,994	58,149	2,164,792	45,603	-
Economic Environment	8,305,297	(420,310)	2,665,824	3,785,353	365,554
Health & Human Services	36,744,804	1,005,748	8,481,032	6,973,477	1,104
Public Safety	83,376,280	2,136,452	7,105,692	6,850,116	617,577
Transportation	28,928,965	1,817,703	3,621,610	367,476	8,511,261
Utilities & Environment	2,465,304	170,496	801,536	69,269	-
Interest and Fiscal Charges	2,252,694	-	-	-	-
Total Governmental Activities	181,571,728	(1,310,166)	33,765,480	20,730,972	9,495,496
Business-Type Activities:					
Solid Waste	22,092,128	418,302	24,774,076	45,436	-
Water	884,647	73,924	821,701	-	10,623
Sewer	1,845,687	147,848	1,674,543	-	21,245
Stormwater	5,265,742	277,995	6,664,309	12,221	-
Land Use & Permitting	4,129,420	392,097	3,737,994	-	-
Total Business-Type Activities	34,217,624	1,310,166	37,672,623	57,657	31,868
Total Primary Government	\$ 215,789,352	\$ -	\$ 71,438,103	\$ 20,788,629	\$ 9,527,364

See accompanying notes to financial statements

**Statement Of Activities**  
**For The Year Ended December 31, 2017**  
**Page 2 of 2**

Functions/Programs	Net (Expense) Revenue and Changes In Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>			
<i>Governmental Activities:</i>			
General Government	\$ 1,246,686	\$ -	\$ 1,246,686
Culture & Recreation	(949,748)	-	(949,748)
Economic Environment	(1,068,256)	-	(1,068,256)
Health & Human Services	(22,294,939)	-	(22,294,939)
Public Safety	(70,939,347)	-	(70,939,347)
Transportation	(18,246,321)	-	(18,246,321)
Utilities & Environment	(1,764,995)	-	(1,764,995)
Interest and Fiscal Charges	(2,252,694)	-	(2,252,694)
<b>Total Governmental Activities</b>	<b>(116,269,614)</b>	<b>-</b>	<b>(116,269,614)</b>
<i>Business-Type Activities:</i>			
Solid Waste	-	2,309,082	2,309,082
Water	-	(126,247)	(126,247)
Sewer	-	(297,747)	(297,747)
Stormwater	-	1,132,793	1,132,793
Land Use & Permitting	-	(783,523)	(783,523)
<b>Total Business-Type Activities</b>	<b>-</b>	<b>2,234,358</b>	<b>2,234,358</b>
<b>Total Primary Government</b>	<b>(116,269,614)</b>	<b>2,234,358</b>	<b>(114,035,256)</b>
<b>General Revenues:</b>			
<i>Taxes:</i>			
Property Taxes	71,058,025	-	71,058,025
Sales Taxes	37,981,081	-	37,981,081
Business & Harvest Taxes	4,034,395	-	4,034,395
Excise Taxes	6,457,182	-	6,457,182
<i>Other General Revenues:</i>			
Interest & Investment Earnings	2,824,553	106,725	2,931,278
Miscellaneous	346,439	288,990	635,429
Transfers In/(Out)	177,999	(177,999)	-
<b>Total General Revenues and Transfers</b>	<b>122,879,674</b>	<b>217,716</b>	<b>123,097,390</b>
<b>Change in Net Position</b>	<b>6,610,060</b>	<b>2,452,074</b>	<b>9,062,134</b>
Net Position as of January 1	470,895,852	64,815,187	535,711,039
Prior Period Adjustment	(6,089,637)	-	(6,089,637)
Net Position as of January 1 - Restated	464,806,215	64,815,187	529,621,402
<b>Net Position as of December 31</b>	<b>\$ 471,416,275</b>	<b>\$ 67,267,261</b>	<b>\$ 538,683,536</b>

See accompanying notes to financial statements

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

	General Fund	Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash & Pooled Investments	\$10,646,066	\$19,821,575	\$15,346,733	\$15,538,315	\$ 8,332,100	\$ 27,463,694	\$ 97,148,483
Receivables:							
Taxes Receivable	858,684	487,543	215,643	-	15,045	34,078	1,610,993
Special Assessment Receivables	-	-	-	-	14,947	32,594	47,541
Accrued Interest & Penalties	2,288,061	-	33,203	35,110	16,207	129,129	2,501,710
Customer Account Receivables	2,773,823	2,275	-	-	202,684	474,425	3,453,207
Due from Other Funds	1,498,940	1,136,856	-	-	862,815	43,471	3,542,082
Due from Other Government Units	2,865,852	682,843	20,399	-	1,350,457	549,955	5,469,506
Inventory	-	582,836	-	-	-	-	582,836
Prepayments	85,705	1,000	6,028	-	250	1,480	94,463
<b>Total Assets</b>	<b>\$21,017,131</b>	<b>\$22,714,928</b>	<b>\$15,622,006</b>	<b>\$15,573,425</b>	<b>\$ 10,794,505</b>	<b>\$ 28,728,826</b>	<b>\$ 114,450,821</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 4,380,180	\$ 1,513,331	\$ 2,749,825	\$ -	\$ 1,159,645	\$ 711,605	\$ 10,514,586
Due to Other Funds	309,144	294,582	147	819,715	68,850	1,797,638	3,290,076
Due to Other Government Units	13,504	-	-	-	-	753,309	766,813
Unearned Revenues	13,736	2,100	-	-	-	129,906	145,742
<b>Total Liabilities</b>	<b>4,716,564</b>	<b>1,810,013</b>	<b>2,749,972</b>	<b>819,715</b>	<b>1,228,495</b>	<b>3,392,458</b>	<b>14,717,217</b>
<b>Deferred Inflow of Resources:</b>							
Property Taxes	2,387,263	410,963	180,967	-	13,393	28,598	3,021,184
Special Assessments	-	-	-	-	14,947	32,723	47,670
Courts	2,028,404	-	-	-	-	324,684	2,353,088
<b>Total Deferred Inflow of Resources</b>	<b>4,415,667</b>	<b>410,963</b>	<b>180,967</b>	<b>-</b>	<b>28,340</b>	<b>386,005</b>	<b>5,421,942</b>
<b>FUND BALANCES</b>							
Nonspendable	85,705	583,836	6,028	-	250	1,480	677,299
Restricted	289,935	-	-	13,251,942	-	17,611,042	31,152,919
Committed	-	-	-	-	-	426,471	426,471
Assigned	-	19,910,116	12,685,039	1,501,768	9,537,420	6,911,423	50,545,766
Unassigned	11,509,260	-	-	-	-	(53)	11,509,207
<b>Total Fund Balance</b>	<b>11,884,900</b>	<b>20,493,952</b>	<b>12,691,067</b>	<b>14,753,710</b>	<b>9,537,670</b>	<b>24,950,363</b>	<b>94,311,662</b>
<b>Total Liabilities, Deferred Inflow of Resources &amp; Fund Balances</b>	<b>\$21,017,131</b>	<b>\$22,714,928</b>	<b>\$15,622,006</b>	<b>\$15,573,425</b>	<b>\$ 10,794,505</b>	<b>\$ 28,728,826</b>	<b>\$ 114,450,821</b>

See accompanying notes to financial statements

# Reconciliation of The Balance Sheet of Governmental Funds To The Statement of Net Position *December 31, 2017*

	<b>Governmental Funds</b>
<b>Fund balance as shown in the Governmental Funds Balance Sheet</b>	\$ 94,311,662
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	424,096,151
Debt, which is not reported in governmental funds, is reported in the statement of net position	(63,101,277)
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	68,917,091
Deferred gains and losses on refunding, which is not reported in governmental funds, is reported in the statement of net position	1,666,795
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position	14,405,859
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	(67,237,751)
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)	(1,642,255)
<b>Net position for governmental funds as shown in statement of net position</b>	<b>\$ 471,416,275</b>

See accompanying notes to financial statements



**Statement of Revenues, Expenditures and Changes In Fund Balances**  
**Governmental Funds**  
**For The Year Ended December 31, 2017**

	General Fund	Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$59,247,155	\$19,329,663	\$10,581,366	\$ 5,764,944	\$ 841,606	\$ 20,727,577	\$116,492,311
Licenses & Permits	2,319,457	815,910	-	-	827,207	-	3,962,574
Intergovernmental	9,336,120	8,875,737	50,815	-	6,894,662	4,689,696	29,847,030
Charges for Services	13,371,059	1,212,702	10,277	-	7,220,420	6,678,473	28,492,931
Fines & Forfeits	2,779,132	-	-	-	-	33,534	2,812,666
Miscellaneous Revenue	3,250,741	83,347	65,831	53,358	747,701	1,025,344	5,226,322
<b>Total Revenues</b>	<b>90,303,664</b>	<b>30,317,359</b>	<b>10,708,289</b>	<b>5,818,302</b>	<b>16,531,596</b>	<b>33,154,624</b>	<b>186,833,834</b>
<b>Expenditures:</b>							
<i>Current:</i>							
General Government	15,559,095	-	-	-	-	534,217	16,093,312
Culture & Recreation	1,073,621	746,688	-	-	-	933,234	2,753,543
Economic Environment	2,325,059	-	-	-	-	5,945,044	8,270,103
Health & Human Services	-	-	12,181,890	-	16,500,862	8,209,815	36,892,567
Public Safety	76,728,506	-	-	-	-	3,063,012	79,791,518
Transportation	182,269	23,830,966	-	-	-	-	24,013,235
Utilities & Environment	686,664	-	-	-	-	1,559,550	2,246,214
Capital Outlay	166,490	6,355,466	1,105,982	-	31,071	92,733	7,751,742
<i>Debt Service:</i>							
Principal	84,051	66,687	4,532	-	7,127	5,659,182	5,821,579
Interest & Fiscal Charges	16,603	37,324	381	-	1,838	2,536,155	2,592,301
<b>Total Expenditures</b>	<b>96,822,358</b>	<b>31,037,131</b>	<b>13,292,785</b>	<b>-</b>	<b>16,540,898</b>	<b>28,532,942</b>	<b>186,226,114</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>(6,518,694)</b>	<b>(719,772)</b>	<b>(2,584,496)</b>	<b>5,818,302</b>	<b>(9,302)</b>	<b>4,621,682</b>	<b>607,720</b>
<b>Other Financing Sources (Uses)</b>							
Capital Lease Financing	65,074	-	-	-	31,071	-	96,145
Sale of Capital Assets	383,019	483,659	111,822	1,425,763	7,800	1,625,099	4,037,162
Transfers In	4,733,832	2,128,750	-	-	1,508,877	8,476,333	16,847,792
Transfers Out	(2,674,375)	(1,135,330)	-	(5,385,084)	-	(11,132,877)	(20,327,666)
<b>Total Other Financing Sources (Uses)</b>	<b>2,507,550</b>	<b>1,477,079</b>	<b>111,822</b>	<b>(3,959,321)</b>	<b>1,547,748</b>	<b>(1,031,445)</b>	<b>653,433</b>
<b>Net Changes In Fund Balances</b>	<b>(4,011,144)</b>	<b>757,307</b>	<b>(2,472,674)</b>	<b>1,858,981</b>	<b>1,538,446</b>	<b>3,590,237</b>	<b>1,261,153</b>
Fund Balances as of January 1	17,315,018	19,736,645	15,163,741	12,894,729	7,748,100	21,657,188	94,515,421
Prior Period Adjustments	(1,418,974)	-	-	-	251,124	(297,062)	(1,464,912)
Fund Balances as of January 1-Restated	15,896,044	19,736,645	15,163,741	12,894,729	7,999,224	21,360,126	93,050,509
<b>Fund Balances as of December 31</b>	<b>\$11,884,900</b>	<b>\$20,493,952</b>	<b>\$12,691,067</b>	<b>\$14,753,710</b>	<b>\$9,537,670</b>	<b>\$ 24,950,363</b>	<b>\$ 94,311,662</b>

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, 2017**

		<b>Governmental Funds</b>
<b>Change in fund balance as shown in the Governmental Funds</b>		
<b>Statement of Revenues, Expenditures and Changes in Fund Balances</b>		\$ 1,261,153
<b>Capital Assets:</b>		
Capital outlays, which are reported as expenditures in governmental funds, are capitalized and deferred to future periods and therefore not reported in the statement of activities	7,751,742	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(9,559,334)	
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>189,933</u>	(1,617,659)
<b>Long-Term Debt:</b>		
Bond and capital lease principal payments, which are reported as expenditures in governmental funds, are not reported as expenditures in the statement of activities	5,858,665	
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	339,607	
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>(96,145)</u>	6,102,127
<b>Interfund Transactions:</b>		
Profit or (loss) from internal service funds, which is reported separately in proprietary fund statements, is credited or charged to governmental expenses in the statement of activities	1,056,146	
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	(1,338,805)	
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>1,310,166</u>	1,027,507
<b>Other:</b>		
Long term (non-available) revenues, which are deferred in governmental funds, are reported as revenues (or as a debit adjustment) in the statement of activities	11,580	
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>(174,648)</u>	(163,068)
<b>Change in net position for governmental funds as shown in the</b>		
<b>Statement of Activities</b>		<u><u>\$ 6,610,060</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, 2017**  
**Page 1 of 7**

	<b>Original 2017 Budget</b>	<b>Final 2017 Budget</b>	<b>Actual 2017</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Revenues By Funding Source</b>				
<b>General Revenues:</b>				
Taxes	\$ 57,455,000	\$ 58,550,000	\$ 59,247,155	\$ 697,155
Licenses & Permits	2,155,300	2,455,300	2,319,457	(135,843)
Intergovernmental	10,331,203	10,114,655	9,336,120	(778,535)
Charges for Services	13,195,512	13,691,736	13,371,059	(320,677)
Fines & Forfeits	2,723,400	2,723,400	2,779,132	55,732
Miscellaneous Revenue	3,071,009	3,256,651	3,250,741	(5,910)
<b>Total General Revenues</b>	<b>88,931,424</b>	<b>90,791,742</b>	<b>90,303,664</b>	<b>(488,078)</b>
<b>Other Financing Sources:</b>				
Capital Lease Financing	-	77,655	65,074	(12,581)
Other Finance Sources - Capital Asset Sales	200,700	300,700	383,019	82,319
Transfers In	5,107,117	5,177,146	4,733,832	(443,314)
<b>Total Other Financing Sources</b>	<b>5,307,817</b>	<b>5,555,501</b>	<b>5,181,925</b>	<b>(373,576)</b>
<b>Total Revenues</b>	<b>\$ 94,239,241</b>	<b>\$ 96,347,243</b>	<b>\$ 95,485,589</b>	<b>\$ (861,654)</b>

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, 2017**  
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	Original 2017 Budget	Final 2017 Budget	Actual 2017	Variance with Final Budget Positive or (Negative)
<b>Expenditures by Department</b>				
<b>Assessor's Office:</b>				
General Government	\$ 4,099,003	\$ 4,099,003	\$ 4,010,361	\$ 88,642
Capital Outlay	-	-	6,550	(6,550)
<b>Total Assessor's Office</b>	4,099,003	4,099,003	4,016,911	82,092
<b>Auditor's Office:</b>				
General Government	5,760,524	5,760,524	5,532,688	227,836
Capital Outlay	-	-	-	-
Debt Service:				
Principal	6,300	6,300	5,242	1,058
Interest and Fiscal Charges	6,277	6,277	1,852	4,425
Transfers Out	200,000	200,000	200,000	-
<b>Total Auditor's Office</b>	5,973,101	5,973,101	5,739,782	233,319
<b>Assigned Counsel:</b>				
Public Safety	5,541,211	6,326,011	6,077,493	248,518
Capital Outlay	-	11,179	11,179	-
Debt Service:				
Principal	3,135	3,135	3,421	(286)
Interest and Fiscal Charges	321	321	1,244	(923)
<b>Total Assigned Counsel</b>	5,544,667	6,340,646	6,093,337	247,309
<b>Clerk's Office:</b>				
Public Safety	3,519,329	3,519,329	3,455,602	63,727
Debt Service:				
Principal	12,447	12,447	12,893	(446)
Interest and Fiscal Charges	2,829	2,829	3,257	(428)
<b>Total Clerk's Office</b>	3,534,605	3,534,605	3,471,752	62,853

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, 2017**  
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	<b>Original 2017 Budget</b>	<b>Final 2017 Budget</b>	<b>Actual 2017</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Commissioner's Office:</b>				
General Government	2,227,196	2,139,238	2,095,367	43,871
Transportation	209,035	209,035	175,924	33,111
Economic Environment	30,187	30,187	19,701	10,486
Capital Outlay	-	12,973	12,973	-
Debt Service:				
Principal	5,500	5,500	4,396	1,104
Interest and Fiscal Charges	600	600	327	273
Transfers Out	96,000	96,000	-	96,000
<b>Total Commissioner's Office</b>	<b>2,568,518</b>	<b>2,493,533</b>	<b>2,308,688</b>	<b>184,845</b>
<b>Coroner's Office:</b>				
Public Safety	1,106,112	1,118,112	1,111,494	6,618
Capital Outlay	-	-	223	(223)
Debt Service:				
Principal	2,890	2,890	4,726	(1,836)
Interest and Fiscal Charges	2,050	2,050	637	1,413
<b>Total Coroner's Office</b>	<b>1,111,052</b>	<b>1,123,052</b>	<b>1,117,080</b>	<b>5,972</b>
<b>Corrections:</b>				
Public Safety	19,893,856	20,479,277	20,482,942	(3,665)
Capital Outlay	-	6,717	6,717	-
Debt Service:				
Principal	16,730	16,730	9,428	7,302
Interest and Fiscal Charges	2,091	2,091	1,169	922
Transfers Out	-	-	-	-
<b>Total Corrections</b>	<b>19,912,677</b>	<b>20,504,815</b>	<b>20,500,256</b>	<b>4,559</b>
<b>District Court</b>				
Public Safety	3,692,725	3,728,078	3,514,526	213,552
Debt Service:				
Principal	2,686	2,686	-	2,686
Interest and Fiscal Charges	165	165	-	165
<b>Total District Court</b>	<b>3,695,576</b>	<b>3,730,929</b>	<b>3,514,526</b>	<b>216,403</b>

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, 2017**  
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	Original 2017 Budget	Final 2017 Budget	Actual 2017	Variance with Final Budget Positive or (Negative)
<b>Emergency Management:</b>				
Public Safety	1,426,524	1,445,093	1,331,915	113,178
Capital Outlay	-	-	22,473	(22,473)
Transfers Out	2,000	2,000	2,000	-
<b>Emergency Management</b>	<b>1,428,524</b>	<b>1,447,093</b>	<b>1,356,388</b>	<b>90,705</b>
<b>Human Resources:</b>				
General Government	1,703,977	1,706,422	1,502,899	203,523
Public Safety	137,237	134,792	119,419	15,373
Capital Outlay	-	14,640	14,640	-
Debt Service:				
Principal	9,858	9,858	4,576	5,282
Interest and Fiscal Charges	2,656	2,656	1,179	1,477
<b>Total Human Resources</b>	<b>1,853,728</b>	<b>1,868,368</b>	<b>1,642,713</b>	<b>225,655</b>
<b>Juvenile Probation:</b>				
Public Safety	7,433,216	7,420,677	6,987,339	433,338
Debt Service:				
Principal	-	-	3,462	(3,462)
Interest and Fiscal Charges	-	-	184	(184)
<b>Total Juvenile Probation</b>	<b>7,433,216</b>	<b>7,420,677</b>	<b>6,990,985</b>	<b>429,692</b>

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, 2017**  
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	Original 2017 Budget	Final 2017 Budget	Actual 2017	Variance with Final Budget Positive or (Negative)
<b>Non-Departmental:</b>				
General Government	2,028,856	1,162,288	1,035,763	126,525
Public Safety	207,637	207,637	155,399	52,238
Utilities & Environment	695,925	695,925	686,664	9,261
Transportation	500	500	6,345	(5,845)
Economic Environment	328,500	306,500	315,076	(8,576)
Culture and Recreation	-	-	3,283	(3,283)
Transfers Out	2,298,215	2,021,376	1,924,776	96,600
<b>Total Non-Departmental</b>	<b>5,559,633</b>	<b>4,394,226</b>	<b>4,127,306</b>	<b>266,920</b>
<b>Planning:</b>				
Economic Environment	2,740,404	3,253,412	1,990,282	1,263,130
<b>Total Planning</b>	<b>2,740,404</b>	<b>3,253,412</b>	<b>1,990,282</b>	<b>1,263,130</b>
<b>PreTrial Services:</b>				
Public Safety	549,391	570,791	527,313	43,478
<b>Total PreTrial Services</b>	<b>549,391</b>	<b>570,791</b>	<b>527,313</b>	<b>43,478</b>
<b>Prosecuting Attorney:</b>				
Public Safety	8,806,586	9,082,538	9,037,854	44,684
Capital Outlay	-	7,817	7,821	(4)
Debt Service:				
Principal	20,400	20,400	18,948	1,452
Interest and Fiscal Charges	5,400	5,400	3,364	2,036
<b>Total Prosecuting Attorney</b>	<b>8,832,386</b>	<b>9,116,155</b>	<b>9,067,987</b>	<b>48,168</b>
<b>State Examiner:</b>				
General Government	131,000	131,000	122,501	8,499
<b>Total State Examiner</b>	<b>131,000</b>	<b>131,000</b>	<b>122,501</b>	<b>8,499</b>

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, 2017**  
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	<b>Original 2017 Budget</b>	<b>Final 2017 Budget</b>	<b>Actual 2017</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Sheriff:</b>				
Public Safety	17,423,596	18,002,660	17,892,652	110,008
Capital Outlay	5,000	29,329	83,914	(54,585)
Principal	9,079	9,079	7,877	1,202
Interest and Fiscal Charges	2,867	2,867	1,642	1,225
Transfers Out	-	138,000	136,081	1,919
<b>Total Sheriff</b>	<b>17,440,542</b>	<b>18,181,935</b>	<b>18,122,166</b>	<b>59,769</b>
<b>Superior Court:</b>				
Public Safety	5,711,203	5,892,330	5,711,281	181,049
Debt Service:				
Principal	5,300	5,300	4,865	435
Interest and Fiscal Charges	2,623	2,623	254	2,369
<b>Total Superior Court</b>	<b>5,719,126</b>	<b>5,900,253</b>	<b>5,716,400</b>	<b>183,853</b>
<b>Treasurer's Office</b>				
General Government	1,230,372	1,230,372	1,166,319	64,053
<b>Total Treasurer's Office</b>	<b>1,230,372</b>	<b>1,230,372</b>	<b>1,166,319</b>	<b>64,053</b>
<b>WSU Extension</b>				
Culture and Recreation	501,744	501,744	475,657	26,087
Debt Service:				
Principal	1,417	1,417	3,081	(1,664)
Interest and Fiscal Charges	1,615	1,615	222	1,393
<b>Total WSU Extension</b>	<b>504,776</b>	<b>504,776</b>	<b>478,960</b>	<b>25,816</b>
<b>Total General Fund Expenditures</b>	<b>99,862,297</b>	<b>101,818,742</b>	<b>98,071,652</b>	<b>3,747,090</b>

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, 2017**  
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**Reconciliation of Budgetary Perspective Differences Due to GASB 54:**

	<b>Original 2017 Budget</b>	<b>Final 2017 Budget</b>	<b>Actual 2017</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Fair:</b>				
Culture and Recreation	605,267	620,267	594,681	25,586
Debt Service:				
Principal	-	-	1,136	(1,136)
Interest and Fiscal Charges	-	-	1,272	(1,272)
<b>Total Fair</b>	<b>605,267</b>	<b>620,267</b>	<b>597,089</b>	<b>23,178</b>
<b>Historic Preservation:</b>				
General Government	34,817	47,971	37,307	10,664
Transfers Out	23,000	23,000	20,821	2,179
<b>Total Historic Preservation</b>	<b>57,817</b>	<b>70,971</b>	<b>58,128</b>	<b>12,843</b>
<b>Public, Educational &amp; Governmental Access:</b>				
General Government	60,000	60,000	55,890	4,110
Transfers Out	425,000	425,000	390,697	34,303
<b>Total Public, Educational &amp; Governmental Access</b>	<b>485,000</b>	<b>485,000</b>	<b>446,587</b>	<b>38,413</b>
<b>Prisoner Concession:</b>				
Public Safety	339,522	339,813	323,272	16,541
<b>Total Prisoner Concession</b>	<b>339,522</b>	<b>339,813</b>	<b>323,272</b>	<b>16,541</b>
<b>Sobriety Program 24/7:</b>				
Public Safety	-	-	5	(5)
<b>Total Sobriety Program 24/7</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>(5)</b>
<b>Total GASB 54 Expenditures</b>	<b>1,487,606</b>	<b>1,516,051</b>	<b>1,425,081</b>	<b>90,970</b>
<b>Total Reported General Fund Expenditures</b>	<b>101,349,903</b>	<b>103,334,793</b>	<b>99,496,733</b>	<b>3,838,060</b>
Net Changes in Fund Balances	(7,110,662)	(6,987,550)	(4,011,144)	2,976,406
Fund Balances as of January 1	15,158,477	15,875,594	17,315,018	1,439,424
Prior Period Adjustments	-	-	(1,418,974)	(1,418,974)
Fund Balances as of January 1 - Restated	15,158,477	15,875,594	15,896,044	20,450
Fund Balances as of December 31	\$ 8,047,815	\$ 8,888,044	\$ 11,884,900	\$ 2,996,856

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, 2017**

	<b>Original 2017 Budget</b>	<b>Final 2017 Budget</b>	<b>Actual 2017</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 10,603,000	\$ 10,603,000	\$ 10,581,366	\$ (21,634)
Intergovernmental	59,320	59,320	50,815	(8,505)
Charges for Services	24,030	24,030	10,277	(13,753)
Miscellaneous Revenue	304,370	304,370	65,831	(238,539)
<b>Total Revenues</b>	<b>10,990,720</b>	<b>10,990,720</b>	<b>10,708,289</b>	<b>(282,431)</b>
<b>Expenditures:</b>				
<i>Current:</i>				
Health & Human Services	12,746,662	12,765,231	12,181,890	583,341
Capital Outlay	611,632	1,411,632	1,105,982	305,650
Debt Service:				
Principal	4,532	4,532	4,532	-
Interest & Fiscal Charges	381	381	381	-
<b>Total Expenditures</b>	<b>13,363,207</b>	<b>14,181,776</b>	<b>13,292,785</b>	<b>888,991</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,372,487)</b>	<b>(3,191,056)</b>	<b>(2,584,496)</b>	<b>606,560</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing				
Sale of Capital Assets	33,000	33,000	111,822	78,822
Transfers In	499	499	-	(499)
Transfers Out	(499)	(499)	-	499
<b>Total Other Financing Sources (Uses)</b>	<b>33,000</b>	<b>33,000</b>	<b>111,822</b>	<b>78,822</b>
Net Changes In Fund Balances	(2,339,487)	(3,158,056)	(2,472,674)	685,382
Fund Balances as of January 1	15,704,390	15,163,741	15,163,741	-
<b>Fund Balances as of December 31</b>	<b>\$ 13,364,903</b>	<b>\$ 12,005,685</b>	<b>\$ 12,691,067</b>	<b>\$ 685,382</b>

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, 2017**

	Original 2017 Budget	Final 2017 Budget	Actual 2017	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 653,454	\$ 653,454	\$ 841,606	\$ 188,152
Licenses & Permits	674,490	674,490	827,207	152,717
Intergovernmental	8,823,288	8,910,124	6,894,662	(2,015,462)
Charges for Services	15,486,974	15,563,211	7,220,420	(8,342,791)
Miscellaneous Revenue	642,442	643,842	747,701	103,859
<b>Total Revenues</b>	<b>26,280,648</b>	<b>26,445,121</b>	<b>16,531,596</b>	<b>(9,913,525)</b>
<b>Expenditures:</b>				
<i>Current:</i>				
Health & Human Services	19,697,776	19,135,913	16,500,862	2,635,051
Capital Outlay	-	31,071	31,071	-
<i>Debt Service:</i>				
Principal	13,625	13,625	7,127	6,498
Interest & Fiscal Charges	1,549	1,549	1,838	(289)
<b>Total Expenditures</b>	<b>19,712,950</b>	<b>19,182,158</b>	<b>16,540,898</b>	<b>2,641,260</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>6,567,698</b>	<b>7,262,963</b>	<b>(9,302)</b>	<b>(7,272,265)</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	31,071	31,071	-
Sale of Capital Assets	5,912	5,912	7,800	1,888
Transfers In	1,508,877	1,508,877	1,508,877	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,514,789</b>	<b>1,545,860</b>	<b>1,547,748</b>	<b>1,888</b>
Net Changes In Fund Balances	8,082,487	8,808,823	1,538,446	(7,270,377)
Fund Balances as of January 1	1,291,987	7,747,525	7,748,100	575
Prior Period Adjustments	-	-	251,124	251,124
Fund Balances as of January 1 - Restated	1,291,987	7,747,525	7,999,224	251,699
<b>Fund Balances as of December 31</b>	<b>\$ 9,374,474</b>	<b>\$ 16,556,348</b>	<b>\$ 9,537,670</b>	<b>\$ (7,018,678)</b>

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, 2017**

	Original 2017 Budget	Final 2017 Budget	Actual 2017	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 19,340,000	\$ 19,340,000	\$ 19,329,663	\$ (10,337)
Licenses & Permits	464,750	464,750	815,910	351,160
Intergovernmental	10,578,837	11,686,606	8,875,737	(2,810,869)
Charges for Services	834,311	900,311	1,212,702	312,391
Miscellaneous Revenue	81,100	76,100	83,347	7,247
<b>Total Revenues</b>	<b>31,298,998</b>	<b>32,467,767</b>	<b>30,317,359</b>	<b>(2,150,408)</b>
<b>Expenditures:</b>				
<i>Current:</i>				
Culture & Recreation	3,115,458	904,430	746,688	157,742
Transportation	24,175,467	26,685,683	23,830,966	2,854,717
Capital Outlay	10,689,148	11,826,648	6,355,466	5,471,182
<i>Debt Service:</i>				
Principal	67,899	67,899	66,687	1,212
Interest & Fiscal Charges	37,835	37,835	37,324	511
<b>Total Expenditures</b>	<b>38,085,807</b>	<b>39,522,495</b>	<b>31,037,131</b>	<b>8,485,364</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,786,809)</b>	<b>(7,054,728)</b>	<b>(719,772)</b>	<b>6,334,956</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	120,000	120,000	483,659	363,659
Transfers In	3,087,316	2,582,316	2,128,750	(453,566)
Transfers Out	(1,762,115)	(1,904,115)	(1,135,330)	768,785
<b>Total Other Financing Sources (Uses)</b>	<b>1,445,201</b>	<b>798,201</b>	<b>1,477,079</b>	<b>678,878</b>
Net Changes In Fund Balances	(5,341,608)	(6,256,527)	757,307	7,013,834
Fund Balances as of January 1	11,364,616	19,736,345	19,736,645	300
<b>Fund Balances as of December 31</b>	<b>\$ 6,023,008</b>	<b>\$ 13,479,818</b>	<b>\$ 20,493,952</b>	<b>\$ 7,014,134</b>

See accompanying notes to financial statements

**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2017**  
**Page 1 of 2**

	Enterprise Funds						Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash & Pooled Investments	\$ 28,348,978	\$ 2,152,847	\$ 10,327,231	\$ 2,743,333	\$ 1,462,509	\$ 45,034,898	\$ 42,298,894
<i>Receivables:</i>							
Special Assessment Receivables	-	96,983	307,279	-	46,314	450,576	-
Accrued Interest & Penalties	-	18,170	22,105	5,513	3,865	49,653	27,685
Customer Account Receivables	2,665,176	184,219	-	672	79,227	2,929,294	1,196
Due From Other Funds	3,221	149,262	216,474	182,622	510	552,089	96,801
Due From Other Government Units	343,650	2,995	-	-	857	347,502	7,780
Inventory	-	-	-	-	-	-	337,467
Prepayments	-	-	-	21,192	-	21,192	34,344
<i>Restricted Assets:</i>							
Cash and Pooled Investments	-	113,108	-	-	77,885	190,993	-
Total Current Assets	31,361,025	2,717,584	10,873,089	2,953,332	1,671,167	49,576,197	42,804,167
<b>Noncurrent Assets:</b>							
Community Loans Receivable	-	-	-	-	148,344	148,344	-
Special Assessment Receivables	-	94,499	-	-	210,249	304,748	-
<i>Capital Assets:</i>							
Non-Depreciable	1,358,436	1,690,142	734,549	-	68,981	3,852,108	5,193,657
Depreciable, Net	8,339,665	11,577,495	6,282,769	29,467	2,999,633	29,229,029	37,062,270
<i>Restricted Assets:</i>							
Cash and Pooled Investments	13,711,812	-	-	-	-	13,711,812	-
Total Noncurrent Assets	23,409,913	13,362,136	7,017,318	29,467	3,427,207	47,246,041	42,255,927
<b>Total Assets</b>	<b>54,770,938</b>	<b>16,079,720</b>	<b>17,890,407</b>	<b>2,982,799</b>	<b>5,098,374</b>	<b>96,822,238</b>	<b>85,060,094</b>
<b>Deferred Outflow of Resources:</b>							
Loss on Refunding	-	78,173	-	-	-	78,173	-
Pensions	227,478	40,897	207,834	231,036	28,332	735,577	686,743
<b>Total Deferred Outflow of Resources</b>	<b>227,478</b>	<b>119,070</b>	<b>207,834</b>	<b>231,036</b>	<b>28,332</b>	<b>813,750</b>	<b>686,743</b>

See accompanying notes to financial statements

**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2017**  
**Page 2 of 2**

	Enterprise Funds						
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable	1,560,260	95,306	252,328	175,860	57,039	2,140,793	1,376,515
Notes/Leases Payable	4,371	5,165	1,495	7,494	47,198	65,723	2,444
Due To Other Funds	735,816	3,956	112,082	43,129	135	895,118	5,778
Due To Other Government Units	5,468	-	-	-	-	5,468	-
Compensated Absences	11,410	3,891	11,160	13,213	773	40,447	43,417
Claims and Judgments Payable	-	-	-	-	-	-	380,227
Unearned Revenue	-	34,668	-	725,222	9,000	768,890	-
Lim. Tax G. O. Bond - Current Portion	-	1,097,250	-	-	-	1,097,250	107,250
Spec Assessment Debt - Govern. Commitment	-	-	-	-	78,282	78,282	-
Total Current Liabilities	2,317,325	1,240,236	377,065	964,918	192,427	5,091,971	1,915,631
Noncurrent Liabilities:							
Limited G.O. Bonds Payable	-	1,422,621	-	-	-	1,422,621	1,747,350
Special Assess. Debt - Gov. Commitment	-	-	-	-	191,412	191,412	-
Compensated Absences	204,416	69,707	199,927	236,716	13,862	724,628	777,833
Other Post Employment Benefits Payable	1,100,316	141,831	715,908	916,273	103,559	2,977,887	2,487,671
Claims and Judgments Payable	-	-	-	-	-	-	4,128,995
Notes/Leases Payable	4,555	41,320	-	22,472	448,843	517,190	7,769
Accumulated Landfill Closure Costs	14,910,873	-	-	-	-	14,910,873	-
Net Pension Liability	1,645,242	295,794	1,503,166	1,670,978	204,912	5,320,092	4,966,905
Total Noncurrent Liabilities	17,865,402	1,971,273	2,419,001	2,846,439	962,588	26,064,703	14,116,523
Total Liabilities	20,182,727	3,211,509	2,796,066	3,811,357	1,155,015	31,156,674	16,032,154
Deferred Inflow of Resources:							
Pensions	264,195	47,498	241,381	268,329	32,905	854,308	797,592
NET POSITION							
Net Investment in Capital Assets	9,689,175	10,779,454	7,015,823	(499)	2,798,920	30,282,873	40,391,114
Restricted For:							
Debt Service	-	317,514	-	-	336,053	653,567	-
Unrestricted (Deficit)	24,862,319	1,842,815	8,044,971	(865,352)	803,813	34,688,566	28,525,977
Total Net Position	\$ 34,551,494	\$ 12,939,783	\$ 15,060,794	\$ (865,851)	\$ 3,938,786	\$ 65,625,006	\$ 68,917,091

See accompanying notes to financial statements

**Reconciliation of The Statement of  
Net Position of Proprietary Funds  
To The Statement of Net Position  
*December 31, 2017***

	<b>Business Type Funds</b>
	<hr/>
<b>Enterprise net position as shown in the Proprietary Funds Statement of Net Position</b>	\$ 65,625,006
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	
	<hr/>
<b>Net position for business-type funds as shown in Statement of Net Position</b>	<u><u>\$ 67,267,261</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, 2017**

	Enterprise Funds						Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	
<b>Operating Revenues:</b>							
Charges for Services	\$24,774,076	\$ 1,769,655	\$ 6,664,309	\$ 3,737,994	\$ 726,589	\$37,672,623	\$19,363,339
Equipment Rental	-	-	-	-	-	-	8,359,809
Miscellaneous	247,769	32,282	-	372	8,567	288,990	15,323
<b>Total Operating Revenues</b>	<b>25,021,845</b>	<b>1,801,937</b>	<b>6,664,309</b>	<b>3,738,366</b>	<b>735,156</b>	<b>37,961,613</b>	<b>27,738,471</b>
<b>Operating Expenses:</b>							
Salaries and Benefits	2,706,305	575,734	2,580,572	3,246,119	372,864	9,481,594	9,171,209
Other Supplies and Expenses	124,219	132,656	137,646	62,291	63,535	520,347	2,658,355
Contractual Services	2,764,697	339,474	829,962	151,102	197,552	4,282,787	6,506,707
Longhaul Contract	13,669,167	-	-	-	-	13,669,167	-
Interfund Services and Charges	2,096,921	216,690	1,401,990	1,083,806	121,910	4,921,317	1,811,378
Depreciation/Amortization	1,107,195	613,066	593,314	7,687	184,264	2,505,526	4,709,890
Claims Payments	-	-	-	-	-	-	1,357,304
<b>Total Operating Expenses</b>	<b>22,468,504</b>	<b>1,877,620</b>	<b>5,543,484</b>	<b>4,551,005</b>	<b>940,125</b>	<b>35,380,738</b>	<b>26,214,843</b>
<b>Operating Income (Loss)</b>	<b>2,553,341</b>	<b>(75,683)</b>	<b>1,120,825</b>	<b>(812,639)</b>	<b>(204,969)</b>	<b>2,580,875</b>	<b>1,523,628</b>
<b>Nonoperating Revenue (Expenses):</b>							
Interest Revenue	-	22,868	55,995	4,529	23,333	106,725	21,831
Operating Grants & Contributions	45,436	-	12,221	-	-	57,657	1,113
Gain/Loss on Disposition of Capital Assets	(40,057)	-	-	-	-	(40,057)	(4,203,839)
Insurance Recoveries	-	-	-	-	-	-	115,960
Interest Expense & Fiscal Charges	(1,869)	(119,911)	(253)	(1,000)	(12,601)	(135,634)	(60,420)
<b>Total Nonoperating Revenue (Expense)</b>	<b>3,510</b>	<b>(97,043)</b>	<b>67,963</b>	<b>3,529</b>	<b>10,732</b>	<b>(11,309)</b>	<b>(4,125,355)</b>
<b>Income Before Contributions and Transfers</b>	<b>2,556,851</b>	<b>(172,726)</b>	<b>1,188,788</b>	<b>(809,110)</b>	<b>(194,237)</b>	<b>2,569,566</b>	<b>(2,601,727)</b>
Capital Grants & Contributions	-	31,868	-	-	-	31,868	-
Interfund Capital Contributions	-	-	-	-	-	-	203,555
Transfers In	-	404,755	-	433,644	-	838,399	4,185,375
Transfers Out	(999,333)	-	(17,065)	-	-	(1,016,398)	(527,502)
<b>Change in Net Position</b>	<b>1,557,518</b>	<b>263,897</b>	<b>1,171,723</b>	<b>(375,466)</b>	<b>(194,237)</b>	<b>2,423,435</b>	<b>1,259,701</b>
<b>Net Position as of January 1</b>	<b>32,993,976</b>	<b>12,675,886</b>	<b>13,889,071</b>	<b>(490,385)</b>	<b>4,133,023</b>	<b>63,201,571</b>	<b>67,657,390</b>
<b>Net Position as of December 31</b>	<b>\$34,551,494</b>	<b>\$12,939,783</b>	<b>\$15,060,794</b>	<b>\$ (865,851)</b>	<b>\$ 3,938,786</b>	<b>\$65,625,006</b>	<b>\$68,917,091</b>

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, 2017**

	<b>Business-Type Funds</b>
	<hr/>
<b>Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position</b>	\$ 2,423,435
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	1,338,805
Allocated direct and indirect costs from the County's cost plan	<hr/> (1,310,166)
 <b>Change in net position for business-type funds as shown in the Statement of Activities</b>	 \$ <u><u>2,452,074</u></u>

See accompanying notes to financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2017**  
**Page 1 of 2**

	Enterprise Funds						
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>							
Cash Received from Customers	\$ 25,103,940	\$ 1,742,306	\$ 6,744,773	\$ 4,669,382	807,578	39,067,979	\$ 29,113,408
Cash Paid for Goods & Services	(18,554,588)	(659,169)	(2,551,940)	(1,248,946)	(385,420)	(23,400,063)	(12,012,226)
Cash Paid to Employees	(3,253,082)	(566,188)	(2,829,292)	(3,310,880)	(403,348)	(10,362,790)	(9,949,527)
Net Cash Provided (Used) by Operating Activities	3,296,270	516,949	1,363,541	109,556	18,810	5,305,126	7,151,655
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers In	-	404,755	-	433,644	-	838,399	3,828,437
Transfers Out	(682,028)	-	(17,065)	-	-	(699,093)	(473,475)
Grant Proceeds	451,544	9,854	46,349	5,405	237	513,389	1,113
Tax and Assessment Receipts	-	-	(43,749)	-	-	(43,749)	-
Community Loans Issued to Homeowners	-	-	-	-	14,995	14,995	-
Community Loan Financing Payments	-	-	-	-	(44,697)	(44,697)	-
Insurance Recoveries	-	-	-	-	-	-	115,960
Interest Payments	-	-	-	-	(12,601)	(12,601)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(230,484)	414,609	(14,465)	439,049	(42,066)	566,643	3,472,035
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>							
Cash Proceeds from Sale of Capital Assets	5,443	-	-	-	-	5,443	622,762
Capital Asset Purchases	(667,449)	(279,259)	(735,490)	-	(38,090)	(1,720,288)	(7,036,717)
Bond/Loan Payments	(4,071)	(1,005,313)	(3,404)	(7,277)	(78,276)	(1,098,341)	(106,985)
Contributed Capital	-	31,869	-	-	-	31,869	-
Assessment Receipts	-	180,553	-	-	50,806	231,359	-
Interest Payments	(1,869)	(109,812)	(253)	(1,000)	-	(112,934)	(60,420)
Net Cash Provided (Used) by Capital & Related Financing Activities	(667,946)	(1,181,962)	(739,147)	(8,277)	(65,560)	(2,662,892)	(6,581,360)
<b>Cash Flows from Investing Activities:</b>							
Interest Receipts	-	31,366	50,150	2,705	22,801	107,022	15,254
Net Cash Provided (Used) by Investing Activities	-	31,366	50,150	2,705	22,801	107,022	15,254
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	2,397,840	(219,038)	660,079	543,033	(66,015)	3,315,899	4,057,584
Cash & Cash Equivalents as of January 1	39,662,950	2,484,993	9,667,152	2,200,300	1,606,409	55,621,804	38,241,310
<b>Cash &amp; Cash Equivalents as of December 31</b>	<b>\$ 42,060,790</b>	<b>\$ 2,265,955</b>	<b>\$ 10,327,231</b>	<b>\$ 2,743,333</b>	<b>\$ 1,540,394</b>	<b>\$ 58,937,703</b>	<b>\$ 42,298,894</b>

See accompanying notes to financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2017**  
**Page 2 of 2**

	Enterprise Funds						Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	
<b>Reconciliation of Operating Income To Net Cash Provided (Used) by Operating Income:</b>							
Operating Income	\$ 2,553,341	\$ (75,683)	\$ 1,120,825	\$ (812,639)	\$ (204,969)	\$ 2,580,875	\$ 1,523,628
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>							
Depreciation Expense	1,107,195	613,066	593,314	7,687	184,264	2,505,526	4,709,890
<b>(Increase) Decrease in:</b>							
Customer Account Receivables	(282,066)	32,816	-	2,178	25,268	(221,804)	3,489
Due from Other Funds	9,886	(131,825)	(197,754)	(94,632)	3,227	(411,098)	409,372
Due from Other Government Units	-	-	-	-	-	-	15,875
Inventories	-	-	-	-	-	-	(27,333)
Prepaid Expense	-	-	-	(20,735)	-	(20,735)	3,899
<b>Increase (Decrease) in:</b>							
Accounts Payable	221,037	29,388	7,849	56,269	10,166	324,709	394,390
Due to Other Funds	211,821	263	(190,191)	12,719	(12,589)	22,023	(183,390)
Due to Other Government Units	(1,454)	-	-	-	-	(1,454)	(345)
Claims and Judgments	-	-	-	-	-	-	134,297
Unearned Revenue	-	(12,717)	-	725,222	4,041	716,546	-
Compensated Absences Payable	150,445	49,348	52,937	189,204	25,090	467,024	416,763
Net Pension Liability	(342,947)	12,293	(23,439)	44,283	(15,688)	(325,498)	(248,880)
Accumulated Landfill Closure	(330,988)	-	-	-	-	(330,988)	-
<b>Total Adjustments</b>	<b>742,929</b>	<b>592,632</b>	<b>242,716</b>	<b>922,195</b>	<b>223,779</b>	<b>2,724,251</b>	<b>5,628,027</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,296,270</b>	<b>\$ 516,949</b>	<b>\$ 1,363,541</b>	<b>\$ 109,556</b>	<b>\$ 18,810</b>	<b>\$ 5,305,126</b>	<b>\$ 7,151,655</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>							
Disposition of Capital Assets:							
Loss on Disposition	\$ (45,500)	\$ -	\$ -	\$ -	\$ -	\$ (45,500)	\$ (4,826,601)
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,938
Transfers Out	\$ (317,305)	\$ -	\$ -	\$ -	\$ -	\$ (317,305)	\$ (54,027)
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,555

See accompanying notes to financial statements

**Statement Of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2017**

<b>ASSETS</b>	<b>Investment Trust Fund</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>Assets:</b>			
Cash & Pooled Investments	\$ 563,057,173	\$ 3,727,490	\$ 13,847,271
Cash and Investments in Trust	-	-	337,904
Deposits with Fiscal Agent	-	-	10,000
<b>Receivables:</b>			
Accrued Interest Receivables	2,821	-	-
Customer Account Receivables	8,601	-	-
<b>Investments at Fair Value:</b>			
US Agency & Instrumentality Securities	(4,138,162)	-	-
<b>Total Assets</b>	<b>558,930,433</b>	<b>3,727,490</b>	<b>14,195,175</b>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Warrant Payable	-	-	12,483,782
Accounts Payable	-	-	638,484
Payroll Payable	-	-	725,005
Due to Other Governments	-	-	347,904
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>14,195,175</b>
<b>NET POSITION</b>			
Net Position Held in Trust for Pool Participants	558,930,433	-	-
Net Position Held in Trust for Other Purposes	-	3,727,490	-
<b>Total Net Position</b>	<b>\$ 558,930,433</b>	<b>\$ 3,727,490</b>	<b>\$ -</b>

See accompanying notes to financial statements

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
***For The Year Ended December 31, 2017***

	Investment Trust Fund	Private Purpose Trust Fund
<b>Additions:</b>		
<b>Contributions:</b>		
Additions By Participants	\$1,259,135,165	\$ 10,317,413
Trust Revenues	244,212	-
Total Contributions	1,259,379,377	10,317,413
<b>Investment Income:</b>		
Net Increase (Decrease) In Fair Value Of Investments	(4,138,162)	-
Interest, Dividends and Other	6,377,641	154
Total Investment Income	2,239,479	154
Total Additions	1,261,618,856	10,317,567
<b>Deductions:</b>		
Distributions to Participants	1,265,622,440	9,507,077
Trust Administrative Costs	244,212	-
Total Deductions	1,265,866,652	9,507,077
Change in Net Position Held for Individuals, Organizations and Other Governments	(4,247,796)	810,490
Net Position as of January 1 - Restated	563,178,229	2,917,000
Net Position as of December 31	\$ 558,930,433	\$ 3,727,490

See accompanying notes to financial statements

# NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

## 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 2017, 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 2017 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 in the near future.

### 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. 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.
- *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.
- *Land Use and Permitting* – accounts for the receipt of development license fees and service charges that support planning, permitting, and development inspection services within the unincorporated sections of 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, Land Use and Permitting, 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

The county adopted a biennial budget beginning with the 2017/2018 budget period. Appropriations, however, still lapse at the end of each calendar year. 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.

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 for that year. 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, 2017, 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 \$9,210,000.

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. All securities are measured at fair value per the implementation of GASB 72.

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. However, the County does not accrue these amounts as revenue unless they are material to the amount collected or to the outstanding balance.

Special Assessment receivables consist of current and delinquent assessments and related penalties and interest against the property benefited. Long-term special assessments are outstanding unbilled special assessments and are recorded when levied. Special assessments and utility billings are collectible through liens on property. Therefore, no estimates of uncollectible amounts are established. In the governmental funds, special assessment receivables are offset by Deferred Inflows of Resources – Special Assessments, 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 including amounts owned for which billings have not yet been prepared. They primarily include receivables for court fines and forfeitures, incarceration fees and fees for public health services. Receivable amounts exclude any amounts estimated to be material and uncollectible at year end.

## 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. Deferred Outflows/Inflows of Resources

The statement of net position will generally report a separate section for *deferred outflows of resources*. This element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense or expenditure) until then. The County currently reports two items as deferred outflows of resources. These items are deferred charge on refunding and amounts related to pensions. The statements of financial position will also generally report a separate section for *deferred inflows of resources*. This element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. On the Statement of Net Position, the County currently reports two items as deferred inflows of resources. These items are deferred charge on refunding and amounts related to pensions. On the fund balance sheets the County reports unavailable revenue in this category. This arises from property taxes and related penalties/interest, special assessments and court fees. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

## 10. 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.

## 11. Rebateable Arbitrage

Thurston County has not incurred any rebateable arbitrage as of December 31, 2017. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

## 12. 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.

### 13. 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 31<sup>st</sup> 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.

### 14. 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 \$424,096,151 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	\$ 430,542,090
Gains (Losses) and Adjustments on Dispositions of Capital Assets	(13,622)
Prior Period Adjustment	(4,624,725)
Governmental Capital Outlays	7,751,742
Governmental Depreciation & Amortization Expense	<u>(9,559,334)</u>
Governmental Net Book Value - End of Current Year	<u>\$ 424,096,151</u>

Another element of the reconciliation, as detailed below, was for \$63,101,277 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	\$ 69,327,569
Bond/Note Proceeds	96,145
Refunding, Amortization, Deferrals & Debt Issue Costs	(463,772)
Principal Payments	<u>(5,858,665)</u>
Computed Governmental Debt - End of Current Year	<u>\$ 63,101,277</u>

A third element of the reconciliation, as detailed below, was for \$67,657,390 because Internal Service Funds assets and liabilities transfers in/out, and Contributed Capital, 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	\$ 67,657,390
Net Transfers In/Out	3,657,873
Contributed Capital	203,555
Net Profit	<u>(2,601,727)</u>
Net Position - End of Current Year	<u>\$ 68,917,091</u>

Cash	\$ 42,298,894
Capital Assets	42,255,927
Other Assets	505,273
Claims and Judgments Payable	(4,128,995)
Other Liabilities	(11,903,159)
Deferrals	<u>(110,849)</u>
Net Position - End of Current Year	<u>\$ 68,917,091</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 2017.

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, 2017 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, 2017 were \$11,475,655.

### **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 County is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

County investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. The County's safekeeping agent for investments is Wells Fargo Bank. The Agent agrees to provide Safekeeping Services, also referred to as Custodian Services, for custody, record keeping and cash management of the County's investments. During 2017 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

#### 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 2017. At 12/31/2017, the market value of investments was \$5,605,607 lower than the amortized cost. Approximately 26% of this amount is applicable to county funds with the remainder applicable to outside entities participating in the pool. These unrealized losses have been recognized in the county funds per GASB 72. 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 2017, TCIP sold three investments with a total realized gain of \$8,430.

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, 2017, the County held the following investments at amortized cost:

Investment Type	Thurston County Investments	Investments held by Thurston County as an agent for other local governments	Total
<b>Pool Investments:</b>			
State Investment Pool	\$ 39,810,179	\$ 105,189,821	\$ 145,000,000
Money Market Accounts	5,491,059	14,508,941	20,000,000
<b>Total Pool Investments</b>	<b>\$ 45,301,238</b>	<b>\$ 119,698,762</b>	<b>\$ 165,000,000</b>

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.
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2017, the County had the following investments measured at fair value:

Investment Type	Fair Value	Fair Value Measurements Using			
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturity (Years)	Interest Rate Ranges
Municipal Bonds	\$ 5,623,126	\$ -	\$ 5,623,126	0.58	1.50% to 4.062%
US Treasury Notes	24,877,148	24,877,148	-	0.75	.875% to 1.50%
US Agency Securities	564,433,649	-	564,433,649	1.92	.670% to 2.20%
Total Investments by Fair Value Level	\$ 594,933,923	\$ 24,877,148	\$ 570,056,775		

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. During 2017 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.
- **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, 2017 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
Port Seattle WA Rev	A+
Energy Northwest WA Elec Rev	AA-
Snohomish Co BABS GO	AA+

- 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:

**Schedules of Deposits and Investments**  
**Composition of Cash & Investments**  
**December 31, 2017**

	<b>Total</b>	<b>Pooled Cash Investments</b>	<b>Non-Pooled Cash &amp; Investments</b>
State Investment Pool	\$ 145,000,000	\$ 145,000,000	\$ -
Municipal Bonds	5,605,000	5,605,000	-
US Treasury & Agency Securities	595,080,294	595,080,294	-
Money Market Accounts	20,000,000	20,000,000	-
<b>Total Investment Pool Investments</b>	<b>765,685,294</b>	<b>765,685,294</b>	-
Deposits With Financial Institutions	11,475,655	11,475,655	-
Net Increase (Decrease) in Fair Value of Investments	(5,605,608)	(5,605,608)	-
Pool Accruals	(108,127)	(108,127)	-
<b>Total Investment Pool Cash &amp; Investments</b>	<b>771,447,214</b>	<b>771,447,214</b>	-
Fiscal and Petty Cash	63,474	-	63,474
Clerk's Trust Funds	3,727,490	-	3,727,490
<b>Total Reported Cash &amp; Investments</b>	<b>\$ 775,238,178</b>	<b>\$ 771,447,214</b>	<b>\$ 3,790,964</b>

**Reconciliation of Cash & Investments to Statements**  
**December 31, 2017**

	<b>Total</b>	<b>Statements of</b>	
		<b>Fiduciary Net Position</b>	<b>Net Position</b>
Cash & Pooled Investments - County Funds	\$ 198,331,606	\$ -	\$ 198,331,606
Cash & Pooled Investments - Investment Trust Fund	563,057,173	563,057,173	-
Cash & Pooled Investments - Agency Funds	14,185,175	14,185,175	-
Net Increase (Decrease) in Agency Investment Fair Value	(4,138,162)	(4,138,162)	-
Pool Accruals	11,422	11,422	-
<b>Total Investment Pool Cash &amp; Investments</b>	<b>771,447,214</b>	<b>573,115,608</b>	<b>198,331,606</b>
Fiscal and Petty Cash	63,474	10,000	53,474
Private Purpose Trust Funds	3,727,490	3,727,490	-
<b>Total Reported Cash &amp; Investments</b>	<b>\$ 775,238,178</b>	<b>\$ 576,853,098</b>	<b>\$ 198,385,080</b>

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, 2017 is reported in the following schedule:

**Condensed Statement of Net Position  
December 31, 2017**

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 573,115,608	\$ 3,727,490
<b>Total Assets</b>	<b>573,115,608</b>	<b>3,727,490</b>
Pool Liabilities	(14,185,175)	-
<b>Total Liabilities</b>	<b>(14,185,175)</b>	<b>-</b>
<b>Net Position Held in Trust for Pool Participants</b>	<b>\$ 558,930,433</b>	<b>\$ 3,727,490</b>

**Condensed Statement of Changes in Net Position  
December 31, 2017**

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Position Resulting from Operations	\$ 6,377,641	\$ 154
Earnings Distributions to Participants	(6,377,641)	(154)
Changes in Net Position Resulting from Depositor Transactions	(4,247,796)	810,490
Net Position Available	(4,247,796)	810,490
Net Position Beginning of Year	563,178,229	2,917,000
<b>Net Position End of Year</b>	<b>\$ 558,930,433</b>	<b>\$ 3,727,490</b>

**NOTE V – PROPERTY TAXES**

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

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

Property 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. 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.
5. 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 2016 for collection in 2017:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.2277	\$ 30,034,610,293	\$ 36,872,362
Medic One	\$ 0.3501	\$ 30,034,610,293	\$ 10,514,594
Roads	\$ 1.5497	\$ 14,214,014,407	\$ 22,027,464

## NOTE VI – CAPITAL ASSETS AND COMMITMENTS

### A. Capital Assets

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance 01/01/2017	Prior Period Adjustment	Revised Beginning Balance 01/01/2017	Increases	Decreases & Adjustments	Ending Balance 12/31/2017
<b>GOVERNMENTAL TYPE ACTIVITIES</b>						
<b>Capital Assets - Non-Depreciable:</b>						
Land	\$ 259,291,377	\$ -	\$ 259,291,377	\$ 977,102	\$ (677,410)	\$ 259,591,069
Construction in Progress	23,886,763	-	23,886,763	5,273,595	(877,556)	28,282,802
Intangible Assets	2,383,860	-	2,383,860	936,857	(372,500)	2,948,217
<b>Capital Assets - Non-Depreciable</b>	<b>285,562,000</b>	<b>-</b>	<b>285,562,000</b>	<b>7,187,554</b>	<b>(1,927,466)</b>	<b>290,822,088</b>
<b>Capital Assets - Depreciable:</b>						
Buildings	147,398,407	-	147,398,407	3,187,505	(5,252,136)	145,333,776
Intangible Assets	1,861,726	-	1,861,726	189,604	(302,655)	1,748,675
Improvements Other Than Buildings	6,820,473	-	6,820,473	-	(1,415,646)	5,404,827
Machinery & Equipment	43,126,829	4,327	43,131,156	6,916,427	(3,502,410)	46,545,173
Infrastructure	147,260,262	(4,459,841)	142,800,421	3,043,394	(18,380,320)	127,463,495
<b>Original Cost</b>	<b>346,467,697</b>	<b>(4,455,514)</b>	<b>342,012,183</b>	<b>13,336,930</b>	<b>(28,853,167)</b>	<b>326,495,946</b>
<b>Less Accumulated Depreciation:</b>						
Buildings	(44,620,347)	-	(44,620,347)	(4,013,499)	1,841,583	(46,792,263)
Improvements Other Than Buildings	(5,160,084)	-	(5,160,084)	(338,710)	697,734	(4,801,060)
Machinery & Equipment	(28,503,284)	(21,774)	(28,525,058)	(3,924,979)	2,122,478	(30,327,559)
Intangible Assets	(1,794,457)	-	(1,794,457)	(19,198)	240,221	(1,573,434)
Infrastructure	(78,949,024)	(147,437)	(79,096,461)	(5,972,840)	15,824,855	(69,244,446)
<b>Accumulated Depreciation</b>	<b>(159,027,196)</b>	<b>(169,211)</b>	<b>(159,196,407)</b>	<b>(14,269,226)</b>	<b>20,726,871</b>	<b>(152,738,762)</b>
<b>Capital Assets - Depr, Net</b>	<b>187,440,501</b>	<b>-</b>	<b>182,815,776</b>	<b>(932,296)</b>	<b>(8,126,296)</b>	<b>173,757,184</b>
<b>Total Original Cost</b>	<b>632,029,697</b>	<b>-</b>	<b>627,574,183</b>	<b>20,524,484</b>	<b>(30,780,633)</b>	<b>617,318,034</b>
<b>Total Accumulated Depreciation</b>	<b>(159,027,196)</b>	<b>(169,211)</b>	<b>(159,196,407)</b>	<b>(14,269,226)</b>	<b>20,726,871</b>	<b>(152,738,762)</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 473,002,501</b>	<b>\$ (4,624,725)</b>	<b>\$ 468,377,776</b>	<b>\$ 6,255,258</b>	<b>\$ (10,053,762)</b>	<b>\$ 464,579,272</b>

Depreciation expense was charged to functions as follows:

<b>Depreciation Expense was charged to functions as follows:</b>	
General Government	\$ 296,613
Public Safety	2,350,031
Utilities and Environment	773
Transportation	6,388,813
Economic Environment	1,477
Health and Human Services	170,730
Culture and Recreation	350,897
Subtotal	9,559,334
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.	4,709,890
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 14,269,224</b>



Business Type Activities for the year ended December 31, 2017 was as follows:

	Beginning Balance 01/01/2017	Increases	Decreases & Adjustments	Ending Balance 12/31/2017
<b><u>BUSINESS TYPE ACTIVITIES</u></b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 1,461,158	\$ 42,491	\$ -	\$ 1,503,649
Construction In Progress	387,782	1,412,830	(946,280)	854,332
Intangible	1,487,284	6,843	-	1,494,127
<b>Total Capital Assets, not being depreciated</b>	<b>3,336,224</b>	<b>1,462,164</b>	<b>(946,280)</b>	<b>3,852,108</b>
<b>Capital Assets, being depreciated:</b>				
Buildings	24,774,814	34,293	-	24,809,107
Intangible	1,858,553	-	-	1,858,553
Improvements other than buildings	22,865,218	386,105	(1,005,053)	22,246,270
Machinery & Equipment	5,783,048	165,748	(1,615,575)	4,333,221
Infrastructure	17,104,953	1,004,504	(76)	18,109,381
<b>Total Capital Assets, being depreciated</b>	<b>72,386,586</b>	<b>1,590,650</b>	<b>(2,620,704)</b>	<b>71,356,532</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings	(11,193,562)	(746,564)	-	(11,940,126)
Improvements other than buildings	(20,915,149)	(244,241)	618,948	(20,540,442)
Machinery & Equipment	(3,363,506)	(343,952)	1,252,763	(2,454,695)
Intangible - M&E	(719,758)	(143,848)	-	(863,606)
Infrastructure	(5,301,713)	(1,026,921)	-	(6,328,634)
<b>Total Accumulated Depreciation</b>	<b>(41,493,688)</b>	<b>(2,505,526)</b>	<b>1,871,711</b>	<b>(42,127,503)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>30,892,898</b>	<b>(914,876)</b>	<b>(748,993)</b>	<b>29,229,029</b>
<b>Business Type Activities Capital Assets, net</b>	<b>\$ 34,229,122</b>	<b>\$ 547,288</b>	<b>\$ (1,695,273)</b>	<b>\$ 33,081,137</b>

Depreciation expense was charged to functions as follows:

<b>Depreciation expense was charged to functions as follows:</b>	
Solid Waste	\$ 1,107,195
Water	231,586
Sewer	565,744
Stormwater	593,314
Land Use & Permitting	7,687
<b>Total</b>	<b>\$ 2,505,526</b>

## B. Construction Commitments

Management has determined that for materiality purposes, Public Works construction commitments of greater than \$1 million will be disclosed. All other funds will disclose construction commitments greater than \$100 thousand.



Thurston County has the following active construction commitments as of December 31, 2017:

	Spent-to-Date	Remaining Commitment
<b>Project:</b>		
Courthouse Security Projects	\$ 40,326	\$ 732,562
Rich Road Phase II - 87th Ave to Normandy	175,875	1,672,973
<b>Total</b>	<b>\$ 216,201</b>	<b>\$ 2,405,535</b>

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

## NOTE VII – RECEIVABLE BALANCES

Receivables as of December 31, 2017 for the County's individual major funds, non-major funds and internal service funds are shown in the following table:

	Taxes	Special Assessment	Interest and Penalties	Customer Accounts	Due from other Governments	Community Loans	Total
<b><u>Governmental Activities:</u></b>							
General Fund	\$ 858,684	\$ -	\$ 2,288,061	\$ 2,773,823	\$ 2,865,852	\$ -	\$ 8,786,420
Roads	487,543	-	-	2,275	682,843	-	1,172,661
Medic One	215,643	-	33,203	-	20,399	-	269,245
Real Estate Excise Tax	-	-	35,110	-	-	-	35,110
Public Health and Social Services	15,045	14,947	16,207	202,684	1,350,457	-	1,599,340
Other Governmental	34,078	32,594	129,129	474,425	549,955	-	1,220,181
Internal Service	-	-	27,685	1,196	7,780	-	36,661
<b>Total Governmental Activities</b>	<b>\$ 1,610,993</b>	<b>\$ 47,541</b>	<b>\$ 2,529,395</b>	<b>\$ 3,454,403</b>	<b>\$ 5,477,286</b>	<b>\$ -</b>	<b>\$ 13,119,618</b>
<b><u>Business-Type Activities:</u></b>							
Solid Waste	\$ -	\$ -	\$ -	\$ 2,665,176	\$ 343,650	\$ -	\$ 3,008,826
Grand Mound	-	191,482	18,170	184,219	2,995	-	396,866
Storm Water	-	307,279	22,105	-	-	-	329,384
Land Use and Permitting	-	-	5,513	672	-	-	6,185
Other Enterprise Funds	-	256,563	3,865	79,227	857	148,344	488,856
<b>Total Business-Type Activities</b>	<b>\$ -</b>	<b>\$ 755,324</b>	<b>\$ 49,653</b>	<b>\$ 2,929,294</b>	<b>\$ 347,502</b>	<b>\$ 148,344</b>	<b>\$ 4,230,117</b>

## 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, County general fund and proprietary revenues.

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, 2017 was \$1,610,000

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 in 2017 were \$120,265. The amount paid was \$115,158, leaving a delinquent amount in 2017 of \$5,107. The remaining debt balance portion of the Grand Mound Utility was paid off in 2016. The balance at December 31, 2017 was \$3,460,000.

\$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, 2017 was \$12,750,000.

\$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, 2017 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, 2017 was \$712,016.

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, 2017 is \$7,840,000 of which \$2,309,837 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, 2017 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
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	4,900,000	1,702,000	-	-
2023 - 2027	21,615,000	5,383,850	-	-
2028 - 2030	14,860,000	967,118	-	-
<b>Total</b>	<b>\$ 58,400,163</b>	<b>\$ 16,683,160</b>	<b>\$ 2,309,837</b>	<b>\$ 145,178</b>

## 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, 2017 is \$9,936. 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, 2017 is \$38,614. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2017 is \$5,236. 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, 2017 is \$40,248. 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, 2017 was \$102,890. 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, 2017 was \$195,478. The eighth loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment began in 2017. The balance as of December 31, 2017 was \$88,943. The ninth loan is not to exceed \$150,000 with an interest rate of 2.7%. Repayment began in 2017. The balance as of December 31, 2017 is \$14,696.

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, 2017 was \$46,486.

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, 2017 was \$1,149,879

### 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, 2017 was \$269,694. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2017, the amount of delinquent assessment principal was \$3,823.

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
<b>2018</b>	\$ 55,616	\$ 31,996	\$ 130,646	\$ 11,295
<b>2019</b>	57,194	30,419	131,697	10,165
<b>2020</b>	58,816	28,797	127,814	9,004
<b>2021</b>	60,484	27,128	74,944	7,268
<b>2022</b>	62,200	25,413	43,377	7,511
<b>2023 - 2027</b>	302,465	91,792	147,306	20,623
<b>2028 - 2032</b>	425,301	56,568	132,431	12,027
<b>2033 - 2036</b>	127,803	3,616	24,006	1,305
<b>Total</b>	<b>\$ 1,149,879</b>	<b>\$ 295,729</b>	<b>\$ 812,221</b>	<b>\$ 79,198</b>

#### 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 2024. Operating lease expenditures for the year ended December 31, 2017 were \$540,269. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2018	\$ 450,676
2019	390,603
2020	330,080
2021	297,300
2022	190,406
2023-2024	96,832
<b>Total</b>	<b>\$ 1,755,897</b>

##### 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	\$ 453,812	\$ 67,575
Less: accumulated depreciation	(210,638)	(27,188)
Present Value of Minimum Lease Payments	243,174	40,387
Plus amount representing interest	38,949	3,473
<b>Total Invested in Capital Leases</b>	<b>\$ 282,123</b>	<b>\$ 43,860</b>

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2017 were as follows:

<b>Year Ending December 31</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2018	\$ 103,058	\$ 15,186
2019	84,439	10,888
2020	59,426	10,888
2021	26,218	6,898
2022	8,982	-
Total Minimum Lease Payments	282,123	43,860
Less: Interest	(38,949)	(3,473)
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 243,174</b>	<b>\$ 40,387</b>

#### 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, 2017:

<b>Asset</b>	<b>Governmental Activities</b>
Land	\$ 505,701
Buildings	3,600,094
Less: Accumulated Depreciation	(910,043)
<b>Total Invested in Long Term Leases</b>	<b>\$ 3,195,752</b>

The County received \$103,045 of operating lease revenues from these contracts in 2017. Amounts that will be received in future years under these lease agreements are noted below:

<b>Year Ending December 31</b>	<b>Amount</b>
2018	\$ 89,766
2019	80,281
2020	33,453
2021	4
2022	4
2023-2056	100
<b>Total Lease Receivable</b>	<b>\$ 203,608</b>

The \$100 receivable from 2023 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 32<sup>ND</sup> 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 \$7,827,425 at December 31, 2017 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$6,241,099 for governmental funds, \$821,250 for internal service funds and \$765,076 for enterprise funds. \$413,816 of this liability is expected to be incurred in 2017. 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 \$3,728,603 was recognized for LEOFF 1 benefits in the statement of net position in 2017. A long term liability of \$30,727,505 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, \$31,478,221 was recognized in the statement of net position for governmental and internal service funds and \$2,977,887 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, 2017

	Beginning Balance	New Issues And Adjustments	Retirements And Adjustments	Ending Balance	Due Within One Year
<b><u>Governmental Activities:</u></b>					
<b><u>Bonds payable:</u></b>					
General Obligation Bonds	\$ 64,201,430	\$ -	\$ 5,801,267	\$ 58,400,163	\$ 3,972,750
For Issuance Premiums	5,636,645	(325,473)	138,296	5,172,876	462,810
<b>Total Bonds Payable</b>	<b>69,838,075</b>	<b>(325,473)</b>	<b>5,939,563</b>	<b>63,573,039</b>	<b>4,435,560</b>
<b><u>Notes Payable:</u></b>					
Loans Payable	1,203,962	-	54,083	1,149,879	55,616
Capital Leases Payable	257,330	108,718	122,873	243,175	83,918
<b>Total Notes Payable</b>	<b>1,461,292</b>	<b>108,718</b>	<b>176,956</b>	<b>1,393,054</b>	<b>139,534</b>
Claims and Judgments Payable	4,374,925	176,602	42,305	4,509,222	380,227
Compensated Absences	6,868,724	575,099	381,474	7,062,349	373,368
Other Post Employment Benefits (OPEB)	27,905,640	3,572,581	-	31,478,221	-
Net Pension Liability	51,457,466	-	11,117,043	40,340,423	-
<b>Total Governmental Activities</b>	<b>\$ 161,906,122</b>	<b>\$ 4,107,527</b>	<b>\$ 17,657,341</b>	<b>\$ 148,356,308</b>	<b>\$ 5,328,689</b>
<b><u>Business-type Activities:</u></b>					
<b><u>Bonds Payable:</u></b>					
General Obligation Bonds	\$ 3,283,571	\$ -	\$ 973,734	\$ 2,309,837	\$ 1,097,250
For Issuance Premiums	236,447	(26,413)	-	210,034	-
<b>Total Bonds Payable</b>	<b>3,520,018</b>	<b>(26,413)</b>	<b>973,734</b>	<b>2,519,871</b>	<b>1,097,250</b>
<b><u>Notes Payable:</u></b>					
Loans Payable	592,389	-	49,863	542,526	52,363
Capital Leases Payable	55,139	-	14,752	40,387	13,360
<b>Total Notes Payable</b>	<b>647,528</b>	<b>-</b>	<b>64,615</b>	<b>582,913</b>	<b>65,723</b>
Special Assessments Payable	347,976	-	78,282	269,694	78,282
Compensated Absences	759,774	47,498	42,197	765,075	40,447
Accumulated Landfill Closure Costs	15,241,861	-	330,988	14,910,873	-
Other Post Employment Benefits (OPEB)	2,516,164	461,723	-	2,977,887	-
Net Pension Liability	6,668,312	-	1,348,220	5,320,092	-
<b>Total Business-type Activities</b>	<b>\$ 29,701,633</b>	<b>\$ 482,808</b>	<b>\$ 2,838,036</b>	<b>\$ 27,346,405</b>	<b>\$ 1,281,702</b>

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$777,833 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$1,854,600 of general obligation bonds payable and \$2,487,671 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, , Conservation Futures, Law Library, Detention Facilities Sales Tax Holding, Emergency Management Council, Real Estate Excise Tax, Superior Court Family Services, 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, 2017, the County had \$709,575 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. At December 31, 2016 the County also had \$653,567 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 2017:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 483,252,457	\$ 420,387,567
General Government (With 3/5-majority vote)	\$ 805,420,761	\$ 742,555,871

#### 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, 2017

	01/01/17	Increases	Decreases	12/31/17
Refunded & Defeased Bonds Outstanding	\$ 64,556,791	\$ -	(7,241,853)	\$ 57,314,938

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, 2017 is shown in the following table:

Due From Other Funds												
Due to Other Funds	General Fund	Roads	Public Health	REET	Non-Maj Gov	Internal Service	Solid Waste	Grand Mound	Storm Water	Land Use & Permitting	Non-Maj Enter	Total
General Fund		\$ 92,956	\$ 1,611		\$35,249	\$ 12,417				\$ 166,911		\$ 309,144
Roads	28,579		2,305			63,602	2,833	444	196,086	223	510	294,582
Medic One						147						147
Public Health	68,449						326			75		68,850
REET		670,897						148,818				819,715
Non-Major Governmental	1,350,333	325,880	88,346		8,222	12,473			12,384			1,797,638
Internal Service	3,046		27			2,143	62		500			5,778
Solid Waste	1,104	7,744	725,207			1,761						735,816
Grand Mound		272	738			34				2,912		3,956
Stormwater	15,076	39,107	44,446			952				12,501		112,082
Land Use & Permitting	32,353					3,272			7,504			43,129
Non-Major Enterprise			135								-	135
<b>Total Due to/Due from</b>	<b>\$1,498,940</b>	<b>\$1,136,856</b>	<b>\$862,815</b>	<b>\$ -</b>	<b>\$43,471</b>	<b>\$96,801</b>	<b>\$3,221</b>	<b>\$149,262</b>	<b>\$ 216,474</b>	<b>\$ 182,622</b>	<b>\$ 510</b>	<b>\$ 4,190,972</b>

## 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 2017.

## 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, 2017 are summarized below:

Transfer In													
Transfer Out	General Fund	Roads	Medic One	REET	Public Health	Non-Major Govt	Internal Service	Solid Waste	Grand Mound	Land Use and Permitting	StormW ater	Non-Major Enterprise	Total
General Fund		\$ 90,000	\$ -	\$ -	\$ 1,113,529	\$ 510,423	\$ 526,779		\$ -	\$ 433,644	\$ -		\$ 2,674,375
Roads	-		-	-	-	795,885	339,445	-	-		-	-	\$ 1,135,330
Medic One	-	-		-	-	-		-	-		-	-	\$ -
REET	-	1,224,907	-		-	1,955,519	1,799,903	-	404,755		-	-	\$ 5,385,084
Public Health	-	-	-	-				-	-		-	-	\$ -
Non-Major Govt	4,690,832	813,843		-	395,348	5,205,506	27,348	-	-		-	-	\$11,132,877
Internal Service	43,000	-	-	-	-	9,000	475,502	-	-		-	-	\$ 527,502
Solid Waste	-	-	-	-	-	-	999,333		-		-	-	\$ 999,333
Ground Mound	-	-	-	-	-	-		-			-	-	\$ -
Land Use and Permitting													\$ -
StormWater	-	-	-		-	-	17,065	-	-			-	\$ 17,065
Non-Major Entr.	-	-	-	-	-	-		-	-		-		\$ -
<b>Total Transfers</b>	<b>\$ 4,733,832</b>	<b>\$ 2,128,750</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,508,877</b>	<b>\$ 8,476,333</b>	<b>\$ 4,185,375</b>	<b>\$ -</b>	<b>\$ 404,755</b>	<b>\$ 433,644</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$21,871,566</b>

## 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 2017:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (45,660,519)
Pension assets	\$ 4,414,013
Deferred outflows of resources	\$ 7,481,474
Deferred inflows of resources	\$ (8,757,649)
Pension expense/expenditures	\$ 5,096,201

### 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](http://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 2017 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

\* 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 2017 were as follows:

<b>PERS Plan 2/3</b>			
<b>Actual Rates</b>	<b>Contribution</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – June 2017:			
PERS Plan 2/3		6.23%	6.12%
PERS Plan 1 UAAL		4.77%	
Administrative Fee		0.18%	
Employee PERS Plan 3			varies
<b>Total</b>		<b>11.18%</b>	<b>6.12%</b>
July – December 2017:			
PERS Plan 2/3		7.49%	7.38%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
<b>Total</b>		<b>12.70%</b>	<b>7.38%</b>

\* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017.

The county's actual PERS plan contributions were \$3,384.559 to PERS Plan 1 and \$3,984.624 to PERS Plan 2/3 for the years ended December 31, 2017.

### **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. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again on September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.



The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.54%</b>	<b>6.59%</b>
July – August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.94%</b>	<b>6.73%</b>
September – December 2017		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.95%</b>	<b>6.74%</b>

The County's actual contributions to the plan were \$749,164 for the year ended December 31, 2017.

### **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 I had no required employer or employee contributions for fiscal year 2017. 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 2017 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.59%</b>	<b>8.41%</b>
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The County's actual contributions to the plan were \$458,853 for the year ended December 31, 2017.

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, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$268,172.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 changes in methods and assumptions since the last valuation:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

## 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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

## 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, 2017, 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%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

## 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	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
PERS 1	\$ 31,037,344	\$ 25,478,222	\$ 20,662,831
PERS 2/3	\$ 52,795,712	\$ 19,596,756	\$ (7,604,864)
PSERS 2	\$ 3,931,668	\$ 585,541	\$ (2,038,022)
LEOFF 1	\$ (580,436)	\$ (782,506)	\$ (956,039)
LEOFF 2	\$ 785,853	\$ (3,631,506)	\$ (7,230,586)

\* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan

## 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, 2017, the county reported a total net pension liability of \$45,660,519 and a total net pension asset of \$4,414,013 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 25,478,222
PERS 2/3	\$ 19,596,756
PSERS 2	\$ 585,541
LEOFF 1	\$ (782,506)
LEOFF 2	\$ (3,631,506)

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	\$ 782,506	\$ 3,631,506
Washington State's proportionate share of the net pension liability/(asset) associated with Thurston County	\$ 5,292,853	\$ 2,355,690
TOTAL	\$ 6,075,359	\$ 5,987,197

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion current year less prior year
PERS 1	0.5341%	0.5369%	0.0028%
PERS 2/3	0.5608%	0.5640%	0.0033%
PSERS 2	2.8382%	2.9885%	0.1503%
LEOFF 1	0.0504%	0.0516%	0.0012%
LEOFF 2	0.2603%	0.2617%	0.0014%

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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2017, the county's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (1,708,584)
PERS 2/3	\$ (2,538,250)
PSERS	\$ (833,779)
LEOFF 1	\$ 137,792
LEOFF 2	\$ (153,381)
TOTAL	\$ (5,096,201)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	-	(950,776)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$1,742,263	-
TOTAL	\$ 1,742,263	\$ (950,776)

<b>PERS 2-3</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,985,613	(\$644,503)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(5,224,024)
Changes of assumptions	\$208,155	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$119,768	(418,893)
Contributions subsequent to the measurement date	\$2,176,448	-
<b>TOTAL</b>	<b>\$ 4,489,984</b>	<b>\$ (6,287,420)</b>

<b>PSERS</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$346,310	\$ (41,600)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(410,683)
Changes of assumptions	\$4,961	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$26,405	(16,088)
Contributions subsequent to the measurement date	\$390,496	-
<b>TOTAL</b>	<b>\$ 768,172</b>	<b>\$ (468,371)</b>

<b>LEOFF 1</b>	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	\$0	(72,713)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	\$0	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (72,713)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$159,612	\$ (137,713)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(815,299)
Changes of assumptions	\$4,373	-
Changes in proportion and differences between contributions and proportionate share of contributions	71,190	(\$25,358)
Contributions subsequent to the measurement date	\$245,880	-
<b>TOTAL</b>	<b>\$ 481,055</b>	<b>\$ (978,369)</b>

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Deferred Outflows/Inflows of Resources by Plan</b>					
<b>Year</b>	<b>PERS 1</b>	<b>PERS 2</b>	<b>PSERS</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2018	\$ (642,663)	\$ (2,315,111)	\$ (88,015)	\$ (45,634)	\$ (359,269)
2019	\$ 202,899	\$ 424,991	\$ 73,335	\$ 12,307	\$ 100,104
2020	\$ (47,111)	\$ (451,455)	\$ 19,930	\$ (4,915)	\$ (40,679)
2021	\$ (463,900)	\$ (2,082,107)	\$ (86,191)	\$ (34,472)	\$ (356,637)
2022	\$ -	\$ 195,564	\$ (1,638)	\$ -	\$ (15,485)
Thereafter	\$ -	\$ 254,233	\$ (8,117)	\$ -	\$ (71,229)

## **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, 2017, 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 2017, Thurston County selects 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 2016-17, the "corridor" increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up 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 2016-17, 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 2016-17, the WCRP's assets remained stable at \$46.8 million while its liabilities decreased slightly to \$28.6 million. The Pool's net position increased slightly from \$17.9 million to \$18.1 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, 2017 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 \$449,392 during 2017. 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 \$4,509,222. 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		
	2017	2016
Beginning claims liability	\$ 4,374,925	\$ 4,569,296
Claims incurred during the year (including IBNRs)*	583,689	272,042
Claims payments	(449,392)	(181,462)
Change in methodology used to estimate claims	-	(284,951)
Ending claims liability	\$ 4,509,222	\$ 4,374,925

\*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 2017, 15 retirees received benefits under this act. As of December 31, 2017, 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, 2017, 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 \$3,728,603 is reported as a non-current liability on the Statement of Net Position.

	Year Ending 12/31/2015	Year Ending 12/31/2016	Year Ending 12/31/2017
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### ***Determination of Annual Required Contribution:***

Normal Cost at Year End	\$ -	\$ -	\$ -
Amortization of UAAL*	939,407	842,560	694,598
Annual Required Contribution	\$ 939,407	\$ 842,560	\$ 694,598

### ***Determination of Net OPEB Obligation:***

Annual Required Contribution	\$ 939,407	\$ 842,560	\$ 694,598
Interest on Prior Year Net OPEB Obligation	104,370	123,762	138,972
Adjustment to ARC	(234,677)	(278,282)	(312,482)
Annual OPEB Cost	809,100	688,040	521,088
Contributions Made	(324,275)	(307,786)	(266,790)
Increase in Net OPEB Obligation	\$ 484,825	\$ 380,254	\$ 254,298

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

Net OPEB Obligation - Beginning of Year	\$ 2,609,226	\$ 3,094,051	\$ 3,474,305
Increase in Net OPEB Obligation	484,825	380,254	254,298
Net OPEB Obligation-end of year (NOO)	\$ 3,094,051	\$ 3,474,305	\$ 3,728,603

\*Unfunded Actuarial Accrued Liability (UAAL)

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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
12/31/2015	\$ 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
12/31/2017	\$ 521,088	\$ 266,790	51.2%	\$ 3,728,603	\$ -	N/A

#### 4. Funded Status and Funding Progress

As of December 31, 2017 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$7,722,815 and the actuarial value of the assets was \$0 resulting in a UAAL of \$7,722,815.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2017, these costs total \$57,782 with a cost per retiree of \$3,852. 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 2017 calendar year:

Plan	Retiree	Retiree & Spouse or SSDP*	Retiree & Children	Full Family
Group Health Classic	\$ 676.52	\$ 1,348.32	\$ 1,180.37	\$ 1,852.17
Group Health CDHP	\$ 563.28	\$ 1,115.34	\$ 991.91	\$ 1,485.64
Group Health SoundChoice	\$ 575.80	\$ 1,146.88	\$ 1,004.11	\$ 1,575.19
Group Health Value	\$ 598.81	\$ 1,192.90	\$ 1,044.38	\$ 1,638.47
Kaiser Permanente Classic	\$ 661.10	\$ 1,317.48	\$ 1,153.39	\$ 1,809.77
Kaiser Permanente CDHP	\$ 564.83	\$ 1,117.94	\$ 994.25	\$ 1,489.03
Uniform Medical Plan Classic	\$ 623.65	\$ 1,242.58	\$ 1,087.85	\$ 1,706.78
Uniform Medical Plan CDHP	\$ 562.91	\$ 1,114.60	\$ 991.26	\$ 1,484.62
UMP Plus - PSHVN	\$ 595.49	\$ 1,186.26	\$ 1,038.57	\$ 1,629.34
UMP Plus - UW Medicine CAN	\$ 595.49	\$ 1,186.26	\$ 1,038.57	\$ 1,629.34

\* *State-Registered Domestic Partner.*

Explicit Medicare subsidies are capped at \$150 per month for 2017.

### 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 12/31/2015	Year Ending 12/31/2016	Year Ending 12/31/2017
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**Determination of Annual Required Contribution:**

Normal Cost at Year End	\$ 2,326,771	\$ 2,326,771	\$ 2,471,558
Amortization of UAAL*	1,734,344	1,734,344	2,018,242
Annual Required Contribution	\$ 4,061,115	\$ 4,061,115	\$ 4,489,800

**Determination of Net OPEB Obligation:**

Annual Required Contribution	\$ 4,061,115	\$ 4,061,115	\$ 4,489,800
Interest on Prior Year Net OPEB Obligation	782,656	930,510	1,010,531
Amortization of Net OPEB Obligation	(798,155)	(957,632)	(1,097,925)
Annual OPEB Cost	4,045,616	4,033,993	4,402,406
Contributions Made	(349,251)	(349,251)	(622,401)
Increase in Net OPEB Obligation	\$ 3,696,365	\$ 3,684,742	\$ 3,780,005

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

Net OPEB Obligation - Beginning of Year	\$ 19,566,393	\$ 23,262,758	\$ 26,947,500
Increase in Net OPEB Obligation	3,696,365	3,684,742	3,780,005
Net OPEB Obligation-end of year	\$ 23,262,758	\$ 26,947,500	\$ 30,727,505

\*Unfunded Actuarial Accrued Liability (UAAL)

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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
12/31/2015	\$ 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%
12/31/2017	\$ 4,402,406	\$ 622,401	14.14%	\$ 30,727,505	\$ 76,718,521	64.57%

## 6. Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$49.5 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$49.5 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 2017 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 3.75 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 7 percent in 2017 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 2017 OPEB Report.

The Supplemental Budget adopted during the 2018 Legislative Session increased the cap on the explicit subsidy for Medicare (post 65) retirees and their spouses. In 2017 and 2018, the cap is \$150 per month which will increase to \$168 on January 1, 2019. While the actuarial valuation assumes future increases to this cap, the increase to \$168 on January 1, 2019, is large than currently assumed. The Office of the State Actuary still believes the assumptions for projecting the cap are reasonable over the long-term and appropriate for financial reporting under GASB 45.

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 \$582,466 as its share of operations in 2017, which is 52.05% of the total contributions from participating agencies. The County's equity interest at December 31, 2017 is therefore \$1,722,806. 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 2017 totaled \$3,431,710. 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	\$ 4,029,935
Total Deferred Outflows of Resources	68,087
Total Liabilities:	(561,009)
Total Deferred Inflows of Resources	(131,042)
Net Position	\$ 3,405,971
Total Revenues	\$ 1,768,896
Total Expenses	1,753,583
Change in Net Position	15,313
Net Position - Beginning 12/31/2016	3,416,397
Adjustment to - Net Position - Beginning 12/31/2016	\$ (25,739)
Adjusted Net Position - Beginning 12/31/2016	\$ 3,390,658
Net Position - Ending 12/31/2017	\$ 3,405,971

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 2017. 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 \$104,198 as its share of operations in 2017. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2017. 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 \$197,808 as its share of operations in 2017 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2017. 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 2017, 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 2017, 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. 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. The post closure care period was therefore initiated on January 1, 2000. The estimated remaining liability for post closure care costs is \$14,910,873 on December 31, 2017.

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, 2017 and cash and pooled investments of \$13,711,812 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, 2017.

**Specific Purpose Fund Balance Classifications**  
**Governmental Funds**  
**December 31, 2017**  
**Page 1 of 2**

ASSETS	General Fund	Major Special Revenue				Other Funds
		Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	
<b>Nonspendable:</b>						
Inventory	\$ -	\$ 582,836	\$ -	\$ -	\$ -	\$ -
Prepayments	85,705	1,000	6,028	-	250	1,480
<b>Total Non-Spendable</b>	<b>85,705</b>	<b>583,836</b>	<b>6,028</b>		<b>250</b>	<b>1,480</b>
<b>Restricted for:</b>						
Capital Projects	-	-	-	13,251,942	-	368,173
Conservation Futures	-	-	-	-	-	4,370,257
Economic Development	-	-	-	-	-	41,501
Elections	-	-	-	-	-	-
General Obligation Debt	-	-	-	-	-	3,955
Health and Social Services	-	-	-	-	-	-
Historic Preservation	-	-	-	-	-	789,470
Housing Services	-	-	-	-	-	86,074
Judicial	-	-	-	-	-	605,922
Law Enforcement	-	-	-	-	-	188,997
Legislative/Admin/Support Services	-	-	-	-	-	7,150
Life Support and Transport Services	-	-	-	-	-	-
Mental Health	-	-	-	-	-	4,247,932
Noxious Weed Control	-	-	-	-	-	32,430
Parks and Recreation	-	-	-	-	-	1,659,470
Public Safety	-	-	-	-	-	2,144
Purchases on Order	289,935	-	-	-	-	-
Roads Construction	-	-	-	-	-	4,895,661
Roads Operations	-	-	-	-	-	-
Special assessments	-	-	-	-	-	188,110
Veteran's Relief	-	-	-	-	-	115,263
Water Management	-	-	-	-	-	8,533
<b>Total Restricted</b>	<b>289,935</b>	<b>-</b>	<b>-</b>	<b>13,251,942</b>	<b>-</b>	<b>17,611,042</b>

**Specific Purpose Fund Balance Classifications**  
**Governmental Funds**  
**December 31, 2017**  
**Page 2 of 2**

ASSETS	General Fund	Major Special Revenue				Other Funds
		Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	
<b>Committed for:</b>						
Elections	-	-	-	-	-	426,471
<b>Total Committed</b>	-	-	-		-	<b>426,471</b>
<b>Assigned to:</b>						
Capital Projects	-	-	-	1,501,768	-	2,040,168
Conservation Futures	-	-	-	-	-	491,864
Economic Development	-	-	-	-	-	3,079
Elections	-	-	-	-	-	37,135
General Obligation Debt	-	-	-	-	-	702,944
Health and Social Services	-	-	-	-	9,537,420	-
Historic Preservation	-	-	-	-	-	478,669
Housing Services	-	-	-	-	-	2,039,671
Judicial	-	-	-	-	-	328,796
Law Enforcement	-	-	-	-	-	35,481
Legislative/Admin/Support Services	-	-	-	-	-	438,130
Life Support and Transport Services	-	-	12,685,039	-	-	-
Mental Health	-	-	-	-	-	835
Noxious Weed Control	-	-	-	-	-	162,528
Parks and Recreation	-	-	-	-	-	-
Public Safety	-	-	-	-	-	1,817
Purchases on Order	-	-	-	-	-	-
Roads Construction	-	-	-	-	-	-
Roads Operations	-	19,910,116	-	-	-	-
Special assessments	-	-	-	-	-	27,904
Veteran's Relief	-	-	-	-	-	112,132
Water Management	-	-	-		-	10,270
<b>Total Assigned</b>	-	19,910,116	12,685,039	1,501,768	9,537,420	6,911,423
<b>Unassigned</b>	11,509,260	-	-		-	(53)
<b>Total Fund Balance</b>	<b>\$ 11,884,900</b>	<b>\$ 20,493,952</b>	<b>\$ 12,691,067</b>	<b>\$ 14,753,710</b>	<b>\$ 9,537,670</b>	<b>\$ 24,950,363</b>

## 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	\$ 464,579,272	\$ 33,081,137
Less: Total Reported Outstanding Debt	(64,966,090)	(3,372,478)
<b>Net Investment in Capital Assets Before Adjustments</b>	<b>399,613,182</b>	<b>29,708,659</b>
Adjustments: Non-County Agency Debt	208,638	-
Un-Expended Debt Proceeds	22,046	-
Loss on Refunding	2,094,670	78,173
Gain on Refunding	(427,875)	-
Non-Capital Debt	-	496,041
<b>Net Investment in Capital Assets</b>	<b>\$ 401,510,661</b>	<b>\$ 30,282,873</b>

## NOTE XVII – OTHER DISCLOSURES

### A. Prior Period Adjustments

The county reported a (\$6,089,637) prior period adjustment in Governmental Activities. A detail discussion of this balance is as follows:

- An adjustment of (\$4,624,725) was recorded to correct an accounting error related to how the county had previously reported a portion of its Infrastructure and Machinery assets in its Public Works department.
- An adjustment of (\$1,418,974) was recorded in the General Fund and (\$297,062) recorded in two Non-Major Special Revenue Funds to correct an accounting error related to the reclassification of Unavailable Revenue to Deferred Inflows of Resources.
- An adjustment of \$305,430 was recorded in the Public Health Major Special Revenue Fund to correct an account coding error related to the classification of a working capital advance for a State Grant. Also in the Public Health fund, an adjustment of (\$54,306) was recorded to correct a prior year revenue accrual reversing error.

### 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 one GASB statement, GASB 82, *Pension Issues* – GASB Statement No. 82 addresses certain practice issues that arose with respect to the new pension standards. Specifically, RSI would present “covered payroll”, which is the portion of compensation paid to active employees on which contributions to a pension plan are made. Also, plan member contributions made by the employer on-behalf of plan members would be treated as employee contributions.

**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
12/31/2015	\$ -	\$ 10,444,693	\$ 10,444,693	0%	\$ 133,718	7810.99%
12/31/2016	\$ -	\$ 9,367,909	\$ 9,367,909	0%	\$ -	N/A
12/31/2017	\$ -	\$ 7,722,815	\$ 7,722,815	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
12/31/2015	\$ -	\$ 42,516,604	\$ 42,516,604	0%	\$ 70,529,164	60.28%
12/31/2016	\$ -	\$ 42,516,605	\$ 42,516,605	0%	\$ 72,992,734	58.25%
12/31/2017	\$ -	\$ 49,535,777	\$ 49,535,777	0%	\$ 76,718,521	64.57%

**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, 2017  
Last 10 Fiscal Years\***

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.53694%	0.53414%	0.54111%
Employer's proportionate share of the net pension liability	\$ 25,478,222	\$ 28,685,834	\$ 28,305,295
Employer's covered employee payroll	\$ 66,896,398	\$ 62,772,447	\$ 60,498,584
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	38.09%	45.70%	46.79%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	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, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.56401%	0.56076%	0.56903%
Employer's proportionate share of the net pension liability	\$ 19,596,756	\$ 28,233,771	\$ 20,331,695
Employer's covered employee payroll	\$ 55,457,431	\$ 52,509,692	\$ 50,535,914
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	35.34%	53.77%	40.23%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	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, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	2.98852%	2.83819%	2.97578%
Employer's proportionate share of the net pension liability	\$ 585,541	\$ 1,206,174	\$ 543,139
Employer's covered employee payroll	\$ 10,622,021	\$ 9,245,155	\$ 8,732,083
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	5.51%	13.05%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	96.26%	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, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.05158%	0.05040%	0.04875%
Employer's proportionate share of the net pension (asset)	\$ (782,506)	\$ (519,223)	\$ (587,485)
State's proportionate share of the net pension liability (asset) associated with the employer	(5,292,853)	(3,512,011)	\$ (3,973,734)
<b>TOTAL</b>	<b>\$ (6,075,359)</b>	<b>\$ (4,031,234)</b>	<b>\$ (4,561,219)</b>
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	N/A	-1133.53%	-602.07%
Plan fiduciary net position as a percentage of the total pension liability	135.96%	123.74%	127.36%

Notes to Schedule:

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

\* *For covered payroll, 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, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.26170%	0.26031%	0.25764%
Employer's proportionate share of the net pension (asset)	\$ (3,631,506)	\$ (1,514,065)	\$ (2,648,014)
State's proportionate share of the net pension liability (asset) associated with the employer	(2,355,690)	(987,060)	\$ (1,750,899)
<b>TOTAL</b>	<b>\$ (5,987,197)</b>	<b>\$ (2,501,125)</b>	<b>\$ (4,398,913)</b>
Employer's covered employee payroll	\$ 8,160,872	\$ 7,909,406	\$ 7,505,894
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-44.50%	-19.14%	-35.28%
Plan fiduciary net position as a percentage of the total pension liability	113.36%	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, 2017 Last 10 Fiscal Years\*

	2017	2016	2015
Contractually required contributions	\$ 3,384,559	\$ 3,152,092	\$ 2,753,010
Contributions in relation to the contractually required contributions	3,384,559	3,152,092	2,753,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered employee payroll	\$ 68,176,847	\$ 64,911,819	\$ 61,270,546
Contributions as a percentage of covered employee payroll	4.96%	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, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Contractually required contributions	\$ 3,984,624	\$ 3,464,070	\$ 2,973,565
Contributions in relation to the contractually required contributions	3,984,624	3,464,070	2,973,565
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered employee payroll	\$ 56,594,498	\$ 54,048,064	\$ 51,167,804
Contributions as a percentage of covered employee payroll	7.04%	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 December 31, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Contractually required contributions	\$ 749,164	\$ 676,123	\$ 596,718
Contributions in relation to the contractually required contributions	749,164	676,123	596,718
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered employee payroll	\$ 10,945,641	\$ 9,987,030	\$ 8,965,975
Contributions as a percentage of covered employee payroll	6.84%	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, 2017**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Contractually required contributions	\$ 458,853	\$ 422,633	\$ 401,274
Contributions in relation to the contractually required contributions	458,853	422,633	401,274
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered employee payroll	\$ 8,541,674	\$ 8,080,915	\$ 7,672,529
Contributions as a percentage of covered employee payroll	5.37%	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, 2017**

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		
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	School Breakfast Program	10.553	N/A	10,679	-	10,679	-	3
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	N/A	16,822	-	16,822	-	3
Total Child Nutrition Cluster:				27,501	-	27,501	-	
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	139	-	139	-	3
Total Forest Service Schools and Roads Cluster:				139	-	139	-	
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-17-UC-53- 007	-	86,497	86,497	10,676	4
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	-	246,453	246,453	112,657	4
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	-	503,009	503,009	503,009	
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	-	2,859	2,859	2,859	

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
	<b>Total CDBG - Entitlement Grants Cluster:</b>			-	<b>838,818</b>	<b>838,818</b>	629,201	
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	100,324	-	100,324	96,424	4
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-DC-53- 0207	-	145,882	145,882	145,635	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-DC-53- 0207	-	94,129	94,129	77,491	4,7
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M16-DC-53- 0207	-	337,417	337,417	304,535	4,7
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M17-DC-53- 0207	-	2,891	2,891	-	4
	<b>Total CFDA 14.239:</b>			-	<b>580,319</b>	<b>580,319</b>	527,661	
Fish And Wildlife Service, Department Of The Interior	Fish and Wildlife Management Assistance	15.608	F15AC00452	-	10,381	10,381	-	
Fish And Wildlife Service, Department Of The Interior (via Washington Department of Fish & Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	WDFW #132232	34,435	-	34,435	-	

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Fish And Wildlife Service, Department Of The Interior (via Washington Department of Fish & Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	WDFW #14- 02365	4,258	-	4,258	-	
		Total CFDA 15.615:			38,693	-	38,693	-
Fish And Wildlife Service, Department Of The Interior	Endangered Species Conservation – Recovery Implementation Funds	15.657	F13AP00598	-	78,387	78,387	-	4
		15.657	F17AP00386	-	12,435	12,435	-	4
Total CFDA 15.657:				-	90,822	90,822	-	
Violence Against Women Office, Department Of Justice	Justice Systems Response to Families	16.021	2014-FJ-AX- 003	-	28,095	28,095	-	
		16.575	F16-31119-931	1,316	-	1,316	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S17-31119-037	103,751	-	103,751	-	
		16.575	S17-31102-530	44,964	-	44,964	-	

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S18-31102-530	43,428	-	43,428	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S18-31119-037	114,560	-	114,560	-	
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S17-31119-939	1,894	-	1,894	-	
<b>Total CFDA 16.575:</b>				<b>309,913</b>	<b>-</b>	<b>309,913</b>	<b>-</b>	
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F16-31103-101	50,000	-	50,000	-	
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F16-31103-15	15,552	-	15,552	-	
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F16-31103-014	12,091	-	12,091	-	
<b>Total CFDA 16.588:</b>				<b>77,643</b>	<b>-</b>	<b>77,643</b>	<b>-</b>	
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	95,916	-	95,916	-	

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Bureau Of Justice Assistance, Department Of Justice (via Lacey -Thurston County Narcotics Task Force)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	29,264	-	29,264	-	3, 8
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX- 0837	-	3,099	3,099	-	
<b>Total CFDA 16.738:</b>				<b>125,180</b>	<b>3,099</b>	<b>128,279</b>	-	
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (437)	164,912	-	164,912	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (445)	63,020	-	63,020	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (446)	432	-	432	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (465)	5,091	-	5,091	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-V343 (002)	75,924	-	75,924	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPR-V345 (003)	1,749,505	-	1,749,505	-	

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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 (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-2034 (070)	10,930	-	10,930	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	SRTS-2034 (073)	52,599	-	52,599	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STIC-2034(075)	69,056	-	69,056	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5271 (001)	353,516	-	353,516	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5292 (004)	44,842	-	44,842	-	
Federal Highway Administration (fhw), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-9934 (019)	1,654	-	1,654	-	
Federal Highway Administration (fhw), Department Of Transportation (via Thurston Regional Planning Council)	Highway Planning and Construction	20.205	N/A	1,104	-	1,104	-	3,4
<b>Total Highway Planning and Construction Cluster:</b>				<b>2,592,585</b>	<b>-</b>	<b>2,592,585</b>	<b>-</b>	
<b>Highway Safety Cluster</b>								

The accompanying notes are an integral part of this schedule.

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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)	State and Community Highway Safety	20.600	SE17-04	8,851	-	8,851	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Section 402	9,872	-	9,872	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	N/A	3,895	-	3,895	-	3
<b>Total CFDA 20.600:</b>				<b>22,618</b>	<b>-</b>	<b>22,618</b>	<b>-</b>	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2018-HVE-2449	3,451	-	3,451	-	
<b>Total Highway Safety Cluster:</b>				<b>26,069</b>	<b>-</b>	<b>26,069</b>	<b>-</b>	
Pipeline And Hazardous Materials Safety Administration, Department Of Transportation (via Washington State Military Department)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E16-203	5,833	-	5,833	-	
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2017-29	66,281	-	66,281	-	4

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Region 10, Environmental Protection Agency (via Washington Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C-17129	170,135	-	170,135	91,928	4
<b>Total CFDA 66.123:</b>				<b>236,416</b>	-	<b>236,416</b>	91,928	
Office Of Water, Environmental Protection Agency (via Puget Sound Partnership)	National Estuary Program	66.456	CE-01J31901	4,126	-	4,126	-	4
Office Of Water, Environmental Protection Agency (via Washington Department of Health)	Beach Monitoring and Notification Program Implementation Grants	66.472	C-17129	1,442	-	1,442	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Public Health Emergency Preparedness	93.069	C-17129	255,889	-	255,889	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C-17129	27,630	-	27,630	-	4
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	1,302	-	1,302	-	3,4

*The accompanying notes are an integral part of this schedule.*



**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via University of Washington)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	42,000	-	42,000	-	3,6
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	C17129	24,417	-	24,417	-	4
Office Of The Secretary, Department Of Health And Human Services	National Community Centers of Excellence in Women's Health	93.290	CCEWH11000 27-05-03	-	3,231	3,231	1,500	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	PPHF 2018: Office of Smoking and Health- National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305	C17129	18,442	-	18,442	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C17129	8,679	-	8,679	-	4

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Administration For Children And Families, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80383	1,091,756	-	1,091,756	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C17129	700	-	700	-	4
<b>Medicaid Cluster</b>								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K1420 thru Amendment 1	79,462	-	79,462	-	5
<b>Total Medicaid Cluster:</b>				<b>79,462</b>	<b>-</b>	<b>79,462</b>	<b>-</b>	
Office Of The Secretary, Department Of Health And Human Services (via Washington Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C17129	58,014	-	58,014	-	4
Health Resources And Services Administration, Department Of Health And Human Services (via Washington Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17129	154,066	-	154,066	-	4

*The accompanying notes are an integral part of this schedule.*

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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		
Executive Office Of The President (via Educational Service District #105)	High Intensity Drug Trafficking Areas Program	95.001	90040000069	44,690	-	44,690	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E17-122	61,052	-	61,052	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-087	63,671	-	63,671	-	
<b>Total CFDA 97.042:</b>				<b>124,723</b>	<b>-</b>	<b>124,723</b>	<b>-</b>	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-064	138,873	-	138,873	24,469	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	E16-060	113,772	-	113,772	12,413	
<b>Total CFDA 97.067:</b>				<b>252,645</b>	<b>-</b>	<b>252,645</b>	<b>36,882</b>	
<b>Total Federal Awards Expended:</b>				<b>5,730,279</b>	<b>1,554,765</b>	<b>7,285,044</b>	<b>1,383,596</b>	

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, 2017**

**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 5 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 – INDIRECT COST RATE**

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

The amount expended includes indirect cost recovery. The following provides details of the indirect costs recovered:

CFDA #	Contract #	Indirect Cost Rate	Amount
14.218	B-17-UC-53-007	3.57%	\$3,985.98
14.218	B-16-UC-53-007	3.57%	\$24,219.80
14.231	14-46107-011	3.57%	\$3,342.38
14.239	M15-DC-53-0207	3.57%	\$3,092.60
14.239	M16-DC-53-0207	3.57%	\$10,868.74
14.239	M17-DC-53-0207	3.57%	\$99.66
15.657	F13AP00598	10%	\$265.12
15.657	F17AP00386	10%	\$1,130.43
20.205	N/A	33.36%	\$319.13
66.123	2017-29	10%	\$763.65
66.456	CE-01J31901	10%	\$51.52
66.123	C17129	33.36%	\$10,617.41
66.472	C17129	33.36%	\$292.29

93.069	C17129	33.36%	\$67,139.93
93.116	C17129	33.36%	\$7,501.16
93.226	C7129	33.36%	\$905.60
93.268	C17129	33.36%	\$7,375.03
93.305	C17129	33.36%	\$4,821.48
93.563	2110-80383	9.54%	\$62,645
93.563	2110-80383	11.91%	\$36,206
93.733	C17129	33.36%	\$325.70
93.889	C17129	33.36%	\$14,020.14
93.994	C17129	33.36%	\$106,300.01

#### **NOTE 5 – 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 6 – 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.

#### **NOTE 7 – PROGRAM INCOME**

In 2017, the following expenditures were made with program income:

<b>CFDA #</b>	<b>Contract #</b>	<b>Amount</b>
14.239	M15-DC-53-0207	\$6,315.13
14.239	M16-DC-53-0207	\$1,609.01

#### **NOTE 8 – DELAY IN RECEIPT OF FEDERAL AWARDS**

At the time this schedule was prepared, federal funding for the DOJ grant CFDA #16.738, effective October 1, 2017 was delayed. Per SAO's recommendation, we are reporting expenditures for October, 2017 through December, 2017 that are eligible for reimbursement based on the prior fiscal year's contract.

## 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.

Contact information for the State Auditor's Office	
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