



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Thurston County

For the period January 1, 2014 through December 31, 2014

Published July 6, 2015

Report No. 1014573





Washington State Auditor's Office

July 6, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

| | |
|--|-----|
| Federal Summary | 4 |
| Schedule Of Federal Audit Findings And Questioned Costs..... | 6 |
| 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 | 16 |
| Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133..... | 18 |
| Independent Auditor’s Report On Financial Statements | 22 |
| Financial Section..... | 25 |
| Corrective Action Plan For Findings Reported Under OMB Circular A-133 | 139 |
| About The State Auditor’s Office..... | 141 |

FEDERAL SUMMARY

Thurston County **January 1, 2014 through December 31, 2014**

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

Financial Statements

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

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

| <u>CFDA No.</u> | <u>Program Title</u> |
|-----------------|---|
| 14.218 | CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants |
| 20.205 | Highway Planning and Construction Cluster - Highway Planning and Construction |
| 14.239 | HOME Investment Partnerships Program |
| 66.123 | Puget Sound Action Agenda: Technical Investigations and Implementation |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$409,828.

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

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Thurston County January 1, 2014 through December 31, 2014

2014-001 The County's internal controls were not adequate to ensure compliance with Community Development Block Grant reporting requirements.

| | |
|--|--|
| CFDA Number and Title: | 14.218 Community Development Block Grants/ Entitlement Grants |
| Federal Grantor Name: | Department of Housing and Urban Development |
| Federal Award/Contract Number: | B-13-UC-53-0007 |
| Pass-through Entity Name: | NA |
| Pass-through Award/Contract Number: | NA |
| Questioned Cost Amount: | \$0 |

Description of Condition

During 2014, the County passed through \$304,809 in grant funds provided by the U.S. Department of Housing and Urban Development to the Town of Bucoda. Grant funding may be used to develop viable urban communities by providing decent housing, a suitable living environment, and expand economic opportunities, principally for persons of low and moderate income.

Subaward Reporting under the Transparency Act

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) requires grantees to report subawards to recipients for amounts of \$25,000 or more. They must report each subaward by the end of the month following the month in which it was granted. The County did not report the one subaward made during the audit period.

Financial Reporting

The U.S. Department of Housing and Urban Development requires the completion of a financial report, the Federal Financial Report (SF-425) every three months after the effective date of the grant agreement. The County did not prepare or submit the quarterly reports for fiscal year 2014. These reports are an

important factor in funding and other program related decisions made by the granting agency.

Our audit, we found the County did not have sufficient internal controls in place to ensure all required reports were filed. We consider this control deficiency to be a material weakness.

Cause of Condition

County staff was unaware of the reporting requirements.

Effect of Condition and Questioned Costs

Subaward Reporting under the Transparency Act

By not correctly submitting the required FFATA reports, the federal government's ability to ensure transparency and accountability of federal spending is diminished.

Financial Reporting

The County did not provide necessary reporting information to its grantor. Without this information, the federal agency does not have the information it may need to make future funding and other program-related decisions.

Recommendation

We recommend the County establish internal controls to ensure all required reports are prepared and submitted to the grantor in a timely manner.

County's Response

The County thanks the State Auditor's Office for its professionalism, expertise, and continued efforts to keep governmental entities in the state of Washington accountable to their citizens.

The County concurs that the required reports mentioned above were not filed. Upon discovery, the fiscal employees responsible for the administration of this program have brought the reports up to date. The County has strengthened departmental procedures to ensure proper oversight and timely report filing going forward. The County is committed to the use of sound financial management, promoting conditions in the community that support the health and well-being of individuals and families, and keeping the public informed and engaged in county programs and services. In striving to achieve those goals, the County has increased county-wide training related to grant administration.

The County would also like it to be known that there are hundreds of grant requirements related to the Community Development Block Grant/Entitlement Grant program and the County has every intention of complying with each and every one of them. At no time during the year were funds at risk of misappropriation or misuse and there were no questioned costs. This finding is merely an administrative oversight related to missing reports. The County requested and was approved for technical assistance from HUD in an effort to ensure compliance with grant administration and have been waiting nearly a year to receive the approved assistance. Additionally, the information required by these reports have been reported in other locations during the year, including the Comprehensive Annual Performance and Evaluation Report (CAPER), a required document for this grant which is completed at the end of the fiscal year and posted on the County's website. Finally, this grant has high level oversight by the Thurston County HOME consortium, which is an eight member advisory board for the multi-jurisdictional administration of the County's housing program.

Auditor's Remarks

We appreciate the County's response and recognize that the County is committed to ongoing quality improvement and working to improve its internal controls.

We also wish to thank County management for their cooperation and assistance during our audit. We look forward to working with the County on this issue and will follow up on it during the next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300 - Auditee Responsibilities, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial

reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in 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 on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Title 2, Code of Federal Regulations, APPENDIX A TO PART 170 – AWARD TERM, provides, in part:

I Reporting Subawards and Executive Compensation.

a. *Reporting of first-tier subawards.*

1. *Applicability.* Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).

2. *Where and when to report.*

i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Thurston County January 1, 2014 through December 31, 2014

2014-002 The County's internal controls were not adequate to ensure compliance with Home Investment Partnership Program reporting requirements.

| | |
|--|--|
| CFDA Number and Title: | 14.239 Home Investment Partnership Program |
| Federal Grantor Name: | Department of Housing and Urban Development |
| Federal Award/Contract Number: | M12-DC-53-0207 M13-DC-53-0207 M14-DC-53-0207 |
| Pass-through Entity Name: | NA |
| Pass-through Award/Contract Number: | NA |
| Questioned Cost Amount: | \$0 |

Description of Condition

During 2014, the County expended \$825,967 and passed through \$200,000 in grant funds provided by the U.S. Department of Housing and Urban Development to the Housing Authority of Thurston County. Grant funding may be used to expand the supply of decent and affordable housing, particularly housing for low- and very low-income Americans.

Reporting

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) requires grantees to report subawards to recipients for amounts of \$25,000 or more. They must report each subaward by the end of the month following the month in which it was granted. During our audit, we found the County did not have sufficient internal controls in place to ensure the fiscal year 2014 FFATA reports were filed. The County did not report the one subaward made during the audit period.

These reports are an important factor in funding and other program related decisions made by the granting agency.

We consider this control deficiency to be a material weakness in internal controls.

Cause of Condition

County staff was not aware of the FFATA reporting requirements.

Effect of Condition and Questioned Costs

Reporting

By not correctly submitting the required FFATA reports, the federal government's ability to ensure transparency and accountability of federal spending is diminished.

Recommendation

We recommend the County establish internal controls to ensure all required reports are prepared and submitted to the grantor in a timely manner.

County's Response

The County thanks the State Auditor's Office for its professionalism, expertise, and continued efforts to keep governmental entities in the state of Washington accountable to their citizens.

The County concurs that the required report mentioned above was not filed. Upon discover, the fiscal employees responsible for the administration of this program have brought the report up to date. The County has strengthened departmental procedures to ensure proper oversight and timely report filing. The County is committed to the use of sound financial management, promoting conditions in the community that support the health and well-being of individuals and families, and keeping the public informed and engaged in county programs and services. In striving to achieve those goals, the County has increased county-wide training related to grant administration.

The County would also like it to be known that there are hundreds of grant requirements related to the Home Investment Partnership and the County has every intention of complying with each and every one of them. At no time during the year were funds at risk of misappropriation or misuse and there were no questioned costs. This finding is merely an administrative oversight related to a missing report. HUD performed a review in 2013 and there were no reporting exceptions reported. In 2014, the County requested and was approved for technical assistance from HUD in an effort to ensure compliance with grant administration and have been waiting nearly a year to receive the approved assistance. The information required by this

report has been reported in other locations during the year, including the Comprehensive Annual Performance and Evaluation Report (CAPER), a required document for this grant, which is completed at the end of the fiscal year and posted on the County's website. Additionally, during 2014, the grant's Program Manager requested the Housing and Urban Development agency to provide Technical Assistance to the department that, to-date, has not been provided. Finally, the Thurston County HOME consortium, which is an eight member advisory board for the multi-jurisdictional administration of the County's housing program, has high level oversight of responsibilities related to this grant.

Auditor's Remarks

We again appreciate the County's response and recognize that the County is committed to ongoing quality improvement.

We also look forward to working with the County on this issue and will follow up on it during the next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300 - Auditee Responsibilities, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in 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 on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Title 2, Code of Federal Regulations, APPENDIX A TO PART 170 – AWARD TERM, provides, in part:

I. Reporting Subawards and Executive Compensation, states in part:

a. Reporting of first-tier subawards.

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).

Where and when to report.

i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

**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, 2014 through December 31, 2014**

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, 2014, 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 22, 2015.

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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 22, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Thurston County
January 1, 2014 through December 31, 2014**

Board of Commissioners
Thurston County
Olympia, Washington

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

We have audited the compliance of Thurston County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Findings 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedules of Federal Audit Findings and Questioned Costs as Findings 2014-001 and 2014-002 to be material weaknesses.

County's Response to Findings

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

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



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 22, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Thurston County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 25.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Medic One, Public Health and Social Services and Roads and Transportation funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 through 43 and information on postemployment benefits other than pensions on page 124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2015 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

June 22, 2015

FINANCIAL SECTION

Thurston County January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Medic One – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (GAAP Basis) and Actual – Public Health and Social Services – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2014

Statement of Net Position – Proprietary Funds – 2014

Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Retiree Medical Benefits – Schedule of Funding Progress – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- During 2014, the overall financial health of Thurston County's Governmental Activities improved over 2013 as there was an increase in Net Position of \$14.2 million. This increase was mainly attributed to an increase of \$9.5 million in the fund balance of the Public Health Major Special Revenue Fund.
- During 2014, the overall financial health of Thurston County's Business-Type Activities significantly improved over 2013 as there was an increase in Net Position of \$5.2 million. This increase was mainly attributed to increases of \$3.9 million in the Net Positions of the Solid Waste and Storm Water Major Enterprise Funds.
- For 2014, total net position of the County (governmental and business-type, combined) is comprised of the following:
 1. Net Investment in Capital Assets, of \$432.6 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 \$75.4 million represents the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 3. Unrestricted net position of \$83 million represents the portion not restricted by outside constraints.
- Total fund balance for the General Fund was \$11.8 million at December 31, 2014 compared to \$10.8 million at the end of 2013. Of this balance, \$1.8 million is not available for appropriation as the County has reported this amount as non-spendable. Total ending fund balance represents 14.1% of 2014 General Fund total expenditures compared to 12.6% in 2013. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- The County's General Fund total revenues increased by \$1.5 million, or 1.9%, compared to 2013. Expenditures decreased by \$2.4 million, or 2.8% over the same time period. Details of factors contributing to these figures are discussed later within this discussion and analysis.
- Due to a self-imposed budget freeze, along with a continued conscious effort on the part of elected officials, directors and managers of General Fund offices/departments to contain costs, actual 2014 expenditures were \$3.5 million, or 3.9%, under the final 2014 adopted budget level.
- The fund balance of the county's Public Health fund increased by \$9.5 million mainly due to an increase of revenues by \$7.9 million, or 20.1% compared to prior year. Details of factors contributing to these figures are discussed later within this discussion and analysis.

- The County's Solid Waste Major Enterprise Fund had another good year as the funds' Net Position increased by \$2.1 million, or 7.3%, mainly due to operating revenues exceeding operating expenditures by \$2.4 million.

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, Public Health and Social Services, and Other Governmental, which are considered major funds for financial reporting purposes. The Other Governmental Fund aggregates data from all of the remaining non-major governmental funds into a single, combined presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements, following the notes to the financial statements.

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

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

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

Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County internal service funds include: risk management, benefits administration, central services (facilities maintenance, construction and information technology support) unemployment compensation and equipment rental and replacement. The revenues and expenses of internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements.

Fiduciary funds are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. Fiduciary funds are not reflected in the government-wide financial

statements because the resources of those funds are not available to support Thurston County's own programs. The accounting used for fiduciary funds is like that for proprietary funds.

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

Notes to the Financial Statements

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

Other Supplementary Information

This section details budget information for the special revenue funds that were combined with the General Fund due to the implementation of GASB 54 in 2011.

Statistical Section

The statistical section presents a summary of county financial, revenue, debt, economic, demographic and performance information over the past ten years.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net Position serves over time as a useful indicator of a government's financial position. As indicated in the condensed financial information on the following pages, which was derived from the government-wide Statement of Net Position, the County's combined net position (governmental and business-type activities) was \$591 million at the end of 2014. This reflects a net increase of \$19.4 million, or 3.4%, from 2013. Much of this increase can be attributed to an increase in fund balance of the County's Public Health Fund by \$9.5 million compared to last year and yearly reductions in debt service.

Of the County's total net position, \$432.6 million, or 73.2%, is net invested in capital assets. These assets provide services to County citizens and are not available for future spending purposes. However, resources needed to repay debt must be provided by other sources since capital assets cannot be readily liquidated to pay these liabilities. Of the County's total net position, \$75.4 million, or 12.8%, 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 \$83 million, or 14%, which is up from last year by \$12.8 million, or 18.2%, is unrestricted and represents the amount that is not restricted by outside sources.

Thurston County reported \$741.7 million of total assets as of December 31, 2014, compared to \$726.7 million for 2013. This represents an increase of \$15 million, or 2.1%. The main driver for this increase is in the Cash and Pooled Investments account. That balance is \$173.8 million at the end of 2014 (23.4% of total assets) which represents an increase of \$18.7 million over prior year. Significant cash increases due to more revenue collections in the Public Health, Roads, and Solid Waste are the main reasons for this increase. Capital Assets, which can fluctuate significantly from year-to-year, remained fairly constant this year with a balance of \$516.9 million, or 69.7%, of total assets.

Thurston County's total liabilities remained fairly constant in 2014 compared to 2013. They decreased by \$4.4 million, to \$151.6 million, at the end of 2014. The decrease was due mainly to the annual defeasance

of General Obligation Bonds. This Bond balance makes up \$84.8 million, or 55.9% of total liabilities. The next largest balance in total liabilities is Other Post-Employment Benefits (OPEB) payable of \$22.2 million followed by Accumulated Landfill Closure Costs of \$16.5 million.

The condensed financial information that follows is derived from the Government-Wide Statement of Net Position and reflects how the County's net position in 2014 compares with 2013:

Thurston County Net Position

| Account | Governmental | Business-type | | Total | |
|--|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Activities | Activities | Activities | 2014 | 2013 |
| | 2014 | 2013 | 2014 | 2013 | |
| Assets | \$ 170,354,464 | \$ 159,269,146 | \$ 54,432,910 | \$ 48,926,539 | \$ 224,787,374 |
| Capital Assets | 481,055,642 | 480,796,402 | 35,892,052 | 37,736,587 | 516,947,694 |
| Total Assets | 651,410,106 | 640,065,548 | 90,324,962 | 86,663,126 | 741,735,068 |
| Total Deferred Outflow of Resources | 584,205 | 644,635 | 184,381 | 220,733 | 768,586 |
| Current Liabilities | 18,404,582 | 18,543,955 | 2,822,103 | 2,688,670 | 21,226,685 |
| Long Term Liabilities | 105,941,217 | 108,735,054 | 24,388,469 | 26,049,454 | 130,329,686 |
| Total Liabilities | 124,345,799 | 127,279,009 | 27,210,572 | 28,738,124 | 151,556,371 |
| Net Position: | | | | | |
| Net Invested in Capital Assets | 402,742,302 | 396,205,995 | 29,842,737 | 30,617,626 | 432,585,039 |
| Restricted | 72,910,583 | 70,574,027 | 2,458,875 | 3,970,011 | 75,369,458 |
| Unrestricted | 51,995,627 | 46,651,152 | 30,997,159 | 23,558,098 | 82,992,786 |
| Total Net Position | \$ 527,648,512 | \$ 513,431,174 | \$ 63,298,771 | \$ 58,145,735 | \$ 590,947,283 |

Governmental activities – During 2014, the total net position for Governmental activities realized an increase of \$14.2 million compared to 2013. Several variables factored into this difference. Chief among them was an increase in Cash in the Public Health and the Roads Major Special Revenue Funds. Of the total net position amount, \$402.7 million was invested in capital assets. A portion of the increase of \$6.5 million from 2013 is included based on the timing of cash flows in prior periods and the capitalization of the constructed asset in the current period. Additionally, \$72.9 million is recorded as restricted. Finally, the amount recorded as Unrestricted was \$52 million during 2014 representing an increase of \$5.3 million over prior year. Almost all of the unrestricted assets are assigned for certain purposes and activities but are essentially available for any future spending purposes based on actions and decisions by Thurston County's Board of County Commissioners.

Business-type activities – During 2014, the Business-type activity accounts remained fairly constant compared to prior year balances. Overall, the Net Position amount did increase by \$5.2 million, to \$63.3 million. The largest account change was an increase of \$4 million in unrestricted cash from utility operations, primarily in the Solid Waste fund and secondarily in the Stormwater Fund. Because Business-type activities use their capital assets to provide services to customers, these assets are not available for future spending. Therefore, the cash increase just described caused the Unrestricted Net Position for business-type activities in 2014 to increase by \$7.4 million compared to 2013. This category of net position is available for future spending in the business-type funds.

Analysis of the Statement of Activities

The following chart presents key elements in the Statement of Activities. In 2014, total county primary government revenues increased by \$16.6 million, or 7.7%, compared to 2013 due to increases in charges for services in Public Health and intergovernmental revenues in the Roads fund. Because the Affordable Care Act allowed more people to become eligible for Medicaid, the county's Public Health fund receipted in substantially more revenues than last year. The Roads fund saw more grant revenue come in compared to last year. Total County expenses increased by just \$2.4 million, or 1.1%, from 2014 to 2013. The origin of this increase, is spread out in several areas with the largest being Public Health, which is a direct result of the increase in revenues just described.

Thurston County's Statement of Activities

| Account | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|---------------------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 50,549,316 | \$ 42,242,522 | \$ 31,823,551 | \$ 29,671,170 | \$ 82,372,867 | \$ 71,913,692 |
| Operating Grants & Contrib. | 27,569,926 | 28,345,069 | 274,228 | 219,192 | 27,844,154 | 28,564,261 |
| Capital Grants & Contrib. | 15,512,833 | 11,035,528 | 373,572 | 171,159 | 15,886,405 | 11,206,687 |
| General Revenues: | | | | | | |
| Taxes | 102,096,192 | 99,312,211 | - | - | 102,096,192 | 99,312,211 |
| Interest and Invest. Earnings | 2,845,520 | 3,055,338 | 57,142 | 65,146 | 2,902,662 | 3,120,484 |
| Other General Revenues | 241,004 | 771,035 | 111,759 | (31,721) | 352,763 | 739,314 |
| Total Revenues | 198,814,791 | 184,761,703 | 32,640,252 | 30,094,946 | 231,455,043 | 214,856,649 |
| Program Expenses: (Net) | | | | | | |
| General Government | 6,412,715 | 6,344,596 | - | - | 6,412,715 | 6,344,596 |
| Culture and Recreation | 2,543,965 | 2,229,405 | - | - | 2,543,965 | 2,229,405 |
| Economic Environment | 8,629,235 | 8,595,725 | - | - | 8,629,235 | 8,595,725 |
| Health and Human Services | 58,831,809 | 56,812,854 | - | - | 58,831,809 | 56,812,854 |
| Utilities and Environment | 2,253,126 | 3,138,218 | - | - | 2,253,126 | 3,138,218 |
| Public Safety | 73,990,662 | 74,058,431 | - | - | 73,990,662 | 74,058,431 |
| Transportation | 27,421,298 | 27,098,694 | - | - | 27,421,298 | 27,098,694 |
| Interest | 3,440,826 | 3,610,284 | - | - | 3,440,826 | 3,610,284 |
| Solid Waste | - | - | 18,349,420 | 17,492,669 | 18,349,420 | 17,492,669 |
| Water | - | - | 817,388 | 816,910 | 817,388 | 816,910 |
| Sewer | - | - | 1,705,619 | 1,704,807 | 1,705,619 | 1,704,807 |
| Stormwater | - | - | 4,232,321 | 4,305,636 | 4,232,321 | 4,305,636 |
| Land Use & Permitting | - | - | 3,456,285 | 3,448,720 | 3,456,285 | 3,448,720 |
| Total Expenses | 183,523,636 | 181,888,207 | 28,561,033 | 27,768,742 | 212,084,669 | 209,656,949 |
| Excess (Deficiency) of Revenues over (under) Expenses before Transfers | | | | | | |
| Transfers | 15,291,155 | 2,873,496 | 4,079,219 | 2,326,204 | 19,370,374 | 5,199,700 |
| Transfers | (1,073,817) | (1,114,704) | 1,073,817 | 1,114,704 | - | - |
| Change in Net Position | 14,217,338 | 1,758,792 | 5,153,036 | 3,440,908 | 19,370,374 | 5,199,700 |
| Ending Net Position January 1 | 513,431,174 | 518,021,710 | 58,145,735 | 57,490,256 | 571,576,909 | 575,511,966 |
| Prior Period Adjustment | - | (6,349,328) | - | (2,785,429) | - | (9,134,757) |
| Restated Net Position January 1 | 513,431,174 | 511,672,382 | 58,145,735 | 54,704,827 | 571,576,909 | 566,377,209 |
| Ending Net Position | \$ 527,648,512 | \$ 513,431,174 | \$ 63,298,771 | \$ 58,145,735 | \$ 590,947,283 | \$ 571,576,909 |

In 2014, Governmental activities provided \$198.8 million in revenues (85.9% of total revenues), while business-type activities provided \$32.6 million (14.1% of total revenues). The two largest governmental revenues are taxes at \$102.1 million, or 51.4%, of total governmental revenues and charges for services at \$50.5 million, or 25.4%, of total governmental revenues. The remaining 23.2% of governmental revenues include operating grants, capital grants, interest and investment earnings and other general revenues. The 2014 percentages just described are consistent with 2013 and prior years.

The net change in governmental total revenues between 2014 and 2013 was an increase of \$14 million. The largest increase in governmental revenues was charges for services of \$8.3 million followed by Capital Grants & Contributions of \$4.5 million. The main reasons for these were described earlier.

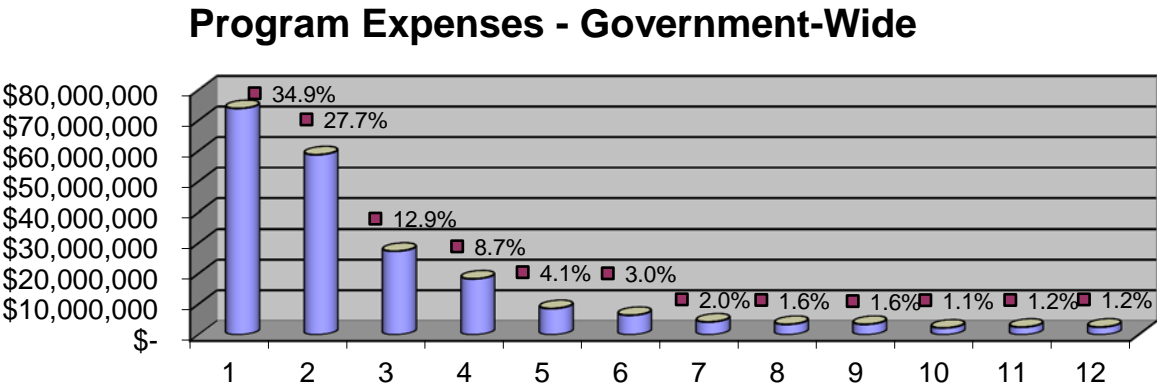
In 2014, charges for services accounted for \$31.8 million, or 97.5%, of total business-type revenues. Within this category, the Solid Waste fund revenues accounted for \$20.9 million, or 64.1%.

The change in governmental total expenses between 2014 and 2013 was a slight increase of \$1.6 million. This difference is the net amount of increases and decreases in the various functions. The largest increase was in Health and Human Services with a difference of \$2 million mainly due to the spending of the increased revenues previously described.

The governmental and business-type expense distribution of \$183.5 million in 2014 closely resembles the distribution from the prior year with 86.5% in governmental activities and \$28.6 million or 13.5% in business-type activities. Public Safety, Health and Human Services, and Transportation programs comprise 87.3% of total governmental expenses.

In 2014, Solid Waste comprised \$18.3 million, or 64%, of the \$28.6 million in business-type expenses. This represents an increase of just under \$900,000 from 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. Water & Sewer |
| 3. Transportation | 6. General Government | 9. Land Use & Permitting | 12. Culture & Recreation |

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

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

Governmental Funds Analysis

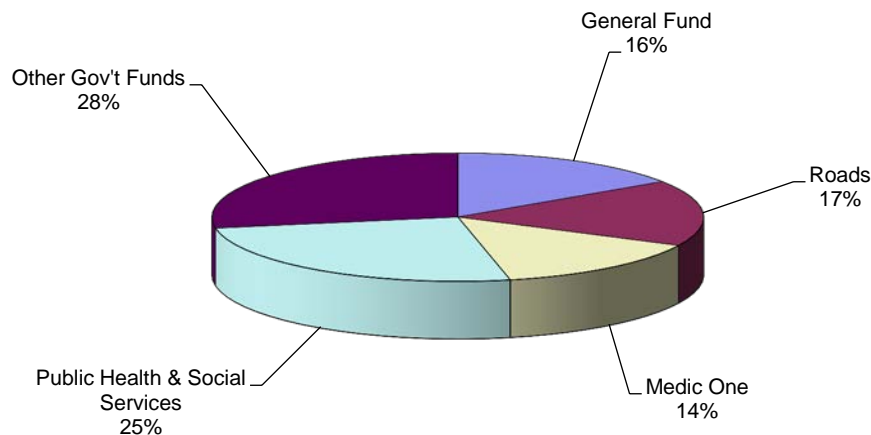
The focus of Thurston County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2014, the County's governmental funds reported combined total ending fund balances of \$107.2 million. This represents an increase of \$9.6 million, or 9.8%, compared with the prior year. This was due mainly to an increase in the fund balance of the County's Public Health Fund. The other major funds, including the General Fund, saw little fluctuation in fund balance compared to prior year.

In 2014, total assets in the governmental funds increased by \$9.9 million, up to \$125.9 million, compared to 2013. The main account that increased was Cash and is directly related to the increased Public Health revenues described above.

In 2014, the total liabilities for total governmental funds remained constant, increasing by just under \$300,000 million compared to prior year.

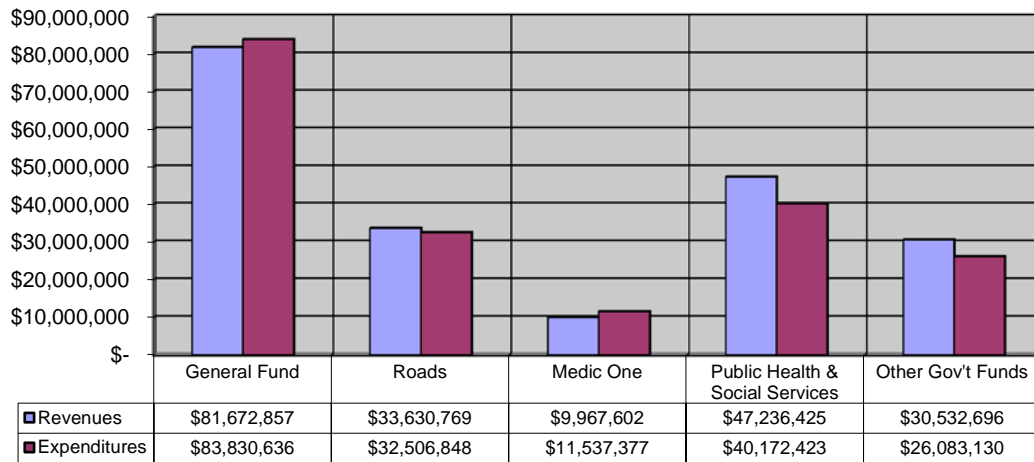
The following chart shows the distribution of total assets for all major governmental funds:



Governmental Fund revenues in 2014 were higher than 2013 levels by \$14.7 million, or 7.8%. \$7.9 million of this increase happened in the Public Health special revenue fund due to an increase in Medicaid receipts and \$2.8 million of this increase was in the Roads fund, mainly due to more grant receipts being collected. The rest of the difference was spread out among several different accounts and funds.

Governmental expenditures in 2014 were slightly lower than 2013 by approximately \$400,000. The following chart shows revenues and expenditures for Thurston County's major governmental funds, including the Other Governmental Funds. Charted revenues and expenditures exclude other financing sources/uses and transfers.

Governmental Fund Revenues and Expenditures



In 2014, the General Fund, Public Health and Social Services Fund and Roads Fund accounted for 80% of total revenues and 80.6% of total expenditures.

For 2014 the County is reporting the following as major governmental funds: General, Roads, Medic One, Public Health and Social Services, and Other Governmental.

The following are highlights related to each major fund in 2014:

The **General Fund** is the chief operating fund of the County. The General Fund's total ending fund balance was \$11.8 million at the end of 2014, compared to \$10.8 million at the end of 2013 for a slight increase of \$1 million, or 9.3%. Total Unassigned fund balance was \$9.9 million compared to \$9.1 million at the end of 2013. This increase was a welcome change compared to the \$5.7 million reduction reported between the two previous years. Contributing factors to this turn around include a reduction of expenditures of \$2.4 million and a reduction in transfers out of \$2.2 million mainly due to the completion of a major Public Safety related construction project.

General Fund total assets were \$19.7 million and total liabilities were \$7.9 million at the end of 2014. Compared to 2013, assets increased by just \$0.8 million, or 4.2%, whereas liabilities remained very constant. The main increase in assets occurred in the Cash account chiefly due to a one-time transfer-in of just over \$625,000 from a non-major Internal Service fund for a correction of an over-billing.

General Fund revenues increased by just \$1.5 million, or 1.9%, from 2013 to 2014. Overall expenditures in the General Fund for 2014, compared to 2013, decreased by \$2.4 million, or 2.8%. This decrease was mainly due to budget reductions imposed by the County's Board of Commissioners for 2014.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. In this fund, total assets increased by just \$2.7 million in 2014 compared to 2013, mainly in the cash account. Liabilities increased by \$1.5 million, or 88% from 2013 to 2014. This was mainly the result of recording more year-end liability accruals than prior year.

Compared to 2013, revenues in the Roads fund increased by \$2.8 million, or 9.1%, and expenditures increased by \$2.2 million, or 7.3% in 2014. In both instances it was due to a slight increase in capital outlay activity and receipt of grant revenues to help fund the activity.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2014, Medic One's total assets and total liabilities remained constant compared to 2013 with a slight decrease in fund balance of \$1.4 million. The main reason for this was an increase in personnel costs related to increased services with several intergovernmental contracts.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Fund total assets increased in 2014 by \$9.1 million whereas total liabilities remained very constant. For assets, most of the increase was in the Cash and Pooled Investments as there were more Medicaid revenues collected compared to prior year.

Revenues increased by \$7.9 million, or 20.1%, compared to 2013. Expenditures remained very constant comparing 2014 to 2013. The reason for the revenue increase has been discussed in several areas above. Because of the revenue increase, fund balance also experienced a large increase, up to \$28.5 million. In 2013, the fund balance amount was \$19 million.

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 remained fairly constant compared to prior year and this is witnessed by the lack of material fluctuations in the various balances in this roll-up Major fund. Overall, this fund's fund balance decreased by just \$0.6 million, or 1.8%.

Proprietary Funds Net Position Analysis

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

Thurston County Enterprise Net Position

| Assets | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds |
|--|----------------------|----------------------|---------------------|------------------------|------------------------|
| Cash & Pooled Investments | \$ 21,989,046 | \$ 2,212,990 | \$ 5,322,901 | \$ 2,650,190 | \$ 32,175,127 |
| Other Current Assets | 1,767,460 | 429,775 | 1,015,135 | 408,783 | 3,621,153 |
| Restricted Assets: | | | | | |
| Cash and Pooled Investments | - | 247,774 | - | 145,231 | 393,005 |
| Total Current Assets | 23,756,506 | 2,890,539 | 6,338,036 | 3,204,204 | 36,189,285 |
| Long-Term Assets: | | | | | |
| Receivables and Deff Chrgs. | 3,221 | 554,923 | - | 568,144 | 1,126,288 |
| Capital Assets | 10,148,897 | 14,634,705 | 7,479,055 | 3,629,395 | 35,892,052 |
| Restrict Assets: Cash and Pooled Investments | 16,125,794 | - | - | - | 16,125,794 |
| Total Long Term Assets | 26,277,912 | 15,189,628 | 7,479,055 | 4,197,539 | 53,144,134 |
| Total Assets | 50,034,418 | 18,080,167 | 13,817,091 | 7,401,743 | 89,333,419 |
| Total Deferred Outflow of Resources | - | 184,381 | - | - | 184,381 |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable/ Due To's | 1,585,369 | 76,971 | 345,003 | 258,528 | 2,265,871 |
| Restricted Laibilities - Debt | - | 915,000 | - | 81,018 | 996,018 |
| Total Current Liabilities | 1,585,369 | 991,971 | 345,003 | 339,546 | 3,261,889 |
| Long-Term Liabilities: | | | | | |
| Limited G.O. Bonds Payable | - | 4,499,631 | - | 428,995 | 4,928,626 |
| Comp Abs & OPEB Payable | 863,737 | 118,892 | 563,558 | 729,555 | 2,275,742 |
| Intergov. Loans & Contracts Payable | 6,903 | 56,816 | - | 570,862 | 634,581 |
| Accumulated Landfill Closure Costs | 16,549,520 | - | - | - | 16,549,520 |
| Total Long Term Liabilities | 17,420,160 | 4,675,339 | 563,558 | 1,729,412 | 24,388,469 |
| Total Liabilities | 19,005,529 | 5,667,310 | 908,561 | 2,068,958 | 27,650,358 |
| Net Position | | | | | |
| Net Investment in Capital Assets | 10,140,449 | 9,158,093 | 7,477,041 | 3,067,154 | 29,842,737 |
| Restricted For: | | | | | |
| Postclosure, Net Of Related Liability | 921,387 | - | - | - | 921,387 |
| Debt Service | - | 967,493 | - | 569,995 | 1,537,488 |
| Unrestricted (Deficit) | 19,967,053 | 2,471,652 | 5,431,489 | 1,695,636 | 29,565,830 |
| Total Net Position | \$ 31,028,889 | \$ 12,597,238 | \$12,908,530 | \$ 5,332,785 | \$ 61,867,442 |

The Solid Waste, Grand Mound, and Storm & Surface Water Utility Funds are the major enterprise funds for Thurston County in 2014, as they were in 2013.

The **Solid Waste Fund** provides solid waste disposal and reduction services to the citizens of Thurston County. The **Grand Mound Fund** provides water and waste water services to residents of Grand Mound in southern Thurston County. The **Storm & Surface Water Fund** accounts for assessments levied to minimize the harmful effects of storm water run-off and to construct and improve storm water run-off facilities within the utility's boundaries. These funds comprise 91.7% of enterprise assets and 92.8% of enterprise liabilities. Within these three funds, the account that changed the most was Cash and Pooled Investments in the Solid Waste fund. This account increased by \$4 million compared to prior year and was

primarily due to an increase in rates dating back to 2011. Because of this increase, the fund now has been experiencing an annual increase in Net Position.

Combined net position for enterprise funds was \$61.9 million in 2014, of which \$56.5 million, or 91.3%, resided in the three major funds noted above. Of the total enterprise funds' net position, \$29.8 million, or 48.1%, are net invested in capital assets, whereas \$29.6 million, or 47.8%, are unrestricted. Unrestricted net position increased by \$6.5 million from 2013 mainly due to an increase in cash and pooled investments in the major enterprise funds as a result of the enactment and implementation of rate increases in prior years and the current reporting period. Total liabilities for all enterprise funds were \$27.7 million which is a decrease of \$2.2 million from 2013 and is mainly due to scheduled debt service payments.

Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2014.

Thurston County Washington Enterprise Funds Revenues and Expenses

| | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds |
|--|------------------------|------------------------|------------------------|---------------------------------------|---------------------------------------|
| Revenues: | | | | | |
| <i>Operating:</i> | | | | | |
| Charges for Services | \$ 20,875,869 | \$ 1,387,784 | \$ 5,878,724 | \$ 3,722,655 | \$ 31,865,032 |
| Miscellaneous | 13,197 | 56,570 | 27,486 | 14,506 | 111,759 |
| <i>Non-Operating:</i> | | | | | |
| Interest Revenue | - | 15,098 | 27,214 | 14,830 | 57,142 |
| Operating & Capital Grant Proceeds | 231,166 | - | 43,062 | - | 274,228 |
| Total Revenues | 21,120,232 | 1,459,452 | 5,976,486 | 3,751,991 | 32,308,161 |
| Expenses: | | | | | |
| <i>Operating:</i> | | | | | |
| Salaries and Benefits | 2,503,888 | 376,064 | 2,047,447 | 2,572,347 | 7,499,746 |
| Other Supplies and Expenses | 225,617 | 76,954 | 53,220 | 117,683 | 473,474 |
| Contractual Services | 2,419,067 | 163,367 | 577,563 | 217,120 | 3,377,117 |
| Longhaul Contract | 10,929,905 | - | - | - | 10,929,905 |
| Interfund Services and Charges | 1,284,506 | 214,578 | 1,427,294 | 1,116,407 | 4,042,785 |
| Depreciation/Amortization | 1,162,750 | 610,512 | 343,350 | 223,090 | 2,339,702 |
| <i>Non-Operating:</i> | | | | | |
| External & Internal Tax Payments | 474,119 | 49,558 | 71,821 | 16,169 | 611,667 |
| Interest Expense & Fiscal Charges | 5,273 | 235,406 | 18 | 18,947 | 259,644 |
| Total Expenses | 19,005,125 | 1,726,439 | 4,520,713 | 4,281,763 | 29,534,040 |
| Income (Loss) before contrib. and trans. | 2,115,107 | (266,987) | 1,455,773 | (529,772) | 2,774,121 |
| Capital Contributions | - | 83,801 | 289,771 | - | 373,572 |
| Transfers In (Out) | (30,162) | 207,392 | 15,977 | 880,610 | 1,073,817 |
| Change in Net Position | 2,084,945 | 24,206 | 1,761,521 | 350,838 | 4,221,510 |
| Net Position as of January 1 | 28,943,944 | 12,573,032 | 11,147,009 | 4,981,947 | 57,645,932 |
| Net Position as of December 31 | \$ 31,028,889 | \$ 12,597,238 | \$ 12,908,530 | \$ 5,332,785 | \$ 61,867,442 |

For all enterprise funds, total operating revenues from charges for services in 2014 are \$31.9 million and comprise 98.8% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds stayed very constant compared to prior year with an increase of just \$1.6 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 65.3% of total enterprise revenues and 64.4% of total enterprise expenses.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 4.6% of total enterprise revenues and 5.8% of total enterprise expenses. In 2014 both revenues and expenses remained fairly constant over prior year.

The **Storm & Surface Water Fund** has been collecting assessments from landowners to mitigate the effects of storm water run-off from construction and development since 1985. Operating revenues and expenses remained constant in 2014 compared to 2013. Revenues comprise 18.6% of total enterprise revenues and 15.3% of total enterprise expenses.

General Fund Budgetary Highlights

Thurston County adopts an annual budget in December of the preceding year. Adjustments are made to the budget throughout the year. The following table shows the changes between the original and final budget as of December 31, 2014. A positive variance is reported if final budget revenues exceed original budget revenues whereas a negative variance is reported if final budget revenues are less than original budgeted revenues. The reverse is shown for expenditures. A negative variance is reported if final budget expenditures exceed original budget expenditures and a positive variance is shown if the final budget expenditures are less than original budgeted expenditures. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department.

**Thurston County
General Fund Changes in Budget**

| | Original Budget | Final Budget | Variance Pos (Neg) |
|---|---------------------|---------------------|-----------------------|
| Revenues: | | | |
| Taxes | \$ 52,224,761 | \$ 52,224,761 | \$ - |
| Licenses & Permits | 1,917,450 | 1,917,450 | - |
| Intergovernmental | 8,083,804 | 8,769,022 | 685,218 |
| Charges for Services | 12,491,148 | 12,987,071 | 495,923 |
| Fines & Forfeitures | 2,593,700 | 2,733,235 | 139,535 |
| Miscellaneous | 2,764,715 | 3,027,293 | 262,578 |
| Total General Revenues | 80,075,578 | 81,658,832 | 1,583,254 |
| Other Financing Sources | 5,926,266 | 6,249,966 | 323,700 |
| Total Revenues | 86,001,844 | 87,908,798 | 1,906,954 |
| Expenditures by Department: | | | |
| Assessor's Office | 3,444,416 | 3,444,416 | - |
| Auditor's Office | 4,708,622 | 4,761,309 | (52,687) |
| Assigned Counsel | 3,646,357 | 4,082,445 | (436,088) |
| Clerk's Office | 3,163,515 | 3,163,515 | - |
| Commissioner's Office | 1,957,748 | 1,957,748 | - |
| Coroner's Office | 998,303 | 998,303 | - |
| Corrections | 17,704,463 | 17,863,803 | (159,340) |
| District Court | 3,600,155 | 3,604,235 | (4,080) |
| Emergency Management | 1,434,587 | 1,635,978 | (201,391) |
| Human Resources | 1,639,323 | 1,639,323 | - |
| Juvenile Probation | 7,087,260 | 7,151,260 | (64,000) |
| Non-Departmental | 4,971,228 | 4,859,228 | 112,000 |
| Planning | 2,022,553 | 2,012,481 | 10,072 |
| Prosecuting Attorney | 7,651,522 | 7,960,447 | (308,925) |
| State Examiner | 115,000 | 115,000 | - |
| Sheriff | 15,683,714 | 16,161,696 | (477,982) |
| Superior Court | 5,603,775 | 5,765,310 | (161,535) |
| Treasurer's Office | 1,173,186 | 1,173,186 | - |
| WSU Extension | 343,478 | 343,478 | - |
| General Fund Expenditures | 86,949,205 | 88,693,161 | (1,743,956) |
| Fair | 506,595 | 593,495 | (86,900) |
| Prisoner Concession | 247,762 | 375,046 | (127,284) |
| Recreation Services | 290,546 | 290,546 | - |
| Reported General Fund Expenditures | 87,994,108 | 89,952,248 | (1,958,140) |
| Net Changes in Fund Balances | (1,992,264) | (2,043,450) | (51,186) |
| Fund Balances as of January 1 | 9,193,888 | 9,540,935 | 347,047 |
| Fund Balances as of December 31 | \$ 7,201,624 | \$ 7,497,485 | \$ 295,861 |

For revenues, the net increase in total budgeted revenues from the original budget to the final budget was \$1.9 million or 2.2%. The most significant increase (\$685,000) was in Intergovernmental category and was due general fund offices and departments being awarded more grant revenues than originally planned.

With regard to expenditures, the net increase in total budget expenditures from the original budget to the final budget was \$1.7 million, or 1.9%. Within this amount are fluctuations in several offices/departments, but the most significant dollar value increase in budget expenditures (\$478,000) occurred in the County's Sheriff's Office and was due to added road enforcement resources previously paid for by other funds.

The final budget ending fund balance was \$7.5 million, which represents a slight increase of just under \$300,000. During 2014, the County under spent its budget and the actual ending fund balance was \$11.8 million.

General Fund Budget to Actual Variances

The table on the following page summarizes differences between budget and actual for revenues and expenditures in the General Fund for 2014. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2014 show actual total revenues (including other financing sources) at \$87.3 million, which is just under \$600,000, or 0.7%, below the final budget. Actual expenditures were \$85.1 million, which is \$3.5 million or 4.1% under budget.

In regards to revenues, the largest variance between budget and actual was in the Taxes category. The County received just over \$721,000 more in taxes than planned mainly in the sales tax area. This increase was offset by lower revenues that expected in the Intergovernmental and Charges for Services categories. The overall result was the county collected approximately \$587,000 less revenues than expected. Within the categories that decreased exist numerous immaterial fluctuations in subaccounts that represent normal year-to-year differences.

All offices/departments had a positive expenditure variance in 2014, meaning no office or department over-spent its budget authority for the year. Also, the largest budget underspend by a department was in our Planning department. This department underspent its 2014 final budget by just over \$722,000, or 35.9%, because of a delay in project work funded by a large grant.

Thurston County
General Fund Revenues, Expenditures & Fund Balance

| | Final Budget | Actuals | Variance Pos (Neg) |
|---|---------------------|----------------------|-------------------------------|
| Revenues: | | | |
| Taxes | \$ 52,224,761 | \$ 52,946,009 | \$ 721,248 |
| Licenses & Permits | 1,917,450 | 2,054,611 | 137,161 |
| Intergovernmental | 8,769,022 | 8,228,254 | (540,768) |
| Charges for Services | 12,987,071 | 12,564,858 | (422,213) |
| Fines & Forfeitures | 2,733,235 | 2,904,879 | 171,644 |
| Miscellaneous | 3,027,293 | 2,974,246 | (53,047) |
| Total General Revenues | 81,658,832 | 81,672,857 | 14,025 |
| Total Other Financing Sources | 6,249,966 | 5,648,714 | (601,252) |
| Total Revenues | 87,908,798 | 87,321,571 | (587,227) |
| Expenditures by Department: | | | |
| Assessor's Office | 3,444,416 | 3,408,075 | 36,341 |
| Auditor's Office | 4,761,309 | 4,659,657 | 101,652 |
| Assigned Counsel | 4,082,445 | 4,078,155 | 4,290 |
| Clerk's Office | 3,163,515 | 3,016,377 | 147,138 |
| Commissioner's Office | 1,957,748 | 1,940,808 | 16,940 |
| Coroner's Office | 998,303 | 977,902 | 20,401 |
| Corrections | 17,863,803 | 17,642,698 | 221,105 |
| District Court | 3,604,235 | 3,421,413 | 182,822 |
| Emergency Management | 1,635,978 | 1,430,998 | 204,980 |
| Human Resources | 1,639,323 | 1,353,841 | 285,482 |
| Juvenile Probation | 7,151,260 | 6,739,620 | 411,640 |
| Non-Departmental | 4,859,228 | 4,647,425 | 211,803 |
| Planning | 2,012,481 | 1,290,113 | 722,368 |
| Prosecuting Attorney | 7,960,447 | 7,855,840 | 104,607 |
| State Examiner | 115,000 | 99,256 | 15,744 |
| Sheriff | 16,161,696 | 16,086,333 | 75,363 |
| Superior Court | 5,765,310 | 5,063,956 | 701,354 |
| Treasurer's Office | 1,173,186 | 1,105,302 | 67,884 |
| WSU Extension | 343,478 | 328,108 | 15,370 |
| General Fund Expenditures | 88,693,161 | 85,145,877 | 3,547,284 |
| Fair | 593,495 | 586,960 | 6,535 |
| Prisoner Concession | 375,046 | 358,674 | 16,372 |
| Recreation Services | 290,546 | 252,812 | 37,734 |
| Reported General Fund Expenditures | 89,952,248 | 86,344,323 | 3,607,925 |
| Net Changes in Fund Balances | (2,043,450) | 977,248 | 3,020,698 |
| Fund Balances as of January 1 | 9,540,935 | 10,827,996 | 1,287,061 |
| Prior Period Adjustments | - | - | - |
| Fund Balances as of January 1 - Restated | 9,540,935 | 10,827,996 | 1,287,061 |
| Fund Balances as of December 31 | \$ 7,497,485 | \$ 11,805,244 | \$ 4,307,759 |

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 \$516.9 million at year end. Of this total, \$287.3 million (55.6%) are non-depreciable assets and \$229.7 million (44.4%) are depreciable. Capital assets comprise 70% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section.

Total depreciable assets, net, decreased by \$6.7 million in 2014, while non-depreciable assets increased by \$5.1 million. The reason for these changes in assets is mainly capitalization of construction projects and depreciated usage on depreciable assets).

At year-end the County had only \$121,000 in commitments for capital expenditures, primarily related to some follow-up work on the county's new Public Works building completed during 2012.

Long-Term Debt

Total general obligation debt outstanding at year end was \$84.8 million (\$79.4 million in governmental activities and \$5.4 million in Business-type activities). This total represents a decrease of \$6.4 million over 2013 and was due to regularly scheduled periodic bond payments. The County did not sell any new GO Bonds in 2014.

At the end of 2014, the County has the capacity to issue \$379 million in debt without a vote and a remaining capacity of \$298.6 million under limitation of indebtedness statute. See financial statement note VIII for more information on debt issues outstanding and the reasons for their issuance.

REQUESTS FOR INFORMATION

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

Statement of Net Position
December 31, 2014
Page 1 of 2

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash & Pooled Investments | \$ 141,609,981 | \$ 32,175,127 | \$ 173,785,108 |
| Receivables: | | | |
| Taxes Receivable | 2,239,820 | - | 2,239,820 |
| Special Assessment Receivables | 71,673 | 460,640 | 532,313 |
| Accrued Interest & Penalties | 3,090,329 | 53,013 | 3,143,342 |
| Customer Account Receivables | 13,340,465 | 1,571,582 | 14,912,047 |
| Internal Balances | (1,814,738) | 1,814,738 | - |
| Due from Other Government Units | 8,172,234 | 608,398 | 8,780,632 |
| Inventory | 1,225,323 | - | 1,225,323 |
| Prepayments | 255,629 | 107,546 | 363,175 |
| Restricted Assets: | | | |
| Cash & Pooled Investments | - | 393,005 | 393,005 |
| Total Current Assets | 168,190,716 | 37,184,049 | 205,374,765 |
| Long-Term Assets: | | | |
| Community Loans Receivable | - | 197,500 | 197,500 |
| Special Assessment Receivables | 38,415 | 925,567 | 963,982 |
| Investment in Joint Ventures, Net | 2,125,333 | - | 2,125,333 |
| Capital Assets: | | | |
| Non-Depreciable | 285,246,620 | 2,049,902 | 287,296,522 |
| Depreciable, Net | 195,809,022 | 33,842,150 | 229,651,172 |
| Restricted Assets: Cash and Pooled Investments | - | 16,125,794 | 16,125,794 |
| Total Noncurrent Assets | 483,219,390 | 53,140,913 | 536,360,303 |
| Total Assets | 651,410,106 | 90,324,962 | 741,735,068 |
| Deferred Outflow of Resources: | | | |
| Deferred Amounts on Refunding | 584,205 | 184,381 | 768,586 |

See accompanying notes to financial statements

Statement of Net Position
December 31, 2014
Page 2 of 2

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 10,572,763 | 1,664,806 | 12,237,569 |
| Notes/Leases Payable | 146,833 | 99,897 | 246,730 |
| Due to Other Government Units | 1,315,478 | - | 1,315,478 |
| Compensated Absences | 285,262 | 28,086 | 313,348 |
| Claims & Judgments Payable | 467,101 | - | 467,101 |
| Limited G.O. Bonds Payable | 5,611,525 | 915,000 | 6,526,525 |
| Special Assess. Debt - Gov. Commitment | - | 81,018 | 81,018 |
| Unearned Revenue | 5,620 | 33,296 | 38,916 |
| Total Current Liabilities | 18,404,582 | 2,822,103 | 21,226,685 |
| Long-Term Liabilities: | | | |
| Limited G.O. Bonds Payable | 73,796,207 | 4,499,631 | 78,295,838 |
| Special Assess. Debt - Gov. Commitment | - | 428,995 | 428,995 |
| Compensated Absences | 6,257,994 | 616,124 | 6,874,118 |
| Other Post Employment Benefits Payable | 20,516,001 | 1,659,618 | 22,175,619 |
| Claims & Judgments Payable | 3,938,651 | - | 3,938,651 |
| Notes/Leases Payable | 1,432,364 | 634,581 | 2,066,945 |
| Accumulated Landfill Closure Costs | - | 16,549,520 | 16,549,520 |
| Total Noncurrent Liabilities | 105,941,217 | 24,388,469 | 130,329,686 |
| Total Liabilities | 124,345,799 | 27,210,572 | 151,556,371 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 402,742,302 | 29,842,737 | 432,585,039 |
| Restricted For: | | | |
| Culture & Recreation | 420,227 | - | 420,227 |
| Economic Environment | 1,101,949 | - | 1,101,949 |
| General Government | 10,221,855 | - | 10,221,855 |
| Health and Human Services | 14,697,353 | - | 14,697,353 |
| Internal Service | 28,835,665 | - | 28,835,665 |
| Public Safety | 6,182,412 | - | 6,182,412 |
| Utilities & Environment | 5,342,583 | - | 5,342,583 |
| Transportation | 6,108,539 | - | 6,108,539 |
| Debt Service | - | 1,537,488 | 1,537,488 |
| Landfill Postclosure | - | 921,387 | 921,387 |
| Unrestricted (Deficit) | 51,995,627 | 30,997,159 | 82,992,786 |
| Total Net Position | \$ 527,648,512 | \$ 63,298,771 | \$ 590,947,283 |

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2014
Page 1 of 2

| Functions/Programs | Expenses | Program Revenues | | | |
|--------------------------------|----------------|-----------------------------------|-------------------------|--|--------------------------------------|
| | | Indirect Expense Allocation | Charges for Services | Operating Grants And Contributions | Capital Grants & Contributions |
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 14,307,265 | \$ (7,894,550) | \$ 7,845,770 | \$ 1,376,112 | \$ - |
| Culture & Recreation | 2,418,265 | 125,700 | 1,172,275 | 103,393 | - |
| Economic Environment | 8,368,067 | 261,168 | 1,536,422 | 4,234,606 | 189,742 |
| Health & Human Services | 58,038,678 | 793,131 | 30,699,123 | 14,893,129 | - |
| Public Safety | 70,758,530 | 3,232,132 | 6,957,352 | 6,298,152 | 1,206,593 |
| Transportation | 25,430,523 | 1,990,775 | 1,648,722 | 276,278 | 14,116,498 |
| Utilities & Environment | 2,082,582 | 170,544 | 689,652 | 388,256 | - |
| Interest and Fiscal Charges | 3,440,826 | - | - | - | - |
| Total Governmental Activities | 184,844,736 | (1,321,100) | 50,549,316 | 27,569,926 | 15,512,833 |
| Business-Type Activities: | | | | | |
| Solid Waste | 17,988,468 | 360,952 | 20,875,869 | 231,166 | - |
| Water | 737,023 | 80,365 | 670,067 | - | 27,934 |
| Sewer | 1,544,890 | 160,729 | 1,368,545 | - | 55,867 |
| Stormwater | 3,923,167 | 309,154 | 5,869,317 | 43,062 | 289,771 |
| Land Use & Permitting | 3,046,385 | 409,900 | 3,039,753 | - | - |
| Total Business-Type Activities | 27,239,933 | 1,321,100 | 31,823,551 | 274,228 | 373,572 |
| Total Primary Government | \$ 212,084,669 | \$ - | \$ 82,372,867 | \$ 27,844,154 | \$ 15,886,405 |

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2014
Page 2 of 2

| Functions/Programs | Net (Expense) Revenue and Changes In Net Position | | |
|---|--|-----------------------------|------------------------|
| | Primary Government | | |
| | Governmental Activities | Business-Type Activities | Total |
| PRIMARY GOVERNMENT | | | |
| <i>Governmental Activities:</i> | | | |
| General Government | \$ 2,809,167 | \$ - | \$ 2,809,167 |
| Culture & Recreation | (1,268,297) | - | (1,268,297) |
| Economic Environment | (2,668,465) | - | (2,668,465) |
| Health & Human Services | (13,239,557) | - | (13,239,557) |
| Public Safety | (59,528,565) | - | (59,528,565) |
| Transportation | (11,379,800) | - | (11,379,800) |
| Utilities & Environment | (1,175,218) | - | (1,175,218) |
| Interest and Fiscal Charges | (3,440,826) | - | (3,440,826) |
| Total Governmental Activities | (89,891,561) | - | (89,891,561) |
| <i>Business-Type Activities:</i> | | | |
| Solid Waste | - | 2,757,615 | 2,757,615 |
| Water | - | (119,387) | (119,387) |
| Sewer | - | (281,207) | (281,207) |
| Stormwater | - | 1,969,829 | 1,969,829 |
| Land Use & Permitting | - | (416,532) | (416,532) |
| Total Business-Type Activities | - | 3,910,318 | 3,910,318 |
| Total Primary Government | \$ (89,891,561) | \$ 3,910,318 | \$ (85,981,243) |
| General Revenues: | | | |
| <i>Taxes:</i> | | | |
| Property Taxes | 66,671,805 | - | 66,671,805 |
| Sales Taxes | 31,049,286 | - | 31,049,286 |
| Business & Harvest Taxes | 829,360 | - | 829,360 |
| Excise Taxes | 3,545,741 | - | 3,545,741 |
| <i>Other General Revenues:</i> | | | |
| Interest & Investment Earnings | 2,845,520 | 57,142 | 2,902,662 |
| Miscellaneous | 241,004 | 111,759 | 352,763 |
| Transfers In/(Out) | (1,073,817) | 1,073,817 | - |
| Total General Revenues and Transfers | 104,108,899 | 1,242,718 | 105,351,617 |
| Change in Net Position | 14,217,338 | 5,153,036 | 19,370,374 |
| Net Position as of January 1 | 513,431,174 | 58,145,735 | 571,576,909 |
| Net Position as of December 31 | \$ 527,648,512 | \$ 63,298,771 | \$ 590,947,283 |

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2014

| | General | Roads | Medic | Public Health & Social Services | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|--|--------------------------------|--------------------------------|
| ASSETS | Fund | | One | | | |
| Assets: | | | | | | |
| Cash & Pooled Investments | \$ 9,627,447 | \$ 17,662,723 | \$ 17,634,084 | \$ 28,511,293 | \$ 32,252,805 | \$ 105,688,352 |
| Receivables: | | | | | | |
| Taxes Receivable | 1,226,532 | 632,554 | 311,815 | 20,340 | 48,579 | 2,239,820 |
| Special Assessment Receivables | - | - | - | 16,261 | 55,412 | 71,673 |
| Accrued Interest & Penalties | 2,924,940 | 1,096 | 20,748 | 31,088 | 101,287 | 3,079,159 |
| Customer Account Receivables | 3,002,591 | 2,340 | - | 6,866 | 406,286 | 3,418,083 |
| Due from Other Funds | 1,158,842 | 195,022 | - | 704,712 | 72,262 | 2,130,838 |
| Due from Other Government Units | 1,747,336 | 1,537,211 | - | 2,951,315 | 1,840,871 | 8,076,733 |
| Inventory | - | 932,130 | - | - | - | 932,130 |
| Prepayments | 18,059 | 493 | - | - | 196,964 | 215,516 |
| Total Assets | \$ 19,705,747 | \$ 20,963,569 | \$ 17,966,647 | \$ 32,241,875 | \$ 34,974,466 | \$ 125,852,304 |
| LIABILITIES | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 3,567,644 | \$ 1,166,001 | \$ 869,479 | \$ 3,046,899 | \$ 870,931 | \$ 9,520,954 |
| Due to Other Funds | 304,126 | 618,409 | 12,318 | 88,174 | 1,575,361 | 2,598,388 |
| Due to Other Government Units | 1,237 | 743,955 | - | 551,310 | 18,976 | 1,315,478 |
| Unearned Revenues | 4,027,496 | 635,054 | 311,815 | 36,601 | 220,575 | 5,231,541 |
| Total Liabilities | 7,900,503 | 3,163,419 | 1,193,612 | 3,722,984 | 2,685,843 | 18,666,361 |
| FUND BALANCES | | | | | | |
| Nonspendable | 1,847,292 | 932,623 | - | - | 196,964 | 2,976,879 |
| Restricted | 92,244 | 4,991,569 | 8,608,897 | 2,962,200 | 27,420,008 | 44,074,918 |
| Committed | - | - | - | - | 178,495 | 178,495 |
| Assigned | - | 11,875,958 | 8,164,138 | 25,556,691 | 3,511,590 | 49,108,377 |
| Unassigned | 9,865,708 | - | - | - | 981,566 | 10,847,274 |
| Total Fund Balance | 11,805,244 | 17,800,150 | 16,773,035 | 28,518,891 | 32,288,623 | 107,185,943 |
| Total Liabilities & Fund Balances | \$ 19,705,747 | \$ 20,963,569 | \$ 17,966,647 | \$ 32,241,875 | \$ 34,974,466 | \$ 125,852,304 |

See accompanying notes to financial statements

Reconciliation of The Balance Sheet of Governmental Funds To The Statement of Net Position *December 31, 2014*

| | Governmental Funds |
|---|-------------------------------|
| Fund balance as shown in the Governmental Funds Balance Sheet | \$ 107,185,943 |
| 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 | 440,024,589 |
| Debt, which is not reported in governmental funds, is reported in the statement of net position | (78,821,829) |
| Assets, liabilities and resulting net position of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net position | 69,826,951 |
| Deferred outflows of resources which included deferred amounts on refunding, which is not reported in governmental funds, is reported in the statement of net position | 584,205 |
| Long term special assessment receivables and unamortized debt discount on long term debt, which is not reported in governmental funds, is reported in the statement of net position | 38,415 |
| Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position | 14,796,459 |
| Compensated absences and other post employment benefits, which are not reported in governmental funds, are reported as an accrued liability in the statement of net position | (24,554,892) |
| 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) | (1,431,329) |
| Net position for governmental funds as shown in statement of net position | \$ 527,648,512 |
| See accompanying notes to financial statements | |

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2014

| | General Fund | Roads | Medic One | Public Health & Social Services | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|--|--------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes | \$ 52,946,009 | \$ 17,631,269 | \$ 9,788,869 | \$ 804,737 | \$ 20,294,835 | \$ 101,465,719 |
| Licenses & Permits | 2,054,611 | 481,039 | - | 654,319 | - | 3,189,969 |
| Intergovernmental | 8,228,254 | 14,693,163 | 56,402 | 13,387,722 | 5,034,252 | 41,399,793 |
| Charges for Services | 12,564,858 | 748,594 | 4,329 | 31,665,737 | 4,147,609 | 49,131,127 |
| Fines & Forfeits | 2,904,879 | - | - | - | 31,903 | 2,936,782 |
| Miscellaneous Revenue | 2,974,246 | 76,704 | 118,002 | 723,910 | 1,024,097 | 4,916,959 |
| Total Revenues | 81,672,857 | 33,630,769 | 9,967,602 | 47,236,425 | 30,532,696 | 203,040,349 |
| Expenditures: | | | | | | |
| <i>Current:</i> | | | | | | |
| General Government | 13,354,382 | - | - | - | 746,055 | 14,100,437 |
| Culture & Recreation | 849,512 | 898,144 | - | - | 400,137 | 2,147,793 |
| Economic Environment | 1,753,048 | - | - | - | 6,659,529 | 8,412,577 |
| Health & Human Services | - | - | 11,141,994 | 40,138,986 | 7,032,071 | 58,313,051 |
| Public Safety | 66,684,726 | - | - | - | 1,363,294 | 68,048,020 |
| Transportation | 186,137 | 20,052,962 | - | - | - | 20,239,099 |
| Utilities & Environment | 648,808 | - | - | - | 1,464,568 | 2,113,376 |
| Capital Outlay | 238,801 | 11,536,841 | 390,469 | 16,570 | - | 12,182,681 |
| <i>Debt Service:</i> | | | | | | |
| Principal | 91,655 | 13,747 | 3,053 | 15,785 | 4,962,219 | 5,086,459 |
| Interest & Fiscal Charges | 23,567 | 5,154 | 1,861 | 1,082 | 3,455,257 | 3,486,921 |
| Total Expenditures | 83,830,636 | 32,506,848 | 11,537,377 | 40,172,423 | 26,083,130 | 194,130,414 |
| Excess (Deficiency) of Revenues Over Expenditures | (2,157,779) | 1,123,921 | (1,569,775) | 7,064,002 | 4,449,566 | 8,909,935 |
| Other Financing Sources (Uses) | | | | | | |
| Capital Lease Financing | 59,415 | 14,119 | - | - | - | 73,534 |
| Sale of Capital Assets | 323,418 | 393,693 | 91,965 | 5,967 | 14,317 | 829,360 |
| Transfers In | 5,265,881 | 486,864 | 8,498 | 2,565,387 | 8,196,091 | 16,522,721 |
| Transfers Out | (2,513,687) | (877,816) | - | (128,700) | (13,239,524) | (16,759,727) |
| Total Other Financing Sources (Uses) | 3,135,027 | 16,860 | 100,463 | 2,442,654 | (5,029,116) | 665,888 |
| Net Changes In Fund Balances | 977,248 | 1,140,781 | (1,469,312) | 9,506,656 | (579,550) | 9,575,823 |
| Fund Balances as of January 1 | 10,827,996 | 16,659,369 | 18,242,347 | 19,012,235 | 32,868,173 | 97,610,120 |
| Fund Balances as of December 31 | \$ 11,805,244 | \$ 17,800,150 | \$ 16,773,035 | \$ 28,518,891 | \$ 32,288,623 | \$ 107,185,943 |

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, 2014**

| | | Governmental Funds |
|--|--------------------|-------------------------------|
| Change in fund balance as shown in the Governmental Funds | | |
| Statement of Revenues, Expenditures and Changes in Fund Balances | | \$ 9,575,823 |
| Capital Assets: | | |
| Capital outlays, which are reported as expenditures in governmental funds, are capitalized and deferred to future periods and therefore not reported in the statement of activities | 12,182,681 | |
| Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities | (11,860,633) | |
| Gain (Loss) on the sale and disposition of governmental capital assets, which is not reported in governmental funds, is reported in the statement of activities | <u>1,941,637</u> | 2,263,685 |
| Long-Term Debt: | | |
| Bond and capital lease principal payments (which are reported as expenditures in governmental funds), are not reported as expenditures in the statement of activities (however, they are reported as reductions in the amount owed in the statement of net position) | 5,211,039 | |
| Debt issues costs, and other similar costs on debt issues, which are reported as expenditures in governmental funds, are deferred in the statement of net position and then expensed over the life of the bond issue in the statement of activities | 46,095 | |
| Long-term bond and capital lease financing proceeds (which are reported as "other financing sources" in governmental funds), are not recognized or reported in the statement of activities (however, they are reported as an increase in the amount owed in the statement of net position for new debt). | <u>(73,534)</u> | 5,183,600 |
| Interfund Transactions: | | |
| Profit or (loss) from internal service funds, which is reported separately in proprietary fund statements, is credited or charged to governmental expenses in the statement of activities | 311,503 | |
| 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 | (2,252,626) | |
| 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>1,321,100</u> | (620,023) |
| Other: | | |
| Long term (non-available) revenues, which are deferred in governmental funds, are reported as revenues (or as a debit adjustment) in the statement of activities | 324,275 | |
| Compensated absences and other post employment benefits, which are not reported in governmental funds, are reported as an expense in the statement of activities | <u>(2,510,022)</u> | (2,185,747) |
| Change in net position for governmental funds as shown in the | | |
| Statement of Activities | | <u><u>\$ 14,217,338</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, 2014
Page 1 of 7

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|---|----------------------------|-------------------------|----------------------|--|
| Revenues By Funding Source | | | | |
| General Revenues: | | | | |
| Taxes | \$ 52,224,761 | \$ 52,224,761 | \$ 52,946,009 | \$ 721,248 |
| Licenses & Permits | 1,917,450 | 1,917,450 | 2,054,611 | 137,161 |
| Intergovernmental | 8,083,804 | 8,769,022 | 8,228,254 | (540,768) |
| Charges for Services | 12,491,148 | 12,987,071 | 12,564,858 | (422,213) |
| Fines & Forfeits | 2,593,700 | 2,733,235 | 2,904,879 | 171,644 |
| Miscellaneous Revenue | 2,764,715 | 3,027,293 | 2,974,246 | (53,047) |
| Total General Revenues | 80,075,578 | 81,658,832 | 81,672,857 | 14,025 |
| Other Financing Sources: | | | | |
| Capital Lease Financing | - | - | 59,415 | 59,415 |
| Other Finance Sources - Capital Asset Sales | 400,700 | 400,700 | 323,418 | (77,282) |
| Transfers In | 5,525,566 | 5,849,266 | 5,265,881 | (583,385) |
| Total Other Financing Sources | 5,926,266 | 6,249,966 | 5,648,714 | (601,252) |
| Total Revenues | \$ 86,001,844 | \$ 87,908,798 | \$ 87,321,571 | \$ (587,227) |

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, 2014

Page 2 of 7

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|-----------------------------------|----------------------------|-------------------------|----------------|--|
| Expenditures by Department | | | | |
| Assessor's Office: | | | | |
| General Government | \$ 3,444,416 | \$ 3,444,416 | \$ 3,408,075 | \$ 36,341 |
| Total Assessor's Office | 3,444,416 | 3,444,416 | 3,408,075 | 36,341 |
| Auditor's Office: | | | | |
| General Government | 4,696,301 | 4,748,988 | 4,650,636 | 98,352 |
| Capital Outlay | 2,000 | 2,000 | - | 2,000 |
| Debt Service: | | | | |
| Principal | 6,572 | 6,572 | 7,545 | (973) |
| Interest and Fiscal Charges | 3,749 | 3,749 | 1,476 | 2,273 |
| Total Auditor's Office | 4,708,622 | 4,761,309 | 4,659,657 | 101,652 |
| Assigned Counsel: | | | | |
| Public Safety | 3,643,357 | 4,078,839 | 4,073,559 | 5,280 |
| Debt Service: | | | | |
| Principal | 2,500 | 3,106 | 4,565 | (1,459) |
| Interest and Fiscal Charges | 500 | 500 | 31 | 469 |
| Total Assigned Counsel | 3,646,357 | 4,082,445 | 4,078,155 | 4,290 |
| Clerk's Office: | | | | |
| Public Safety | 3,124,515 | 3,124,515 | 3,003,922 | 120,593 |
| Debt Service: | | | | |
| Principal | 28,000 | 28,000 | 10,057 | 17,943 |
| Interest and Fiscal Charges | 11,000 | 11,000 | 2,398 | 8,602 |
| Total Clerk's Office | 3,163,515 | 3,163,515 | 3,016,377 | 147,138 |

See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2014
Page 3 of 7

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|------------------------------------|----------------------------|-------------------------|-------------------|--|
| Commissioner's Office: | | | | |
| General Government | 1,749,903 | 1,749,903 | 1,748,736 | 1,167 |
| Transportation | 203,534 | 203,534 | 186,137 | 17,397 |
| Debt Service: | | | | |
| Principal | 4,180 | 4,180 | 4,652 | (472) |
| Interest and Fiscal Charges | 131 | 131 | 1,283 | (1,152) |
| Total Commissioner's Office | 1,957,748 | 1,957,748 | 1,940,808 | 16,940 |
| Coroner's Office: | | | | |
| Public Safety | 989,495 | 989,495 | 966,940 | 22,555 |
| Economic Environment | 4,800 | 4,800 | 6,050 | (1,250) |
| Debt Service: | | | | |
| Principal | 3,881 | 3,881 | 2,374 | 1,507 |
| Interest and Fiscal Charges | 127 | 127 | 2,538 | (2,411) |
| Total Coroner's Office | 998,303 | 998,303 | 977,902 | 20,401 |
| Corrections: | | | | |
| Public Safety | 17,693,083 | 17,852,423 | 17,601,588 | 250,835 |
| Capital Outlay | - | - | 22,289 | (22,289) |
| Debt Service: | | | | |
| Principal | 10,110 | 10,110 | 16,730 | (6,620) |
| Interest and Fiscal Charges | 1,270 | 1,270 | 2,091 | (821) |
| Total Corrections | 17,704,463 | 17,863,803 | 17,642,698 | 221,105 |
| District Court | | | | |
| Public Safety | 3,597,304 | 3,604,070 | 3,421,413 | 182,657 |
| Debt Service: | | | | |
| Principal | 2,686 | - | - | - |
| Interest and Fiscal Charges | 165 | 165 | - | 165 |
| Total District Court | 3,600,155 | 3,604,235 | 3,421,413 | 182,822 |

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, 2014
Page 4 of 7

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|---------------------------------|----------------------------|-------------------------|------------------|--|
| Emergency Management: | | | | |
| Public Safety | 1,432,587 | 1,607,207 | 1,352,261 | 254,946 |
| Capital Outlay | - | 26,771 | 75,756 | (48,985) |
| Transfers Out | 2,000 | 2,000 | 2,981 | (981) |
| Emergency Management | 1,434,587 | 1,635,978 | 1,430,998 | 204,980 |
| Human Resources: | | | | |
| General Government | 1,501,420 | 1,501,420 | 1,237,363 | 264,057 |
| Public Safety | 125,630 | 125,630 | 110,718 | 14,912 |
| Debt Service: | | | | |
| Principal | 9,858 | 9,858 | 3,909 | 5,949 |
| Interest and Fiscal Charges | 2,415 | 2,415 | 1,851 | 564 |
| Total Human Resources | 1,639,323 | 1,639,323 | 1,353,841 | 285,482 |
| Juvenile Probation: | | | | |
| Public Safety | 7,087,260 | 7,151,260 | 6,733,296 | 417,964 |
| Debt Service: | | | | - |
| Principal | - | - | 5,240 | (5,240) |
| Interest and Fiscal Charges | - | - | 1,084 | (1,084) |
| Total Juvenile Probation | 7,087,260 | 7,151,260 | 6,739,620 | 411,640 |

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, 2014
Page 5 of 7

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|-----------------------------------|----------------------------|-------------------------|------------------|--|
| Non-Departmental: | | | | |
| General Government | 1,012,326 | 1,070,326 | 1,105,014 | (34,688) |
| Public Safety | 317,137 | 217,137 | 171,551 | 45,586 |
| Utilities & Environment | 648,457 | 648,457 | 648,808 | (351) |
| Transportation | 6,014 | 6,014 | - | 6,014 |
| Economic Environment | 226,000 | 226,000 | 211,346 | 14,654 |
| Transfers Out | 2,761,294 | 2,691,294 | 2,510,706 | 180,588 |
| Total Non-Departmental | 4,971,228 | 4,859,228 | 4,647,425 | 211,803 |
| Planning: | | | | |
| Economic Environment | 2,022,553 | 2,012,481 | 1,290,113 | 722,368 |
| Total Planning | 2,022,553 | 2,012,481 | 1,290,113 | 722,368 |
| Prosecuting Attorney: | | | | |
| Public Safety | 7,625,922 | 7,874,386 | 7,817,892 | 56,494 |
| Capital Outlay | - | 60,461 | 13,449 | 47,012 |
| Debt Service: | | | | |
| Principal | 20,300 | 20,300 | 18,836 | 1,464 |
| Interest and Fiscal Charges | 5,300 | 5,300 | 5,663 | (363) |
| Total Prosecuting Attorney | 7,651,522 | 7,960,447 | 7,855,840 | 104,607 |
| State Examiner: | | | | |
| General Government | 115,000 | 115,000 | 99,256 | 15,744 |
| Total State Examiner | 115,000 | 115,000 | 99,256 | 15,744 |

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, 2014
Page 6 of 7

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|--|-------------------------------------|----------------------------------|------------------------|--|
| Sheriff: | | | | |
| Public Safety | 15,667,130 | 16,144,750 | 16,029,051 | 115,699 |
| Capital Outlay | 5,000 | 5,000 | 44,500 | (39,500) |
| Principal | 8,759 | 9,079 | 10,743 | (1,664) |
| Interest and Fiscal Charges | 2,825 | 2,867 | 2,039 | 828 |
| Total Sheriff | 15,683,714 | 16,161,696 | 16,086,333 | 75,363 |
| Superior Court: | | | | |
| Public Safety | 5,589,952 | 5,751,487 | 5,043,861 | 707,626 |
| Capital Outlay | - | - | 13,281 | (13,281) |
| Debt Service: | | | | |
| Principal | 11,800 | 11,800 | 4,809 | 6,991 |
| Interest and Fiscal Charges | 2,023 | 2,023 | 2,005 | 18 |
| Total Superior Court | 5,603,775 | 5,765,310 | 5,063,956 | 701,354 |
| Treasurer's Office | | | | |
| General Government | 1,173,186 | 1,173,186 | 1,105,302 | 67,884 |
| Total Treasurer's Office | 1,173,186 | 1,173,186 | 1,105,302 | 67,884 |
| WSU Extension | | | | |
| Culture and Recreation | 340,446 | 340,446 | 324,805 | 15,641 |
| Debt Service: | | | | |
| Principal | 1,417 | 1,417 | 2,195 | (778) |
| Interest and Fiscal Charges | 1,615 | 1,615 | 1,108 | 507 |
| Total WSU Extension | 343,478 | 343,478 | 328,108 | 15,370 |
| Total General Fund Expenditures | 86,949,205 | 88,693,161 | 85,145,877 | 3,547,284 |

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, 2014
Page 7 of 7

Reconciliation of Budgetary Perspective Differences Due to GASB 54:

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|---|-------------------------------------|----------------------------------|------------------------|--|
| Fair: | | | | |
| Culture and Recreation | 506,595 | 593,495 | 517,434 | 76,061 |
| Capital Outlay | - | - | 69,526 | (69,526) |
| Total Fair | 506,595 | 593,495 | 586,960 | 6,535 |
| Prisoner Concession: | | | | |
| Public Safety | 247,762 | 375,046 | 358,674 | 16,372 |
| Total Prisoner Concession | 247,762 | 375,046 | 358,674 | 16,372 |
| Recreation Services: | | | | |
| Culture and Recreation | 13,432 | 7,322 | 7,273 | 49 |
| Economic Environment | 277,114 | 283,224 | 245,539 | 37,685 |
| Total Recreation Services | 290,546 | 290,546 | 252,812 | 37,734 |
| Total GASB 54 Expenditures | 1,044,903 | 1,259,087 | 1,198,446 | 60,641 |
| Total Reported General Fund Expenditures | 87,994,108 | 89,952,248 | 86,344,323 | 3,607,925 |
| Net Changes in Fund Balances | (1,992,264) | (2,043,450) | 977,248 | 3,020,698 |
| Fund Balances as of January 1 | 9,193,888 | 9,540,935 | 10,827,996 | 1,287,061 |
| Fund Balances as of December 31 | \$ 7,201,624 | \$ 7,497,485 | \$ 11,805,244 | \$ 4,307,759 |

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, 2014

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|--|-------------------------------------|----------------------------------|------------------------|--|
| Revenues: | | | | |
| Taxes | \$ 9,806,156 | \$ 9,806,156 | \$ 9,788,869 | \$ (17,287) |
| Intergovernmental | 59,320 | 59,320 | 56,402 | (2,918) |
| Charges for Services | 24,030 | 24,030 | 4,329 | (19,701) |
| Miscellaneous Revenue | 304,370 | 304,370 | 118,002 | (186,368) |
| Total Revenues | 10,193,876 | 10,193,876 | 9,967,602 | (226,274) |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| Health & Human Services | 12,106,684 | 12,106,684 | 11,141,994 | 964,690 |
| Capital Outlay | 718,080 | 718,080 | 390,469 | 327,611 |
| <i>Debt Service:</i> | | | | |
| Principal | 3,053 | 3,053 | 3,053 | - |
| Interest & Fiscal Charges | 1,861 | 1,861 | 1,861 | - |
| Total Expenditures | 12,829,678 | 12,829,678 | 11,537,377 | 1,292,301 |
| Excess (Deficiency) of Revenues Over Expenditures | (2,635,802) | (2,635,802) | (1,569,775) | 1,066,027 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 33,000 | 33,000 | 91,965 | 58,965 |
| Transfers In | 14,998 | 34,998 | 8,498 | (26,500) |
| Transfers Out | (6,500) | (26,500) | - | 26,500 |
| Total Other Financing Sources (Uses) | 41,498 | 41,498 | 100,463 | 58,965 |
| Net Changes In Fund Balances | (2,594,304) | (2,594,304) | (1,469,312) | 1,124,992 |
| Fund Balances as of January 1 | 17,717,989 | 18,242,247 | 18,242,347 | 100 |
| Fund Balances as of December 31 | \$ 15,123,685 | \$ 15,647,943 | \$ 16,773,035 | \$ 1,125,092 |

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, 2014

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|--|-------------------------------------|----------------------------------|------------------------|--|
| Revenues: | | | | |
| Taxes | \$ 822,663 | \$ 822,663 | \$ 804,737 | \$ (17,926) |
| Licenses & Permits | 622,773 | 622,773 | 654,319 | 31,546 |
| Intergovernmental | 15,345,965 | 17,100,519 | 13,387,722 | (3,712,797) |
| Charges for Services | 22,112,176 | 22,592,176 | 31,665,737 | 9,073,561 |
| Miscellaneous Revenue | 608,887 | 608,887 | 723,910 | 115,023 |
| Total Revenues | 39,512,464 | 41,747,018 | 47,236,425 | 5,489,407 |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| Health & Human Services | 44,293,359 | 46,399,213 | 40,138,986 | 6,260,227 |
| Capital Outlay | 70,000 | 70,000 | 16,570 | 53,430 |
| <i>Debt Service:</i> | | | | |
| Principal | 15,784 | 15,784 | 15,785 | (1) |
| Interest & Fiscal Charges | 1,584 | 1,584 | 1,082 | 502 |
| Total Expenditures | 44,380,727 | 46,486,581 | 40,172,423 | 6,314,158 |
| Excess (Deficiency) of Revenues Over Expenditures | (4,868,263) | (4,739,563) | 7,064,002 | 11,803,565 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 11,250 | 11,250 | 5,967 | (5,283) |
| Transfers In | 2,767,677 | 2,767,677 | 2,565,387 | (202,290) |
| Transfers Out | (30,600) | (159,300) | (128,700) | 30,600 |
| Total Other Financing Sources (Uses) | 2,748,327 | 2,619,627 | 2,442,654 | (176,973) |
| Net Changes In Fund Balances | (2,119,936) | (2,119,936) | 9,506,656 | 11,626,592 |
| Fund Balances as of January 1 | 15,581,352 | 19,011,885 | 19,012,235 | 350 |
| Fund Balances as of December 31 | \$ 13,461,416 | \$ 16,891,949 | \$ 28,518,891 | \$ 11,626,942 |

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, 2014

| | Original 2014 Budget | Final 2014 Budget | Actual 2014 | Variance with Final Budget Positive or (Negative) |
|--|----------------------------|-------------------------|----------------------|--|
| Revenues: | | | | |
| Taxes | \$ 17,693,974 | \$ 17,693,974 | \$ 17,631,269 | \$ (62,705) |
| Licenses & Permits | 503,000 | 503,000 | 481,039 | (21,961) |
| Intergovernmental | 12,276,996 | 18,393,396 | 14,693,163 | (3,700,233) |
| Charges for Services | 1,205,022 | 1,205,022 | 748,594 | (456,428) |
| Miscellaneous Revenue | 85,600 | 85,600 | 76,704 | (8,896) |
| Total Revenues | 31,764,592 | 37,880,992 | 33,630,769 | (4,250,223) |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| Culture & Recreation | 923,436 | 923,436 | 898,144 | 25,292 |
| Transportation | 21,205,867 | 22,342,388 | 20,052,962 | 2,289,426 |
| Capital Outlay | 11,346,979 | 17,820,621 | 11,536,841 | 6,283,780 |
| <i>Debt Service:</i> | | | | |
| Principal | 75,922 | 14,606 | 13,747 | 859 |
| Interest & Fiscal Charges | 19,615 | 2,815 | 5,154 | (2,339) |
| Total Expenditures | 33,571,819 | 41,103,866 | 32,506,848 | 8,597,018 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,807,227) | (3,222,874) | 1,123,921 | 4,346,795 |
| Other Financing Sources (Uses) | | | | |
| Capital Lease Financing | - | - | 14,119 | 14,119 |
| Sale of Capital Assets | 170,000 | 170,000 | 393,693 | 223,693 |
| Transfers In | 1,671,122 | 2,330,006 | 486,864 | (1,843,142) |
| Transfers Out | (1,915,357) | (2,652,357) | (877,816) | 1,774,541 |
| Total Other Financing Sources (Uses) | (74,235) | (152,351) | 16,860 | 169,211 |
| Net Changes In Fund Balances | (1,881,462) | (3,375,225) | 1,140,781 | 4,516,006 |
| Fund Balances as of January 1 | 9,527,168 | 16,659,170 | 16,659,369 | 199 |
| Fund Balances as of December 31 | \$ 7,645,706 | \$ 13,283,945 | \$ 17,800,150 | \$ 4,516,205 |

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2014
Page 1 of 2

Enterprise Funds

| | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|----------------|----------------|----------------|------------------------------|------------------------------|------------------------------|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash & Pooled Investments | \$ 21,989,046 | \$ 2,212,990 | \$ 5,322,901 | \$ 2,650,190 | \$ 32,175,127 | \$ 35,921,629 |
| <i>Receivables:</i> | | | | | | |
| Special Assessment Receivables | - | 124,298 | 283,568 | 52,774 | 460,640 | - |
| Accrued Interest & Penalties | - | 43,243 | 5,829 | 3,941 | 53,013 | 11,170 |
| Customer Account Receivables | 1,190,187 | 252,287 | - | 129,108 | 1,571,582 | 351,844 |
| Due From Other Funds | 41,388 | 9,947 | 547,470 | 221,169 | 819,974 | 180,987 |
| Due From Other Government Units | 430,593 | - | 177,805 | - | 608,398 | 95,501 |
| Inventory | - | - | - | - | - | 293,193 |
| Prepayments | 105,292 | - | 463 | 1,791 | 107,546 | 40,113 |
| <i>Restricted Assets:</i> | | | | | | |
| Cash and Pooled Investments | - | 247,774 | - | 145,231 | 393,005 | - |
| Total Current Assets | 23,756,506 | 2,890,539 | 6,338,036 | 3,204,204 | 36,189,285 | 36,894,437 |
| Noncurrent Assets: | | | | | | |
| Community Loans Receivable | - | - | - | 197,500 | 197,500 | - |
| Special Assessment Receivables | - | 554,923 | - | 370,644 | 925,567 | - |
| Advances to Other Funds | 3,221 | - | - | - | 3,221 | - |
| <i>Capital Assets:</i> | | | | | | |
| Non-Depreciable | 1,406,617 | 327,601 | 284,784 | 30,900 | 2,049,902 | 4,774,808 |
| Depreciable, Net | 8,742,280 | 14,307,104 | 7,194,271 | 3,598,495 | 33,842,150 | 38,381,578 |
| <i>Restricted Assets: Cash and Pooled Investments</i> | 16,125,794 | - | - | - | 16,125,794 | - |
| Total Noncurrent Assets | 26,277,912 | 15,189,628 | 7,479,055 | 4,197,539 | 53,144,134 | 43,156,386 |
| Total Assets | 50,034,418 | 18,080,167 | 13,817,091 | 7,401,743 | 89,333,419 | 80,050,823 |
| Deferred Outflow of Resources: | | | | | | |
| Deferred Amounts on Refunding | - | 184,381 | - | - | 184,381 | - |

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2014
Page 2 of 2

| | Enterprise Funds | | | | | Internal Service Funds |
|---|----------------------|----------------------|----------------------|------------------------------|------------------------------|------------------------------|
| | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds | |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | 1,349,502 | 34,063 | 144,878 | 136,363 | 1,664,806 | 1,051,809 |
| Notes/Leases Payable | 1,545 | 5,165 | 2,014 | 91,173 | 99,897 | - |
| Due To Other Funds | 225,164 | 5,736 | 190,377 | 18,509 | 439,786 | 93,625 |
| Compensated Absences | 9,158 | 2,430 | 7,734 | 8,764 | 28,086 | 32,522 |
| Claims and Judgments Payable | - | - | - | - | - | 467,101 |
| Unearned Revenue | - | 29,577 | - | 3,719 | 33,296 | - |
| Lim. Tax G. O. Bond - Current Portion | - | 915,000 | - | - | 915,000 | 102,000 |
| Spec Assessment Debt - Govern. Commitment | - | - | - | 81,018 | 81,018 | - |
| Total Current Liabilities | 1,585,369 | 991,971 | 345,003 | 339,546 | 3,261,889 | 1,747,057 |
| Noncurrent Liabilities: | | | | | | |
| Limited G.O. Bonds Payable | - | 4,499,631 | - | - | 4,499,631 | 2,063,100 |
| Special Assess. Debt - Gov. Commitment | - | - | - | 428,995 | 428,995 | - |
| Compensated Absences | 200,907 | 53,307 | 169,667 | 192,243 | 616,124 | 713,467 |
| Other Post Employment Benefits Payable | 662,830 | 65,585 | 393,891 | 537,312 | 1,659,618 | 1,758,376 |
| Claims and Judgments Payable | - | - | - | - | - | 3,938,651 |
| Notes/Leases Payable | 6,903 | 56,816 | - | 570,862 | 634,581 | - |
| Advances From Other Funds | - | - | - | - | - | 3,221 |
| Accumulated Landfill Closure Costs | 16,549,520 | - | - | - | 16,549,520 | - |
| Total Noncurrent Liabilities | 17,420,160 | 4,675,339 | 563,558 | 1,729,412 | 24,388,469 | 8,476,815 |
| Total Liabilities | 19,005,529 | 5,667,310 | 908,561 | 2,068,958 | 27,650,358 | 10,223,872 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 10,140,449 | 9,158,093 | 7,477,041 | 3,067,154 | 29,842,737 | 40,991,286 |
| Restricted For: | | | | | | |
| Postclosure | 921,387 | - | - | - | 921,387 | - |
| Debt Service | - | 967,493 | - | 569,995 | 1,537,488 | - |
| Unrestricted (Deficit) | 19,967,053 | 2,471,652 | 5,431,489 | 1,695,636 | 29,565,830 | 28,835,665 |
| Total Net Position | \$ 31,028,889 | \$ 12,597,238 | \$ 12,908,530 | \$ 5,332,785 | \$ 61,867,442 | \$ 69,826,951 |

See accompanying notes to financial statements

**Reconciliation of The Statement of
Net Position of Proprietary Funds
To The Statement of Net Position
*December 31, 2014***

| | Business Type Funds |
|---|------------------------------------|
| Enterprise net position as shown in the Proprietary Funds Statement of Net Position | \$ 61,867,442 |
| Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements. | <u>1,431,329</u> |
| Net position for business-type funds as shown in Statement of Net Position | <u><u>\$ 63,298,771</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, 2014

| | Enterprise Funds | | | | | Internal |
|---|----------------------|----------------------|----------------------|------------------------------|------------------------------|----------------------|
| | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds | Service Funds |
| Operating Revenues: | | | | | | |
| Charges for Services | \$ 20,875,869 | \$ 1,387,784 | \$ 5,878,724 | \$ 3,722,655 | \$ 31,865,032 | \$ 18,253,625 |
| Equipment Rental | - | - | - | - | - | 7,365,199 |
| Miscellaneous | 13,197 | 56,570 | 27,486 | 14,506 | 111,759 | 27,658 |
| Total Operating Revenues | 20,889,066 | 1,444,354 | 5,906,210 | 3,737,161 | 31,976,791 | 25,646,482 |
| Operating Expenses: | | | | | | |
| Salaries and Benefits | 2,503,888 | 376,064 | 2,047,447 | 2,572,347 | 7,499,746 | 8,156,252 |
| Other Supplies and Expenses | 225,617 | 76,954 | 53,220 | 117,683 | 473,474 | 2,910,204 |
| Contractual Services | 2,419,067 | 163,367 | 577,563 | 217,120 | 3,377,117 | 5,526,470 |
| Longhaul Contract | 10,929,905 | - | - | - | 10,929,905 | - |
| Interfund Services and Charges | 1,284,506 | 214,578 | 1,427,294 | 1,116,407 | 4,042,785 | 2,130,758 |
| Depreciation/Amortization | 1,162,750 | 610,512 | 343,350 | 223,090 | 2,339,702 | 4,210,315 |
| Claims Payments | - | - | - | - | - | 1,500,255 |
| Total Operating Expenses | 18,525,733 | 1,441,475 | 4,448,874 | 4,246,647 | 28,662,729 | 24,434,254 |
| Operating Income (Loss) | 2,363,333 | 2,879 | 1,457,336 | (509,486) | 3,314,062 | 1,212,228 |
| Nonoperating Revenue (Expenses): | | | | | | |
| Interest Revenue | - | 15,098 | 27,214 | 14,830 | 57,142 | 56,142 |
| Operating Grants & Contributions | 231,166 | - | 43,062 | - | 274,228 | - |
| External & Internal Tax Payments | (474,119) | (49,558) | (71,821) | (16,169) | (611,667) | (32,856) |
| Gain/Loss on Disposition of Capital Assets | - | - | - | - | - | (89,191) |
| Insurance Recoveries | - | - | - | - | - | 120 |
| Interest Expense & Fiscal Charges | (5,273) | (235,406) | (18) | (18,947) | (259,644) | (67,649) |
| Total Nonoperating Revenue (Expense) | (248,226) | (269,866) | (1,563) | (20,286) | (539,941) | (133,434) |
| Income Before Contributions and Transfers | 2,115,107 | (266,987) | 1,455,773 | (529,772) | 2,774,121 | 1,078,794 |
| Capital Grants & Contributions | - | 83,801 | 289,771 | - | 373,572 | 32,143 |
| Capital Contributions from Gov't Activities | - | - | - | - | - | 96,788 |
| Transfers In | 28,049 | 212,918 | 15,977 | 886,136 | 1,143,080 | 505,421 |
| Transfers Out | (58,211) | (5,526) | - | (5,526) | (69,263) | (1,342,232) |
| Change in Net Position | 2,084,945 | 24,206 | 1,761,521 | 350,838 | 4,221,510 | 370,914 |
| Net Position as of January 1 | 28,943,944 | 12,573,032 | 11,147,009 | 4,981,947 | 57,645,932 | 69,456,037 |
| Net Position as of December 31 | \$ 31,028,889 | \$ 12,597,238 | \$ 12,908,530 | \$ 5,332,785 | \$ 61,867,442 | \$ 69,826,951 |

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, 2014**

| | Business-Type Funds |
|---|--------------------------------|
| | <hr/> |
| Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position | \$ 4,221,510 |
| 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 | 2,252,626 |
| Allocated direct and indirect costs from the County's cost plan | <hr/> (1,321,100) |
| Change in net position for business-type funds as shown in the Statement of Activities | \$ <u><u>5,153,036</u></u> |

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2014
Page 1 of 2

Enterprise Funds

| | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|------------------------|------------------------|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Cash Flows from Operating Activities: | | | | | | |
| Cash Received from Customers | \$ 22,619,790 | \$ 1,426,125 | \$ 5,383,241 | \$ 3,536,392 | \$ 32,965,548 | \$ 26,475,924 |
| Cash Paid for Goods & Services | (16,209,954) | (445,105) | (2,117,081) | (1,464,065) | (20,236,205) | (12,969,417) |
| Cash Paid to Employees | (2,443,271) | (350,589) | (1,962,451) | (2,526,939) | (7,283,250) | (7,952,501) |
| Net Cash Provided (Used) by Operating Activities | 3,966,565 | 630,431 | 1,303,709 | (454,612) | 5,446,093 | 5,554,006 |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Transfers In | 28,049 | 212,918 | 15,977 | 886,136 | 1,143,080 | 505,421 |
| Transfers Out | (58,211) | (5,526) | - | (5,526) | (69,263) | (1,342,232) |
| Advances Issued to other Funds | 38,148 | - | - | - | 38,148 | - |
| Advances Received from other Funds | - | - | - | - | - | (38,148) |
| Grant Proceeds | 105,227 | - | 43,062 | - | 148,289 | - |
| Tax and Assessment Receipts | - | - | (63,773) | - | (63,773) | (32,856) |
| Community Loans Issued to Homeowners | - | - | - | 51,659 | 51,659 | - |
| Community Loan Financing Payments | - | - | - | (56,457) | (56,457) | - |
| Community Loan Financing Proceeds | - | - | - | 17,439 | 17,439 | - |
| Insurance Recoveries | - | - | - | - | - | 120 |
| Tax Payments | (474,119) | (49,558) | (71,821) | (16,169) | (611,667) | - |
| Interest Payments | - | - | - | (19,671) | (19,671) | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | (360,906) | 157,834 | (76,555) | 857,411 | 577,784 | (907,695) |
| Cash Flows from Capital & Related Financing Activities: | | | | | | |
| Cash Proceeds (Loss) from Sale of Capital Assets | - | - | - | 1,053 | 1,053 | (30,396) |
| Capital Asset Purchases | (224,914) | (16,753) | (359,253) | - | (600,920) | (2,272,475) |
| Bond/Loan Payments | - | (956,526) | (3,440) | (115,080) | (1,075,046) | (178,201) |
| Bond/Loan Proceeds | 3,609 | - | - | - | 3,609 | - |
| Grant Proceeds | - | - | 127,390 | - | 127,390 | - |
| Contributed Capital | - | 83,801 | - | - | 83,801 | - |
| Assessment Receipts | - | 278,214 | - | 100,086 | 378,300 | - |
| Interest Payments | (5,273) | (199,054) | (18) | 723 | (203,622) | (67,649) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | (226,578) | (810,318) | (235,321) | (13,218) | (1,285,435) | (2,548,721) |
| Cash Flows from Investing Activities: | | | | | | |
| Interest Receipts | - | 35,344 | 26,958 | 14,530 | 76,832 | 58,190 |
| Net Cash Provided (Used) by Investing Activities | - | 35,344 | 26,958 | 14,530 | 76,832 | 58,190 |
| Net Increase (Decrease) in Cash & Cash Equivalents | | | | | | |
| Cash & Cash Equivalents as of January 1 | 34,735,759 | 2,447,473 | 4,304,110 | 2,391,310 | 43,878,652 | 33,765,849 |
| Cash & Cash Equivalents as of December 31 | \$ 38,114,840 | \$ 2,460,764 | \$ 5,322,901 | \$ 2,795,421 | \$ 48,693,926 | \$ 35,921,629 |

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2014
Page 2 of 2

Enterprise Funds

| | Solid Waste | Grand Mound | Storm Water | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|------------------------|------------------------|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Reconciliation of Operating Income To Net Cash | | | | | | |
| Provided (Used) by Operating Income: | | | | | | |
| Operating Income | \$ 2,363,333 | \$ 2,879 | \$ 1,457,336 | \$ (509,486) | \$ 3,314,062 | \$ 1,212,228 |
| Adjustments to Reconcile Operating Income to | | | | | | |
| Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation Expense | 1,162,750 | 610,512 | 343,350 | 223,090 | 2,339,702 | 4,210,315 |
| (Increase) Decrease in: | | | | | | |
| Customer Account Receivables | 783,026 | (16,658) | - | (18,675) | 747,693 | (116,306) |
| Due from Other Funds | 947,698 | (7,071) | (522,969) | (183,462) | 234,196 | 852,124 |
| Due from Other Government Units | - | - | - | - | - | 93,624 |
| Inventories | - | - | - | - | - | (1,568) |
| Prepaid Expense | - | - | - | - | - | (8,875) |
| Increase (Decrease) in: | | | | | | |
| Accounts Payable | 269,917 | 4,658 | (135,481) | (26,153) | 112,941 | (405,478) |
| Due to Other Funds | (865,583) | 5,136 | 76,477 | 13,298 | (770,672) | (806,015) |
| Claims and Judgments | - | - | - | - | - | 320,206 |
| Unearned Revenue | - | 5,500 | - | 1,368 | 6,868 | - |
| Compensated Absences Payable | 60,617 | 25,475 | 84,996 | 45,408 | 216,496 | 203,751 |
| Accumulated Landfill Closure | (755,193) | - | - | - | (755,193) | - |
| Total Adjustments | 1,603,232 | 627,552 | (153,627) | 54,874 | 2,132,031 | 4,341,778 |
| Net Cash Provided (Used) by Operating Activities | \$ 3,966,565 | \$ 630,431 | \$ 1,303,709 | \$ (454,612) | \$ 5,446,093 | \$ 5,554,006 |

Noncash Investing, Capital, and Financing

Activities:

Disposition of Capital Assets:

| | | | | | | |
|---------------------|------|------|------|------|------|--------------|
| Gain of Disposition | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 588,208 |
| Loss on Disposition | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (647,003) |

Prior Period Adjustments:

| | | | | | | |
|----------------------------------|----------|------|------|------|----------|-----------|
| Capital Lease Financing Proceeds | \$ 3,609 | \$ - | \$ - | \$ - | \$ 3,609 | \$ - |
| Contribution of Capital Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 96,788 |

See accompanying notes to financial statements

Statement Of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

| ASSETS | Investment Trust Fund | Private Purpose Trust Fund | Agency Funds |
|---|----------------------------------|---|-------------------------|
| Assets: | | | |
| Cash & Pooled Investments | \$ 443,947,301 | \$ 1,666,733 | \$ 13,675,911 |
| Cash and Investments in Trust | - | - | 431,096 |
| Deposits with Fiscal Agent | - | - | 10,000 |
| Receivables: | | | |
| Accrued Interest Receivables | 55,246 | - | - |
| Customer Account Receivables | 6,349 | - | - |
| Investments at Fair Value: | | | |
| US Agency & Instrumentality Securities | (1,859,339) | - | - |
| Total Assets | 442,149,557 | 1,666,733 | 14,117,007 |
| LIABILITIES | | | |
| Liabilities: | | | |
| Warrant Payable | - | - | 12,333,510 |
| Accounts Payable | - | - | 363,961 |
| Payroll Payable | - | - | 978,440 |
| Due to Other Governments | - | - | 441,096 |
| Total Liabilities | - | - | 14,117,007 |
| NET POSITION | | | |
| Investments Held in Trust for Pool Participants | 442,149,557 | - | - |
| Investments Held in Trust for Other Purposes | - | 1,666,733 | - |
| Total Net Position | \$ 442,149,557 | \$ 1,666,733 | \$ - |

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended December 31, 2014

| | Investment Trust Fund | Private Purpose Trust Fund |
|---|------------------------------|----------------------------------|
| Additions: | | |
| Contributions: | | |
| Additions By Participants | \$ 1,347,026,549 | \$ 12,189,702 |
| Trust Revenues | 196,641 | - |
| Total Contributions | <u>1,347,223,190</u> | <u>12,189,702</u> |
| Investment Income: | | |
| Net Increase In Fair Value Of Investments | 1,102,098 | - |
| Interest, Dividends and Other | 2,690,929 | 341 |
| Total Investment Income | <u>3,793,027</u> | <u>341</u> |
| Total Additions | <u>1,351,016,217</u> | <u>12,190,043</u> |
| Deductions: | | |
| Distributions to Participants | 1,256,380,939 | 11,756,223 |
| Trust Administrative Costs | 196,641 | - |
| Total Deductions | <u>1,256,577,580</u> | <u>11,756,223</u> |
| Change in Net Position Held for Individuals, Organizations and Other Governments | 94,438,637 | 433,820 |
| Net Position as of January 1 - Restated | <u>347,710,920</u> | <u>1,232,913</u> |
| Net Position as of December 31 | <u><u>\$ 442,149,557</u></u> | <u><u>\$ 1,666,733</u></u> |

See accompanying notes to financial statements

THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

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. The County has no component units for which it is financially accountable. Thurston County is a statute county, which means the organization of the county is prescribed by state statute. The County has a commissioner form of government with a governing body consisting of three county commissioners.

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.

The TBD is 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 a 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. Since the TBD was created by ordinance on the last day of 2014, it did not collect any revenues in 2014. As such, there is no financial operations for the TBD to report this year. It is expected that the TBD will begin to collect revenues and transfer them to the county during 2015.

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The County reports the following major governmental funds:

- *General Fund* - is the County's primary operating fund. It is used to account for all activities of the general government not accounted for in another fund.
- *Roads Special Revenue Fund* – accounts for the design, construction, and maintenance of county roads. Most of the revenues for this fund come from transportation related taxes and grants.
- *Medic One Special Revenue Fund* - accounts for countywide delivery of advanced life support response and transport services. The revenues for this fund come from a portion of the County's property tax levy.

- *Public Health and Social Services Special Revenue Fund* - accounts for the following services: mental health, developmental disabilities, substance abuse prevention & treatment, children and family, environmental protection, and personal health. Most of the revenues in this fund come from health related state and federal grants.

The County reports the following major proprietary funds:

- *Solid Waste* - accounts for county-wide solid waste activities including waste prevention, recycling and disposal activities at the County's waste and recovery center.
- *Grand Mound Water and Wastewater* - accounts for maintenance and operations of the Grand Mound water & wastewater systems.
- *Storm & Surface Water Utility* – accounts for assessments levied to minimize the harmful effects of storm water runoff and to construct and improve storm water run-off facilities within the utility's boundaries in unincorporated Thurston County.

Additionally, the County reports the following fund types:

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

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

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

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

D. Budgetary Information

1. Scope of Budget

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

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

2. Amending the Budget

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

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

E. Assets, Liabilities, Fund Balance and Net Position

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

It is the County's policy to invest all temporary cash surpluses. At December 31, 2014, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note IV. This amount is classified on the balance sheet as cash and pooled investments in various funds. The interest on these investments is allocated to the various funds on an average daily balance basis.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the year was approximately \$6,724,600.

The County's cash and cash equivalents are considered to be cash on hand and demand deposits. The county pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested, in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Earnings on cash and cash equivalents accrue to the individual fund owning the cash, with the exception of the following funds, which accrue to the County's General Fund: Law Library, Auditor's Maintenance &

Operation, Treatment Sales Tax, Roads Operations, Solid Waste, Insurance Risk, Central Services, Equipment Rental & Revolving, and Agency Clearing Funds. For the purposes of the statement of cash flows, the County considers all amounts invested in its cash pool to be cash and cash equivalents. All other investments, if applicable, are reported as investments at cost. For more information on the County's investments, see Note IV – Deposits and Investments.

2. Receivables (See Note VII – Receivable Balances)

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

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

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

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

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

Activity between funds that are representative of lending/borrowing arrangements and outstanding at year end are reported in the fund financial statements as interfund loans receivable and payable if due within one year or advances to and from other funds if due within more than one year. Advances to other funds are offset by a non-spendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources. A separate schedule of advances to and from other funds is furnished in Note IX - Interfund Receivables and Payables. All other outstanding balances between funds, including interfund loans receivable and payable due within one year, are reported as "due to/from other funds". The County reports accrued wages payable as accounts payable, whenever possible, for simplicity.

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

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

4. Inventories and Prepaid Items

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

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

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

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

Capital assets, which include land, buildings, improvements to land and buildings, vehicles, machinery, equipment, easements, construction in progress and infrastructure assets and all other tangible and intangible assets used in operations, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Infrastructure assets are usually stationary and normally can be preserved a significantly greater number of years than most other capital assets. Examples of infrastructure include roads, bridges, drainage systems, sidewalks, trails and paths, and water and sewer systems. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more, including ancillary costs, with an estimated useful life in excess of one year.

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

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

Improvements to capital assets that replace depreciated assets, or materially add to the value or extend the life of the asset, are capitalized. Other repairs or normal maintenance are expensed. Outlays for capital assets and improvements are capitalized as projects when constructed. The net book values of infrastructure assets are removed from the system when fully depreciated. The net book values of all other fully and partially depreciated assets are retained within the system until replaced or sold.

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

| Asset Class | Estimated Useful Life |
|-----------------------|------------------------------|
| Machinery & Equipment | 3 – 20 years |
| Improvements | 10 – 40 years |
| Buildings | 10 – 40 years |
| Infrastructure | 15 – 50 years |

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

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

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

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

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

When bonds are sold by a governmental fund, bond premiums and discounts are recognized in the fund financial statements in the current period. The face amount of debt is reported as other financing sources. Issuance costs are reported as debt service expenditures. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Amounts reserved for long-term debt are shown as restricted fund balance in the fund financial statements and restricted net position in the statement of net position.

8. Unearned Revenue

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

9. Rebateable Arbitrage

Thurston County has not incurred any rebateable arbitrage as of December 31, 2013. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

10. Net Position

Fund equity is recognized as net position in proprietary funds and entity wide statements. A portion of the County's net position are subject to external legal restrictions on how they may be used and therefore are not available for general spending at the discretion of the county. This is considered restricted net position. Examples include fees and charges for services levied for a specific purpose or use, operating/capital grants restricted by the grantor, and Solid Waste cash and investments restricted to fund a 30 year landfill post-closure care period (see Note XIV – Closure and Post Closure Care Costs). Unless otherwise noted, net position is unreserved and undesignated. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources, if available, before accessing and using unrestricted resources to finance the County's ongoing operations as reported in the Statements of Net Position and Activities.

11. Fund Balance Classification

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

In relation to this statement, the County has adopted policy/procedure #2200. Specifics of this are as follows:

- The Board of County Commissioners (BoCC) is the highest level of decision making authority for the County. It has the authority to set aside governmental funds for a specific purpose. For funds to be set aside as committed for any purpose, a formal resolution by the BoCC is required to be passed, on or prior to, December 31st of the applicable calendar year. The same action is required by the BoCC to remove a commitment of fund balance.
- Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The BoCC, through policy, has authorized the County's Financial Management Committee (FMC) to assign fund balance. The FMC is a three-member committee made up of the County Manager, County Auditor and the County Treasurer. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- When both restricted and unrestricted funds are available for expenditure, it is County policy that restricted funds be depleted first, before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last, unless legal requirements disallow it. It is also County policy that when committed, assigned and unassigned funds are available for expenditure, it is assumed that committed funds are spent first, assigned funds second, and unassigned funds last.

12. Minimum Fund Balance

The County's formal adopted minimum fund balance policy for the General Fund stipulates that the minimum balance 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 \$439,947,259 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 | \$ 437,820,315 |
| Distribution of Governmental Assets from Internal Service Funds | 37,377 |
| Gains (Losses) and Adjustments on Dispositions of Capital Assets | 1,844,849 |
| Governmental Capital Outlays | 12,182,681 |
| Governmental Depreciation & Amortization Expense | <u>(11,860,633)</u> |
| Governmental Net Book Value - End of Current Year | <u><u>\$ 440,024,589</u></u> |

Another element of the reconciliation, as detailed below, was for \$78,821,829 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 | \$ 84,065,859 |
| Bond/Note Proceeds | 73,534 |
| Amortization of Unamortized Premium & Reclassification of Deferred Amount on Refunding per GASB 65 | (106,525) |
| Principal Payments | <u>(5,211,039)</u> |
| Computed Governmental Debt - End of Current Year | <u><u>\$ 78,821,829</u></u> |

A third element of the reconciliation, as detailed below, was for \$69,826,951 because assets and liabilities of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net position:

| | |
|--|-----------------------------|
| Net Position - End of Prior Year | \$ 69,456,037 |
| Reclassification of Internal Service Assets as Governmental Assets | (37,377) |
| Net Transfers In/Out | (836,811) |
| Contributed Capital | 96,788 |
| Net Profit | 1,148,314 |
| Net Position - End of Current Year | <u><u>\$ 69,826,951</u></u> |

| | |
|------------------------------------|-----------------------------|
| Cash | \$ 35,921,629 |
| Capital Assets | 43,156,386 |
| Other Assets | 972,808 |
| Claims and Judgments Payable | (3,938,651) |
| Other Liabilities | (6,285,221) |
| Net Position - End of Current Year | <u><u>\$ 69,826,951</u></u> |

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

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

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

B. Excess of Expenditures Over Appropriations

There was one instance of a budget over-expenditure non-major capital projects fund reported in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual for the year ended December 31, 2014. That fund is titled County Buildings Fund and the amount of the budget over-expenditure was \$136,208. This over-expenditure was authorized by a Board resolution that terminated this fund during the year.

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

NOTE IV – DEPOSITS AND INVESTMENTS

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

A. Deposits

All receipts received by the Treasurer are deposited into qualified bank depositaries as specified by the Washington Public Deposit Protection Commission (PDPC). All deposits, including money markets and certificates of deposits are entirely covered by federal depositary insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington PDPC. The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. PDPC coverage is of the nature of insurance pursuant to the Governmental Accounting Standards Board Statement No. 3. All deposits held at December 31, 2014 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, 2014 were \$11,129,521.91.

B. Investments

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

The investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. The Bank of New York Mellon acts as safekeeping agent for the Thurston County Treasurer. During 2013 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

As of December 31, 2014, the County's investment values and maturities for pool and individual fund investments are as follows:

| Investment Type | Book Value | Weighted Average Maturity (Years) |
|---------------------------------|----------------|-----------------------------------|
| Pool Investments: | | |
| State Investment Pool | \$ 144,000,000 | 0.00 |
| Municipal Bonds | 8,855,000 | 1.60 |
| CD's | 10,000,000 | 1.25 |
| US Treasury & Agency Securities | 474,199,286 | 2.30 |
| Total Pool Investments | \$ 637,054,286 | 1.71 |

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

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

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

The ratings of debt securities as of December 31, 2014 are:

| US Agency Security | S&P Rating |
|--|-----------------------|
| Fannie Mae (Federal National Mortgage Association) | AA+ |
| Freddie Mac (Federal Home Loan Mortgage Corporation) | AA+ |
| Federal Home Loan Bank | AA+ |
| Federal Farm Credit Bank | AA+ |
| Washington State Investment Pool | Not Rated |

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

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

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

Schedules of Deposits and Investments

Composition of Cash & Investments December 31, 2014

| | Total | Pooled Cash Investments | Non-Pooled Cash & Investments |
|--|-----------------------|-------------------------|-------------------------------|
| State Investment Pool | \$ 144,000,000 | \$ 144,000,000 | \$ - |
| Municipal Bonds | 8,855,000 | 8,855,000 | - |
| CD's | 10,000,000 | 10,000,000 | - |
| US Treasury & Agency Securities | 474,199,286 | 474,199,286 | - |
| Total Investment Pool Investments | 637,054,286 | 637,054,286 | - |
| Deposits With Financial Institutions | 11,129,522 | 11,129,522 | - |
| Net Increase (Decrease) in Fair Value of Investments | (1,859,339) | (1,859,339) | - |
| Pool Accruals | 202,656 | 202,656 | - |
| Total Investment Pool Cash & Investments | 646,527,125 | 646,527,125 | - |
| Fiscal and Petty Cash | 43,346 | - | 43,346 |
| Clerk's Trust Funds | 1,666,733 | - | 1,666,733 |
| Total Reported Cash & Investments | \$ 648,237,204 | \$ 646,527,125 | \$ 1,710,079 |

Reconciliation of Cash & Investments to Statements December 31, 2014

| | Total | Statements of | Net Position |
|---|-----------------------|------------------------|-----------------------|
| | | Fiduciary Net Position | |
| Cash & Pooled Investments - County Funds | \$ 190,270,561 | \$ - | \$ 190,270,561 |
| Cash & Pooled Investments - Investment Trust Fund | 443,947,301 | 443,947,301 | - |
| Cash & Pooled Investments - Agency Funds | 14,107,007 | 14,107,007 | - |
| Net Increase (Decrease) in Investment Fair Value | (1,859,339) | (1,859,339) | - |
| Pool Accruals | 61,595 | 61,595 | - |
| Total Investment Pool Cash & Investments | 646,527,125 | 456,256,564 | 190,270,561 |
| Fiscal and Petty Cash | 43,346 | 10,000 | 33,346 |
| Private Purpose Trust Funds | 1,666,733 | 1,666,733 | - |
| Total Reported Cash & Investments | \$ 648,237,204 | \$ 457,933,297 | \$ 190,303,907 |

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

Restricted and Unrestricted Cash & Investments December 31, 2014

| | Total | Restricted | Unrestricted |
|---------------------------|-----------------------|-----------------------|-----------------------|
| Cash & Pooled Investments | \$ 648,237,204 | \$ 474,452,096 | \$ 173,785,108 |
| Total | \$ 648,237,204 | \$ 474,452,096 | \$ 173,785,108 |

C. Thurston County Investment Pool (TCIP)

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

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

The TCIP experienced a net decrease in the fair value of the investments during 2014. At 12/31/2014, the market value of investments was \$1,853,895 lower than the amortized cost. These unrealized losses will not be recognized in the various funds as management intends to hold these investments to maturity, unless value is gained by swapping out securities at a premium, recognizing income and reinvesting in a replacement security that balances out specific categories such as maturities, effective duration or types of investments. During 2014, TCIP sold one investment with a total realized gain of \$5,850.

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

Participation in the TCIP is voluntary. Districts do have the option to participate in the TCIP or they can have the Treasurer manage their cash and investments outside of the TCIP by requesting specific investment amounts and maturity dates. Currently, there are no outside districts with investments outside the TCIP.

A condensed statement of net position and statement of changes in net position for the external portion of the investment trust pool and the Clerk's private purpose trust fund at December 31, 2014 is reported in the following schedule:

**Condensed Statement of Net Position
December 31, 2014**

| | Investment Trust Fund | Private Purpose Trust Fund |
|--|-----------------------------|-------------------------------------|
| Cash, Cash Equivalents, Investments and Pooled Investments | \$ 456,256,564 | \$ 1,666,733 |
| Total Assets | 456,256,564 | 1,666,733 |
| Pool Liabilities | (14,107,007) | - |
| Total Liabilities | (14,107,007) | - |
| Net Position Held in Trust for Pool Participants | \$ 442,149,557 | \$ 1,666,733 |

**Condensed Statement of Changes in Net Position
December 31, 2014**

| | Investment Trust Fund | Private Purpose Trust Fund |
|---|-----------------------------|-------------------------------------|
| Changes in Net Position Resulting from Operations | \$ 2,690,929 | \$ 341 |
| Earnings Distributions to Participants | (2,690,929) | (341) |
| Changes in Net Position Resulting from Depositor Transactions | 94,438,637 | 433,820 |
| Net Position Available | 94,438,637 | 433,820 |
| Net Position Beginning of Year | 347,710,920 | 1,232,913 |
| Net Position End of Year | \$ 442,149,557 | \$ 1,666,733 |

NOTE V – PROPERTY TAXES

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

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

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

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

1. The district budget is one of the limitations on taxation.
2. The amount authorized by a district in their resolution or ordinance is another limitation on taxation. When district officials need to increase their budget over the spending of the previous year, they are required to pass one or more resolutions (or ordinances).
3. Statutory dollar rate limits are specified for regular property tax levy rates for most types of taxing districts in RCW 84.52.043.
4. As a result of the passage of Initiative 747 in 2001, allowable annual increases in levy amounts were reduced from 6 percent to 1 percent. Initiative 747 was found unconstitutional by King County Superior Court in June 2006. During the 2007 special legislative session, HB 2416 reinstated the 1 percent levy limit for taxing districts. This limit provides that the levy for a taxing district in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district since 1985 plus an additional dollar amount for increases in assessed value due to new construction and any increase in the assessed value of state assessed property times the preceding years levy rate.
5. Most taxing districts are authorized by state law to levy a certain rate each year without approval by the voters; these are commonly referred to as regular levies. The aggregate levies of junior taxing districts and senior taxing districts, other than the state, shall not exceed five dollars and ninety cents per thousand dollars of assessed valuations (RCW 84.52.043). At the county level this limitation does not apply to the Conservation Futures or Medic One levies.
6. The Washington State Constitution limits total regular property taxes to 1 percent of true and fair market valuation. This limit would equate to a regular levy rate of \$10 per \$1,000 of assessed value if the property were assessed at its true and fair value. If taxes for regular districts (excluding the Port & PUD) exceed this amount, the proration order starts with junior taxing districts first, then senior taxing districts, if necessary, until the total is at the 1 percent limit.

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

The following identifies the tax rates levied in 2013 for collection in 2014:

| | Levy In Dollars Per Thousand | Assessed Value | Total Levy |
|--------------|---------------------------------|-------------------|---------------|
| General Fund | \$ 1.3558 | \$ 25,260,667,503 | \$ 34,249,530 |
| Medic One | \$ 0.3855 | \$ 25,260,667,503 | \$ 9,738,937 |
| Roads | \$ 1.6505 | \$ 12,518,263,339 | \$ 20,661,714 |

NOTE VI – CAPITAL ASSETS AND COMMITMENTS

A. Capital Assets

Capital assets activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance 01/01/2014 | Increases | Decreases & Adjustments | Ending Balance 12/31/2014 |
|--|------------------------------------|-----------|----------------------------|---------------------------------|
|--|------------------------------------|-----------|----------------------------|---------------------------------|

GOVERNMENTAL TYPE ACTIVITIES

| | | | | |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Capital Assets - Non-Depreciable: | | | | |
| Land | \$ 257,524,863 | \$ 1,654,547 | \$ (484,050) | \$ 258,695,360 |
| Construction in Progress | 18,631,575 | 13,424,929 | (8,423,104) | 23,633,400 |
| Intangible Assets | 2,911,315 | 6,545 | - | 2,917,860 |
| Capital Assets - Non-Depreciable | 279,067,753 | 15,086,021 | (8,907,154) | 285,246,620 |
| Capital Assets - Depreciable: | | | | |
| Buildings | 144,371,427 | 445,491 | (34,478) | 144,782,440 |
| Intangible Assets | 1,848,644 | 27,374 | (7,246) | 1,868,772 |
| Improvements Other Than Buildings | 6,956,846 | 26,264 | (161,743) | 6,821,367 |
| Machinery & Equipment | 42,934,717 | 3,023,745 | (3,522,207) | 42,436,255 |
| Infrastructure | 148,485,697 | 7,149,719 | (5,504,920) | 150,130,496 |
| Original Cost | 344,597,331 | 10,672,593 | (9,230,594) | 346,039,330 |
| Less Accumulated Depreciation: | | | | |
| Buildings | (32,512,520) | (3,880,167) | (124,006) | (36,516,693) |
| Improvements Other Than Buildings | (3,940,955) | (475,969) | 135,480 | (4,281,444) |
| Machinery & Equipment | (30,130,607) | (3,506,598) | 3,133,690 | (30,503,515) |
| Intangible Assets | (1,680,540) | (43,999) | - | (1,724,539) |
| Infrastructure | (74,604,060) | (8,164,214) | 5,564,156 | (77,204,118) |
| Accumulated Depreciation | (142,868,682) | (16,070,947) | 8,709,320 | (150,230,309) |
| Capital Assets - Depr, Net | 201,728,649 | (5,398,354) | (521,274) | 195,809,021 |
| Total Original Cost | 623,665,084 | 25,758,614 | (18,137,748) | 631,285,950 |
| Total Accumulated Depreciation | (142,868,682) | (16,070,947) | 8,709,320 | (150,230,309) |
| Governmental Capital Assets, Net | \$ 480,796,402 | \$ 9,687,667 | \$ (9,428,428) | \$ 481,055,641 |

Depreciation expense was charged to functions as follows:

| Depreciation Expense was charged to functions as follows: | |
|---|----------------------|
| General Government | \$ 310,815 |
| Public Safety | 2,404,740 |
| Utilities and Environment | 115,410 |
| Transportation | 8,511,082 |
| Economic Environment | 1,772 |
| Health and Human Services | 183,509 |
| Culture and Recreation | 333,305 |
| Subtotal | 11,860,633 |
| 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. | |
| | 4,210,314 |
| Total Governmental Activities Depreciation Expense | \$ 16,070,947 |

Business Type Activities for the year ended December 31, 2014 was as follows:

| | Beginning Balance 01/01/2014 | Increases | Decreases & Adjustments | Ending Balance 12/31/2014 |
|--|---|------------------|--|--------------------------------------|
|--|---|------------------|--|--------------------------------------|

BUSINESS TYPE ACTIVITIES

| | | | | |
|--|---------------|--------------|----------------|---------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 1,461,158 | \$ - | \$ - | \$ 1,461,158 |
| Construction In Progress | 1,273,935 | 382,449 | (1,439,927) | 216,457 |
| Intangible | 376,207 | 6,844 | (10,764) | 372,287 |
| Total Capital Assets, not being depreciated | 3,111,300 | 389,293 | (1,450,691) | 2,049,902 |
| Capital Assets, being depreciated: | - | | | |
| Buildings | 24,678,507 | - | - | 24,678,507 |
| Intangible | 409,311 | 1,438,478 | 10,764 | 1,858,553 |
| Improvements other than buildings | 24,143,173 | - | - | 24,143,173 |
| Machinery & Equipment | 5,627,061 | 79,229 | (55,363) | 5,650,927 |
| Infrastructure | 15,670,671 | 13,214 | 19,818 | 15,703,703 |
| Total Capital Assets, being depreciated | 70,528,723 | 1,530,921 | (24,781) | 72,034,863 |
| Less Accumulated Depreciation For: | - | | | |
| Buildings | (8,949,800) | (750,096) | | (9,699,896) |
| Improvements other than buildings | (19,596,333) | (555,205) | | (20,151,538) |
| Machinery & Equipment | (3,653,962) | (356,976) | 50,422 | (3,960,516) |
| Intangible - M&E | (420,075) | (11,987) | - | (432,062) |
| Infrastructure | (3,283,266) | (665,435) | | (3,948,701) |
| Total Accumulated Depreciation | (35,903,436) | (2,339,699) | 50,422 | (38,192,713) |
| Total Capital Assets being depreciated, net | 34,625,287 | (808,778) | 25,641 | 33,842,150 |
| Business Type Activities Capital Assets, net | \$ 37,736,587 | \$ (419,485) | \$ (1,425,050) | \$ 35,892,052 |

Depreciation expense was charged to functions as follows:

| Depreciation expense was charged to functions as follows: | |
|---|--------------|
| Solid Waste | \$ 1,162,747 |
| Water | 565,370 |
| Sewer | 240,487 |
| Stormwater | 343,350 |
| Land Use & Permitting | 27,745 |
| Total | \$ 2,339,699 |

B. Construction Commitments

Thurston County has the following active construction commitments as of December 31, 2014:

| | Spent-to-Date | Remaining Commitment |
|----------------------------|---------------|----------------------|
| Project | | |
| Tilley ESCO Energy Upgrade | 635,916 | 120,585 |
| Total | \$ 635,916 | \$ 120,585 |

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

NOTE VII – RECEIVABLE BALANCES

Receivables as of December 31, 2014 for the County's individual major funds, non-major funds and internal service funds are shown in the following table:

| | Taxes | Special Assess-ment | Interest and Penalties | Customer Accounts | Due from other Governments | Com-munity Loans | Total |
|---|---------------------|---------------------|------------------------|---------------------|----------------------------|-------------------|----------------------|
| <u>Governmental Activities:</u> | | | | | | | |
| General Fund | \$ 1,226,532 | \$ - | \$ 2,924,940 | \$ 3,002,591 | \$ 1,747,336 | \$ - | \$ 8,901,399 |
| Roads | 632,554 | - | 1,096 | 2,340 | 1,537,211 | - | 2,173,201 |
| Medic One | 311,815 | - | 20,748 | - | - | - | 332,563 |
| Public Health and Social Services | 20,340 | 16,261 | 31,088 | 6,866 | 2,951,315 | - | 3,025,870 |
| Other Governmental | 48,579 | 55,412 | 101,287 | 406,286 | 1,840,871 | - | 2,452,435 |
| Internal Service | - | - | 11,170 | 351,844 | 95,501 | - | 458,515 |
| Total Governmental Activities | \$ 2,239,820 | \$ 71,673 | \$ 3,090,329 | \$ 3,769,927 | \$ 8,172,234 | \$ - | \$ 17,343,983 |
| <u>Business-Type Activities:</u> | | | | | | | |
| Solid Waste | \$ - | \$ - | \$ - | \$ 1,190,187 | \$ 430,593 | \$ - | \$ 1,620,780 |
| Grand Mound | - | 679,221 | 43,243 | 252,287 | - | - | 974,751 |
| Storm Water | - | 283,568 | 5,829 | - | 177,805 | - | 467,202 |
| Other Enterprise Funds | - | 423,418 | 3,941 | 129,108 | - | 197,500 | 753,967 |
| Total Business-Type Activities | \$ - | \$ 1,386,207 | \$ 53,013 | \$ 1,571,582 | \$ 608,398 | \$ 197,500 | \$ 3,816,700 |

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

| Unearned Revenue | |
|---|--------------|
| Delinquent property taxes receivable (General Fund) | \$ 1,226,532 |
| Delinquent property taxes receivable (Roads Fund) | 632,554 |
| Delinquent property taxes receivable (Medic One) | 311,815 |
| Delinquent property taxes receivable (Public Health & Social Services) | 20,340 |
| Delinquent property taxes receivable (Other Governmental Funds) | 48,579 |
| Delinquent special assessment receivable (Public Health & Social Services) | 16,261 |
| Delinquent special assessment receivable (Other Governmental Funds) | 55,412 |
| Delinquent accrued interest and penalties receivable (General Fund) | 2,800,964 |
| Delinquent accrued interest and penalties receivable (Other Governmental Funds) | 116,584 |
| Deferred Revenue-Other (Roads Fund) | 2,500 |
| Total deferred/unearned revenue for governmental funds | \$ 5,231,541 |

NOTE VIII – LONG-TERM AND OTHER SIGNIFICANT DEBT

A. Disclosures About Each Significant Debt Incurred

1. General Obligation Bonds

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

2004 Limited General Obligation Bonds of \$11,000,000 were issued in 2004. The proceeds were used to acquire property and for improvements to various county facilities including: a) acquiring land to construct a jail facility, b) expanding the county/regional park system, c) acquiring a building adjacent to the courthouse to ease overcrowding and relieve existing space problems and d) replacing the County's 20-year old central phone system. The bonds bear an interest rate of 2.5% to 4.50% semi-annually with annual principal installments from \$400,000 to \$800,000 a year. The term of the bonds is 20 years with the final payment due in 2024. The balance at December 31, 2014 was \$6,650,000.

2005 Limited General Obligation Bonds of \$26,135,000 were issued in 2005. The bonds were used as follows: \$15,700,000 was used for a partial advance refunding of \$16,175,000 of outstanding 1997 bonds (which were used to finance the juvenile detention facility, jail improvements and RID #2) and \$7,510,000 was used for an advance refunding of \$7,500,000 of outstanding 1999 bonds. The other portion of the issue amounting to \$2,925,000 was utilized to finance park acquisitions and other capital improvements. The bonds bear an interest rate of 3.0% to 5.0% semi-annually with annual principal installments ranging from \$100,000 to \$3,060,000 a year. The term of the bonds is 20 years with the final payment due in 2025. The balance at December 31, 2014 was \$10,815,000 of which \$3,415,000 was for the Grand Mound Utility.

2007 Limited General Obligation Bonds of \$5,000,000 were issued in 2007. The bonds were used to partially fund a second county jail. The term of the bonds is 20 years with the final payment due in 2027. The bonds bear interest rates of 3.75% to 4.0% payable semi-annually with annual principal installments ranging from \$125,000 to \$375,000 a year. The balance at December 31, 2014 was \$3,745,000.

2009 Limited General Obligation Bonds of \$42,765,000 were issued in 2009. The bonds were used to fund construction of the Accountability Restitution Center, communication system upgrades, and other approved capital projects. The term of the bonds is 20 years with the final payment due in 2030. The bonds bear interest rates of 3.0% to 5.0% payable semi-annually with annual principal installments ranging from \$755,000 to \$3,450,000 a year. The balance at December 31, 2014 was \$37,715,000.

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

\$8,775,000 was used for an advance refunding of \$1,800,000 of outstanding 1999 bonds and for a partial advance refunding of \$6,730,000 of outstanding 2002 bonds. The bonds bear an interest rate of 2% to 4% payable semi-annually with annual principal installments ranging from \$555,000 to \$1,505,000. The term of the bonds is 12 years with final payment due in 2022. The advanced refunding portion of the 1999 bonds is serviced by the Grand Mound Debt Service Fund (Enterprise Fund). The balance at December 31, 2014 was \$7,065,000 of which \$1,795,000 was for the Grand Mound Utility.

\$18,850,000 of Taxable Build America Bonds were issued to finance construction of the Tilley Road project, communication system upgrades and other building improvements. The bonds bear an interest rate of .75% to 5.4% payable semi-annually with annual principal installments ranging from \$825,000 to \$1,285,000. The Build America Bonds also have an interest subsidy from the Internal Revenue Service to be received in semi-annual installments of 35% of the interest amount, of which a portion was reduced due to sequestration by the federal government beginning in 2013. The term of the bonds is 20 years with final payment due in 2030. The balance at December 31, 2014 was \$15,430,000.

\$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, 2014 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, 2014 was \$398,147.

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

| Year Ending December 31 | Governmental | | Business-Type | |
|----------------------------|----------------------|----------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 5,505,000 | \$ 3,367,519 | \$ 915,000 | \$ 193,900 |
| 2016 | 5,810,000 | 3,169,731 | 880,000 | 175,600 |
| 2017 | 5,880,000 | 2,956,249 | 985,000 | 158,000 |
| 2018 | 3,825,000 | 2,721,349 | 1,155,000 | 108,750 |
| 2019 | 4,075,000 | 2,570,251 | 1,275,000 | 51,000 |
| 2020 - 2024 | 24,485,000 | 10,127,613 | - | - |
| 2025 - 2029 | 23,935,000 | 5,015,248 | - | - |
| 2030 | 4,735,000 | 241,890 | - | - |
| Total | \$ 78,250,000 | \$ 30,169,849 | \$ 5,210,000 | \$ 687,250 |

2. Loans and Contracts Payable

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

The first loan is not to exceed \$300,000 with an interest rate of 5% per annum. Repayment began in 1996. The balance at December 31, 2014 is \$17,994. The second loan is not to exceed \$200,000 with an interest rate of 0%. The balance at December 31, 2014 is \$24,840. 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, 2014 is \$67,430. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2014 is \$8,726. 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, 2014 is \$56,249. 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, 2014 was \$128,129. 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, 2014 was \$230,098. The eighth loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment will begin when the draws are substantially complete. The balance as of December 31, 2014 was \$76,341.

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, 2014 was \$61,981.

Public Works entered into a loan agreement with the State of Washington Department of Ecology to construct a sanitary sewer system for Woodland Creek in 2011. The term of the loan is for twenty years and the loan is not to exceed \$1,286,721 with an interest amount of 2.8%. Payments will begin in 2015. The balance as of December 31, 2014 was \$1,286,721.

3. Special Assessment Notes Payable

The County has also issued special assessment debt for the construction and replacement of wastewater collection systems within the County. This debt will be repaid from amounts levied against the property owners benefited by this construction. The County must provide the resources

to cover a deficiency due to any unpaid or delinquent special assessments until other resources, such as foreclosure proceeds, are received. The special assessment debt outstanding is as follows:

In 2004, the County entered into a state revolving fund (SRF) loan agreement with the State of Washington Department of Ecology to create a new Utility Local Improvement District for Tamoshan/Beverly Beach wastewater plant Improvements in 2002. The original principal amount was \$1,526,507. Repayments began in 2004 and the loan balance as of December 31, 2014 was \$504,542. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2014, the amount of delinquent assessment principal was \$5,564.

In 1997, Olympic View Debt Redemption Fund (Enterprise Fund) has a Public Works Trust Fund loan, which is not to exceed \$110,000 with an interest rate of 5% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years. The original principal amount was \$94,000. The loan is due in 2016 and has a balance at December 31, 2014 of \$5,472. At December 31, 2014, there was a zero balance owing in delinquent assessment principal.

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

| Year Ending December 31 | Governmental | | Business-Type | |
|----------------------------|--------------|------------|---------------|------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 30,168 | \$ 57,444 | \$ 144,337 | \$ 12,404 |
| 2016 | 52,591 | 35,022 | 127,198 | 11,907 |
| 2017 | 54,083 | 33,530 | 132,190 | 19,398 |
| 2018 | 55,616 | 31,996 | 136,624 | 14,889 |
| 2019 | 57,193 | 30,419 | 137,832 | 13,602 |
| 2020 - 2024 | 311,242 | 126,822 | 342,314 | 50,218 |
| 2025 - 2029 | 357,955 | 80,109 | 129,567 | 27,371 |
| 2030 - 2034 | 367,873 | 26,385 | 31,739 | 9,536 |
| Total | \$ 1,286,721 | \$ 421,727 | \$ 1,181,801 | \$ 159,325 |

4. Leases

a. Operating Lease Liabilities

The County has lease commitments for leases of buildings and office space that are cancelable and non-cancelable with lease terms primarily from month to month with one that extends to 2021. Operating lease expenditures for the year ended December 31, 2014 were \$620,485. The future minimum lease payments for these leases are:

| Year Ending December 31 | Amount |
|-------------------------|---------------------|
| 2015 | \$ 368,372 |
| 2016 | 220,475 |
| 2017 | 225,028 |
| 2018 | 229,699 |
| 2019 | 202,148 |
| 2020-2021 | 97,832 |
| Total | \$ 1,343,554 |

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 | \$ 585,699 | \$ 132,806 |
| Less: accumulated depreciation | (293,223) | (70,116) |
| Present Value of Minimum Lease Payments | 292,476 | 62,690 |
| Plus amount representing interest | 37,714 | 7,482 |
| Total Invested in Capital Leases | \$ 330,190 | \$ 70,172 |

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2014 were as follows:

| Year Ending December 31 | Governmental Activities | Business-Type Activities |
|--|--------------------------------|---------------------------------|
| 2015 | \$ 137,505 | \$ 41,093 |
| 2016 | 106,124 | 22,977 |
| 2017 | 67,783 | 3,328 |
| 2018 | 18,150 | 2,774 |
| 2019 | 628 | - |
| Total Minimum Lease Payments | 330,190 | 70,172 |
| Less: Interest | (37,714) | (7,482) |
| Present Value of Minimum Lease Payments | \$ 292,476 | \$ 62,690 |

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, 2014:

| Asset | Governmental Activities |
|---|--------------------------------|
| Land | \$ 505,700 |
| Buildings | 9,916,505 |
| Less: Accumulated Depreciation | (1,509,504) |
| Total Invested in Long Term Leases | \$ 8,912,701 |

The County received \$105,278 of operating lease revenues from these contracts in 2014. Amounts that will be received in future years under these lease agreements are noted below:

| Year Ending December 31 | Amount |
|--------------------------------|------------------|
| 2015 | \$ 40,102 |
| 2016 | 3 |
| 2017 | 3 |
| 2018 | 3 |
| 2019 | 3 |
| 2020 - 2056 | 89 |
| Total Lease Receivable | \$ 40,203 |

The \$89 receivable from 2020 through 2056 is a combination of park and ride lease with Intercity Transit located at the Waste and Recovery Center, Quixote Village Panza located 3350 Mottman RD SW Olympia and Homes First! located at 5505 32ND CT SE Olympia.

5. Long-term Compensated Absences

Thurston County has traditional and alternative leave plans. Thurston County employees who chose the traditional leave plan earn 12 days of sick leave and 10.5-24.75 days of vacation leave per year depending upon the employee's length of service. A maximum of 140 days of sick leave

may be accrued and a maximum of 45 days of vacation may be accrued. County employees, who chose the alternative leave plan, earn 16.50-30.75 days of annual or personal leave (a combination of sick leave and vacation leave) per year depending upon the employee's length of service. A maximum of 185 days of personal leave may be accrued. Accumulated unpaid vacation/annual leave is recorded as earned by employees. In the traditional plan, terminating employees are entitled to be paid for unused vacation up to a maximum of 240 hours and, if retiring, half of unused sick leave, to a maximum of 360 hours. Alternative plan employees who terminate are entitled to be paid for unused leave up to 280 hours.

The County reported a liability of \$7,187,466 at December 31, 2014 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$5,797,267 for governmental funds, \$745,989 for internal service funds and \$644,210 for enterprise funds. \$313,348 of this liability is expected to be incurred in 2014. Leave costs are paid from governmental funds that fund the personnel costs for those employees. Vested sick leave is not considered material and is not accrued.

6. Other Post Employment Benefits

Thurston County administers two post employment benefit programs that provide primarily post employment medical benefits to retired Thurston County employees. These programs are for retired Law Enforcement Officers and Fire Fighters (LEOFF) under the LEOFF 1 retirement act and for all Thurston County employees through the state managed Public Employees Benefits Board (PEBB). A long term governmental liability of \$2,609,226 was recognized for LEOFF 1 benefits in the statement of net position in 2014. A long term liability of \$19,566,393 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, \$17,906,775 was recognized in the statement of net position for governmental and internal service funds and \$1,659,618 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, 2014

| | Beginning Balance | New Issues And Adjustments | Retirements And Adjustments | Ending Balance | Due Within One Year |
|--|----------------------|----------------------------------|-----------------------------------|-------------------|------------------------|
|--|----------------------|----------------------------------|-----------------------------------|-------------------|------------------------|

Governmental Activities:

| | | | | | |
|---------------------------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|
| <u>Bonds payable:</u> | | | | | |
| General Obligation Bonds | \$ 83,515,000 | \$ - | \$ 5,265,000 | \$ 78,250,000 | \$ 5,505,000 |
| For Issuance Premiums | 1,264,257 | - | 106,525 | 1,157,732 | 106,525 |
| Total Bonds Payable | 84,779,257 | - | 5,371,525 | 79,407,732 | 5,611,525 |
| <u>Notes Payable:</u> | | | | | |
| Loans Payable | 1,286,721 | - | - | 1,286,721 | 30,168 |
| Capital Leases Payable | 343,182 | 76,926 | 127,632 | 292,476 | 116,665 |
| Total Notes Payable | 1,629,903 | 76,926 | 127,632 | 1,579,197 | 146,833 |
| Claims and Judgments Payable | 4,085,546 | 320,206 | - | 4,405,752 | 467,101 |
| Compensated Absences | 6,520,486 | 267,505 | 244,735 | 6,543,256 | 285,262 |
| Other Post Employment Benefits (OPEB) | 17,824,998 | 2,691,003 | - | 20,516,001 | - |
| Total Governmental Activities | \$ 114,840,190 | \$ 3,355,640 | \$ 5,743,892 | \$ 112,451,938 | \$ 6,510,721 |

Business-type Activities:

| | | | | | |
|---------------------------------------|----------------------|-------------------|---------------------|----------------------|---------------------|
| <u>Bonds Payable:</u> | | | | | |
| General Obligation Bonds | \$ 6,120,000 | \$ - | \$ 910,000 | \$ 5,210,000 | \$ 915,000 |
| For Issuance Premiums | 245,302 | - | 40,671 | 204,631 | - |
| Total Bonds Payable | 6,365,302 | - | 950,671 | 5,414,631 | 915,000 |
| <u>Notes Payable:</u> | | | | | |
| Loans Payable | 715,971 | 17,439 | 61,622 | 671,788 | 63,319 |
| Capital Leases Payable | 95,481 | - | 32,791 | 62,690 | 36,578 |
| Total Notes Payable | 811,452 | 17,439 | 94,413 | 734,478 | 99,897 |
| Special Assessments Payable | 591,032 | - | 81,019 | 510,013 | 81,018 |
| Compensated Absences | 605,724 | 61,218 | 22,733 | 644,209 | 28,086 |
| Accumulated Landfill Closure Costs | 17,304,713 | - | 755,193 | 16,549,520 | - |
| Other Post Employment Benefits (OPEB) | 1,481,608 | 178,010 | - | 1,659,618 | - |
| Total Business-type Activities | \$ 27,159,831 | \$ 256,667 | \$ 1,904,029 | \$ 25,512,469 | \$ 1,124,001 |

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$745,989 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$2,165,100 of general obligation bonds payable and \$1,758,376 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-Profiteering, Auditor Election Reserve, Superior Court Family Services, Conservation Futures, Law Library, 24/7 Sobriety Program, Detention Facilities Sales Tax Holding, Emergency Management Council, Real Estate Excise Tax, Trial Court Improvement, Treatment Sales Tax, Stadium/Convention/Art Center, Tax Refunds, Tourism Promotion, Historic Preservation, 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, 2014, the County had \$1,193,311 available in reserve in governmental debt service funds to service general obligation and assessment debt. The County's general obligation debt, as noted above, will be funded by cash balances and future revenue streams from the Real Estate Tax and Detention Facility Sales Tax Holding Funds which are reported as non-major funds in the combining financial statements. At December 31, 2014 the County also had \$1,537,488 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 2014:

| Purpose of Indebtedness | Total Capacity | Remaining Capacity |
|--|-----------------------|---------------------------|
| General Government (No vote required) | \$ 402,710,906 | \$ 322,443,771 |
| General Government (With 3/5-majority vote) | \$ 671,184,844 | \$ 590,917,709 |

E. Contingent Liability for Refunded and Defeased Debt

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

**Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities
As of December 31, 2014**

| | 01/01/14 | Increases | Decreases | 12/31/14 |
|---------------------------------------|---------------|-----------|-------------|---------------|
| Refunded & Defeased Bonds Outstanding | \$ 11,950,000 | | (1,415,000) | \$ 10,535,000 |

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

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

NOTE IX – INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The composition of interfund receivables and payables in the fund financial statements as of December 31, 2014 is shown in the following table.

| Due From Other Funds | | | | | | | | | | |
|------------------------------|---------------------|-------------------|-------------------|------------------|-------------------|------------------|-----------------|-------------------|-------------------|---------------------|
| Due to Other Funds | General Fund | Roads | Public Health | Non-Maj Gov | Internal Service | Solid Waste | Grand Mound | Storm Water | Non-Maj Enter | Total |
| General Fund | | \$ 611 | \$ 7,379 | \$ 53,744 | \$ 29,223 | | | | \$ 213,169 | \$ 304,126 |
| Roads | 23,800 | | 824 | 3,567 | 39,602 | 3,109 | 37 | 547,470 | | 618,409 |
| Medic One | 11,957 | | | | 361 | | | | | 12,318 |
| Public Health | 80,836 | | - | | 7,208 | 130 | | | | 88,174 |
| Non-Major Governmental | 1,011,797 | 71,557 | 433,272 | 14,951 | 33,874 | | 9,910 | | | 1,575,361 |
| Internal Service | 2,224 | - | | | 53,252 | 38,149 | | | | 93,625 |
| Solid Waste | 22,335 | 11,544 | 186,227 | | 5,058 | | | | | 225,164 |
| Grand Mound | | | 188 | | 5,548 | | | | | 5,736 |
| Stormwater | 1,429 | 111,310 | 76,525 | | 1,113 | | | | | 190,377 |
| Non-Major Enterprise | 4,464 | | 297 | | 5,748 | | | | 8,000 | 18,509 |
| Total Due to/Due from | \$ 1,158,842 | \$ 195,022 | \$ 704,712 | \$ 72,262 | \$ 180,987 | \$ 41,388 | \$ 9,947 | \$ 547,470 | \$ 221,169 | \$ 3,131,799 |

B. Interfund Loans and Advances

Interfund loans and advances are fund transfers, usually interest bearing, which will be repaid in future years. Interfund loans are fund transfers for less than a year that are outstanding at year end and advances are fund transfers for more than one year. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The Solid Waste Fund advanced \$182,082 to the Central Services Department Fund in 2011. There is a five year repayment period starting in 2011. The advance bears an interest rate of 2.457% with monthly payments of \$3,228 including interest throughout the repayment period. The final payment of \$3,221 will be made in 2016.

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 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, 2014 are summarized below:

| Transfer In | | | | | | | | | | | |
|------------------------|---------------------|-------------------|-----------------|---------------------|---------------------|-------------------|------------------|------------------|------------------|----------------------|----------------------|
| Transfer Out | General Fund | Roads | Medic One | Public Health | Non-Major Govt | Internal Service | Solid Waste | Grand Mound | Storm-water | Non-Major Enterprise | Total |
| General Fund | | | | \$ 1,086,529 | \$ 573,496 | \$ 981 | | | | \$ 852,681 | \$ 2,513,687 |
| Roads | | | | | 877,816 | | | | | | 877,816 |
| Medic One | | | | | | | | | | | - |
| Public Health | 128,700 | | | | | | | | | - | 128,700 |
| Non-Major Govt | 4,495,351 | 339,640 | | 1,389,384 | 6,714,194 | 91,045 | | 209,910 | | | 13,239,524 |
| Internal Service | 641,830 | 147,224 | 8,498 | 89,474 | 30,585 | 344,132 | 28,049 | 3,008 | 15,977 | 33,455 | 1,342,232 |
| Solid Waste | | | | | | 58,211 | - | | | | 58,211 |
| Ground Mound | | | | | | 5,526 | | | | | 5,526 |
| Non-Major Entr. | | | | - | | 5,526 | | - | | - | 5,526 |
| Total Transfers | \$ 5,265,881 | \$ 486,864 | \$ 8,498 | \$ 2,565,387 | \$ 8,196,091 | \$ 505,421 | \$ 28,049 | \$212,918 | \$ 15,977 | \$ 886,136 | \$ 18,171,222 |

NOTE X – PENSION PLANS

Substantially all Thurston County's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher

education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

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

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

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

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

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

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

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

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

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

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

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

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

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

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

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

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

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

| | |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits | 85,328 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 31,047 |
| Active Plan Members Vested | 150,706 |
| Terminated Plan Members Non-vested | 101,191 |
| Total | 368,272 |

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

| | <i>PERS Plan 1</i> | <i>PERS Plan 2</i> | <i>PERS Plan 3</i> |
|-----------|---------------------------|---------------------------|---------------------------|
| Employer* | 9.21%** | 9.21%** | 9.21%*** |
| Employee | 6.00%**** | 4.92%**** | ***** |

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

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

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

Members Participating in JBM:

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

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

** Plan 3 defined benefit portion only.

***Minimum rate.

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

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------|--------------------|--------------------|--------------------|
| 2014 | \$ 138,465 | \$ 4,088,088 | \$ 555,530 |
| 2013 | \$ 177,845 | \$ 3,710,512 | \$ 430,499 |
| 2012 | \$ 166,172 | \$ 3,251,388 | \$ 353,904 |

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

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

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

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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

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

| Term of Service | Percent of Final Average Salary |
|---------------------------|---------------------------------|
| 20 or more years | 2.0% |
| 10 but less than 20 years | 1.5% |
| 5 but less than 10 years | 1.0% |

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

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

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

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members

who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

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

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

| | |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits | 10,511 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 699 |
| Active Plan Members Vested | 16,830 |
| Terminated Plan Members Nonvested | 1,600 |
| Total | 29,640 |

Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

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

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

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

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

| | LEOFF Plan 1 | LEOFF Plan 2 |
|------|--------------|--------------|
| 2014 | \$ 97 | \$ 394,326 |
| 2013 | \$ 150 | \$ 406,163 |
| 2012 | \$ 141 | \$ 397,035 |

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

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

PSERS membership includes:

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

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2014, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

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

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2013:

| | |
|--|--------------|
| Retirees and Beneficiaries Receiving Benefits | 43 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 119 |
| Active Plan Members Vested | 4,513 |
| Terminated Plan Members Non-vested | 1,383 |
| Total | 6,058 |

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

| | PSERS Plan 2 |
|-----------|---------------------|
| Employer* | 10.54% |
| Employee | 6.36% |

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

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

| | PSERS Plan 2 |
|------|---------------------|
| 2014 | \$901,440 |
| 2013 | \$793,149 |
| 2012 | \$652,604 |

NOTE XI – RISK MANAGEMENT

A. RISK POOL AND GENERAL LIABILITY INSURANCE

Thurston County is one of twenty-six members that participated in the Washington Counties Risk Pool (“Pool” or “WCRP”) during 2014. Revised Code of Washington (“RCW”) 48.62 and WAC 200-100 authorizes the governing body of any one or more governmental entities to form a pool or organization for the purposes of joint purchasing of insurance, self-insuring, and/or joint hiring or contracting for risk management services to the extent that they may individually engage in these activities. WCRP is not an “insurer” and thus not an insurance company or subject to the special laws and rules that govern insurers and insurance companies. Washington’s pools operate under the state’s “pooling” laws and regulations, specifically Chapters 48.62 RCW and 200-100 Washington Administrative Code (“WAC”). Pools are risk-sharing entities that initially must be approved by then annually report to and are overseen by the State Risk Manager – they are not regulated by the Office of the Insurance Commissioner. In addition, as public entities, pools are subject to annual audits by the State Auditor’s Office.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapters 48.62 and 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on August 18, 1988 when several counties in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The enabling Interlocal Agreement was amended once in 2000 to add the Membership

Compact, which constitutes a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support best management practices. The Membership Compact supports these goals through three major elements: membership involvement, risk control practices, and targeted risk management program(s).

The Washington Counties Risk Pool has since its beginning administered the membership's jointly self-insured liability coverage for bodily injury, personal injury, property damage, including public officials' errors and omissions, and advertising injury caused by a covered occurrence during an eligible period. The Pool provides "following form" excess liability coverage to all members and each county may optionally participate in jointly-purchased property insurance. The Board of Directors agreed to add property insurance, beginning in 2005-06 coverage year, as a county-by-county option. The insurance is jointly purchased from a consortium of higher rated commercial carriers and the insurance is written on an "occurrence" basis, and includes structures, vehicles, mobile equipment, and EDP equipment. For property insurance, 26 members are solely responsible for paying their per occurrence deductibles at a level selected by the member county of between \$5,000 and \$50,000. The Washington Counties Property Program (WCPP) includes "All Other Perils" coverage limits of \$500 million per occurrence for losses to buildings, contents etc. with separate higher deductibles applicable to losses resulting from Flood and Earthquake (catastrophe) events coverage includes annual aggregate limits of \$200 million each. Beginning this coverage year (2014-15), the Board agreed to add jointly-purchased cyber risk and security coverage from a higher-rated commercial insurer. Special events coverage is also available to member counties as an option and is another type of group purchase making the coverage more affordable.

Members make an annual contribution to fund the Pool. The Pool acquires liability reinsurance and "following form" excess insurance from unrelated underwriters that is subject to a per-occurrence self-insured retention of \$100,000, or the member-selected deductible, whichever is greater. Members are responsible for their annual elected deductible amounts for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. The Pool, reinsurance and excess insurance carriers cover losses exceeding the member county's deductible to the maximum limits of each policy.

Since the 2003-04 coverage year, the initial \$10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is "risk shared" amongst the membership. 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 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to \$1 million, but with an aggregated stop loss of \$2.975 million (later reduced with Clark County's termination to \$2,900,625), and the second increasing the SIR further, to \$2 million, but with an aggregated stop loss of \$650,000 (also reduced with Clark County's departure to \$596,875). Other reinsurance agreements respond to the remaining \$8 million – one for the \$3 million excess of the \$2 million SIR, and another for the \$5 million excess of \$5 million.

The remaining \$10 million (or \$15 million) of JSILP occurrence coverage has been acquired as "following form" excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the 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).

The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county's legislative authority. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the pool. Members contract to remain in the pool for a minimum of five years, and must give notice one year before terminating participation. Thurston County rejoined the pool on October 1, 2000, after a one-year absence. The contract with the pool is renewed automatically each year until terminated. Each member is responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period(s) during which it was a signatory to the interlocal agreement, even after termination of the contractual relationship.

The pool is fully funded by its member participants as a cooperative program with joint liability among the participating members. Claims are filed by members with the Pool. Any deficits or program assets which are insufficient to cover program liabilities are financed by proportional reassessments against that year's membership. The Pool's reassessment receivable at December 31, 2014 remains at 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.

The County paid general claims costs of \$390,396 during 2014. The County's suggested claim reserves, at a 98% confidence level, and therefore the County's potential liability, for claims and costs, were estimated on December 31, 2014 as \$4,405,752. This suggested reserve includes reserves for open claims plus an estimate of incurred but not reported (IBNR) claims. It should be recognized that portions of the estimated additional liability incurred are projections from our claims experience. This loss estimate does not include (IBNR) liabilities for non-covered claims, e.g. aviation activities, some employment relations including past wages or benefits, some pollutants, property losses / takings, certain municipal activities, punitive damages, willful civil violations and other loss exposures not currently insured. This estimate also does not include first party property loss deductibles. As estimates, these values fluctuate significantly and are subject to inherent variability and may or may not become payable over the course of several years.

| Schedule of Claims and Judgments Payable | | |
|--|--------------|--------------|
| | 2014 | 2013 |
| Beginning claims liability | \$ 4,085,546 | \$ 4,000,000 |
| Claims incurred during the year (including IBNRs)* | 710,602 | 342,107 |
| Claims payments | (390,396) | (256,561) |
| Ending claims liability | \$ 4,405,752 | \$ 4,085,546 |

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

B. OTHER

The County is not self-insured for other types of risks and losses except as described above under "Risk Pool and General Liability Insurance". The County reimburses Washington State Employment Security for unemployment compensation claims. These claims are funded through

employee related fund transfers into the County's Unemployment Compensation fund. The County also pays Washington State Labor and Industries a stipulated amount per employee per payroll period for a state mandated industrial insurance program for worker compensation claims. As discussed in Note VII.F., the County also has a contingent financial liability for the payment of refunded debt.

NOTE XII – OTHER POST-EMPLOYMENT BENEFITS

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

A. LEOFF

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

1. Plan Description

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

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

In 2014, 17 retirees received benefits under this act. As of December 31, 2014, there was 1 active officer who may become eligible for those benefits when normal retirement age is reached.

2. Funding Policy

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

3. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2014, and two preceding years, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$2,609,226 is reported as a non-current liability on the Statement of Net Position.

| | Year Ending 12/31/2012 | Year Ending 12/31/2013 | Year Ending 12/31/2014 |
|--|---------------------------|---------------------------|---------------------------|
|--|---------------------------|---------------------------|---------------------------|

Determination of Annual Required Contribution:

| | | | |
|------------------------------|------------|------------|------------|
| Normal Cost at Year End | \$ 13,897 | \$ 13,300 | \$ 18,468 |
| Amortization of UAAL* | 514,881 | 497,242 | 719,131 |
| Annual Required Contribution | \$ 528,778 | \$ 510,542 | \$ 737,599 |

Determination of Net OPEB Obligation:

| | | | |
|--|------------|------------|------------|
| Annual Required Contribution | \$ 528,778 | \$ 510,542 | \$ 737,599 |
| Interest on Prior Year Net OPEB Obligation | 74,292 | 84,886 | 89,721 |
| Adjustment to ARC | (153,724) | (175,647) | (201,740) |
| Annual OPEB Cost | 449,346 | 419,781 | 625,580 |
| Contributions Made | (213,506) | (63,118) | (259,382) |
| Increase in Net OPEB Obligation | \$ 235,840 | \$ 356,663 | \$ 366,198 |

Net OPEB Obligation - End Of Year:

| | | | |
|---|--------------|--------------|--------------|
| Net OPEB Obligation - Beginning of Year | \$ 1,650,525 | \$ 1,886,365 | \$ 2,243,028 |
| Increase in Net OPEB Obligation | 235,840 | 356,663 | 366,198 |
| Net OPEB Obligation-end of year (NOO) | \$ 1,886,365 | \$ 2,243,028 | \$ 2,609,226 |

*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 2014 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 |
|-------------------|------------------|--------------|-------------------------------------|---------------------|-----------------|---|
| 12/31/2012 | \$ 449,346 | \$ 213,506 | 47.5% | \$ 1,886,365 | \$ 104,010 | 5316.40% |
| 12/31/2013 | \$ 419,781 | \$ 63,118 | 15.0% | \$ 2,243,028 | \$ 102,327 | 5218.71% |
| 12/31/2014 | \$ 625,580 | \$ 259,382 | 41.5% | \$ 2,609,226 | \$ 98,584 | 8110.42% |

4. Funded Status and Funding Progress

As of December 31, 2014 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$7,995,574 and the actuarial value of the assets was \$0 resulting in a UAAL of \$7,995,574.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2014, these costs total \$61,910 with a cost per retiree of \$3,642. Thurston County uses its General Fund to purchase additional long-term care insurance for LEOFF 1 retirees.

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

following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

5. Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2011 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 4 active groupings and 4 inactive groupings. These healthcare inflation trends start at approximately 7.5 percent in 2013 and gradually decrease to 4.6 percent in 2081 and beyond. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. The discount rate used in the assumption was 4.50 percent and the inflation rate used was 3.50 percent. These assumptions are individually and collectively reasonable for the purposes of this valuation.

B. PEBB

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

1. Plan Description

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

- Explicit Medical Subsidy for Post-65 retirees
- Implicit Medical Subsidy for Pre-65 retirees

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

2. Eligibility

County members are eligible for PEBB after becoming eligible for retirement under the Public Employees' Retirement System (PERS) 1, 2, or 3 or under Public Safety Employees' Retirement System (PSERS) 2. The eligibility for each plan is as follows:

- PERS 1
 - Age 60 with five years of service
 - Age 55 with twenty-five years of service
 - Any age with thirty years of service
- PERS 2
 - Age 55 with twenty years of service
 - Age 65 with five years of service

- PERS 3
 - Age 55 with ten years of service
 - Age 65 with five years of service
 - In addition, PERS 3 members who terminate and are at least age 55 with twenty or more years of service gain pre-retirement access to PEBB
- PSERS 2
 - Age 65 with five years of service
 - Age 60 with at least ten years of PSERS service
 - Age 53 with twenty years of service

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

3. Medical Benefits

Upon retirement, members are permitted to receive medical benefits. The table below displays non-Medicare (pre-65) and Medicare (post-65) monthly premiums available for the 2014 calendar year:

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

* State-Registered Domestic Partner.

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

4. Funding Policy

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

5. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities. At the suggestion of its actuary, the County modified its amortization period to a rolling 25-year period beginning in 2013. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net obligation.

| | Year Ending 12/31/2012 | Year Ending 12/31/2013 | Year Ending 12/31/2014 |
|--|---------------------------|---------------------------|---------------------------|
|--|---------------------------|---------------------------|---------------------------|

Determination of Annual Required Contribution:

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

Determination of Net OPEB Obligation:

| | | | |
|--|--------------|--------------|--------------|
| Annual Required Contribution | \$ 2,713,537 | \$ 2,830,146 | \$ 2,830,146 |
| Interest on Prior Year Net OPEB Obligation | 544,971 | 582,096 | 682,543 |
| Adjustment to ARC | (512,810) | (593,624) | (702,437) |
| Annual OPEB Cost | 2,745,698 | 2,818,618 | 2,810,252 |
| Contributions Made | (303,757) | (307,437) | (307,437) |
| Increase in Net OPEB Obligation | \$ 2,441,941 | \$ 2,511,181 | \$ 2,502,815 |

Net OPEB Obligation - End Of Year:

| | | | |
|---|---------------|---------------|---------------|
| Net OPEB Obligation - Beginning of Year | \$ 12,110,456 | \$ 14,552,397 | \$ 17,063,578 |
| Increase in Net OPEB Obligation | 2,441,941 | 2,511,181 | 2,502,815 |
| Net OPEB Obligation-end of year | \$ 14,552,397 | \$ 17,063,578 | \$ 19,566,393 |

*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 2014 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 |
|-------------------|------------------|--------------|-------------------------------------|---------------------|-----------------|---|
| 12/31/2012 | \$ 2,745,698 | \$ 303,757 | 11.06% | \$ 14,552,397 | \$ 68,962,110 | 38.65% |
| 12/31/2013 | \$ 2,818,618 | \$ 307,437 | 10.91% | \$ 17,063,578 | \$ 70,046,572 | 41.45% |
| 12/31/2014 | \$ 2,810,252 | \$ 307,437 | 10.94% | \$ 19,566,393 | \$ 69,330,722 | 41.87% |

6. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$29 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$29 million.

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

7. Actuarial Methods and Assumptions

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

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

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

NOTE XIII – JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

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

Animal Control Services is a joint venture governed by a six-member board of which Thurston County is a member. Each member's contribution is based on a formula factoring population and basic service components. Thurston County's cost is based on their computed share of services in compliance with the interlocal agreement with Animal Control Services. The County contributed \$587,333 as its share of operations in 2014 which is 53.33% of the total contributions from participating agencies. The County's equity interest at December 31, 2014 is therefore \$2,125,332. 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 2014 totaled \$3,985,247. 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 | \$ 4,176,885 |
| Liabilities | (191,638) |
| Net Position | \$ 3,985,247 |
| Total Revenues | \$ 1,815,486 |
| Total Expenses | 1,670,483 |
| Net Income | \$ 145,003 |
| Beginning Net Position 1/1/14 | \$ 3,840,244 |
| Net Income (Loss) | 145,003 |
| Adjustment - City of Lacey Beginning net position 1/1, restated | - |
| Ending Net Position - 12/31/14 | \$ 3,985,247 |

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 2014. The Inter-local Drug Control Unit is funded by grants and seizures of drug funds. Financial information on the Inter-local Drug Control Unit can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

Olympic Region Clean Air Agency is a jointly-governed organization governed by a nine member board of which Thurston County is a member. Thurston County contributed \$61,475 as its share of operations in 2014. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2014. 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 \$199,760 as its share of operations in 2014 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2014. 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 2014, Thurston County contributed \$8,468 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 2014, the county contributed \$75,000 as its share of annual operations.

NOTE XIV – CLOSURE AND POST CLOSURE CARE COSTS

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

Cell No. 1, the last landfill cell used for waste disposal at the Hawke's Prairie landfill site, was closed on April 30, 2000. The County's long haul of waste to a regional landfill in Klickitat County was initiated on May 1, 2000. Post closure costs were funded with operating fees through December 31, 2002. The post closure care period was subsequently initiated on January 1, 2003. The estimated remaining liability for post closure care costs is \$16,549,520 on December 31, 2014.

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, 2014 cash and pooled investments of \$16,125,794 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, 2014.

***Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2014
Page 1 of 2***

| ASSETS | General Fund | Major Special Revenue | | | Other Funds |
|-------------------------------------|------------------|-----------------------|------------------|---------------------------------|-------------------|
| | | Roads | Medic One | Public Health & Social Services | |
| Nonspendable: | | | | | |
| Fines & Forfeitures | 1,829,233 | - | - | - | - |
| Inventory | - | 932,130 | - | - | - |
| Prepayments | 18,059 | 493 | - | - | 196,964 |
| Total Non-Spendable | 1,847,292 | 932,623 | - | - | 196,964 |
| Restricted for: | | | | | |
| Capital Projects | - | - | - | - | 14,737,792 |
| Conservation Futures | - | - | - | - | 5,063,599 |
| Economic Development | - | - | - | - | 21,841 |
| Elections | - | - | - | - | - |
| General Obligation Debt | - | - | - | - | 3,955 |
| Health and Social Services | - | - | - | 2,962,200 | - |
| Historic Preservation | - | - | - | - | 413,621 |
| Housing Services | - | - | - | - | 1,008,547 |
| Judicial | - | - | - | - | 635,821 |
| Law Enforcement | - | - | - | - | 219,085 |
| Legislative/Admin/Support Services | - | - | - | - | 280,655 |
| Life Support and Transport Services | - | - | 8,608,897 | - | - |
| Mental Health | - | - | - | - | 3,126,256 |
| Noxious Weed Control | - | - | - | - | - |
| Parks and Recreation | - | - | - | - | 398,386 |
| Public Safety | - | - | - | - | 37 |
| Purchases on Order | 92,244 | - | - | - | - |
| Roads Construction | - | - | - | - | 1,109,608 |
| Roads Operations | - | 4,991,569 | - | - | - |
| Special assessments | - | - | - | - | 287,353 |
| Veteran's Relief | - | - | - | - | 93,402 |
| Water Management | - | - | - | - | 20,050 |
| Total Restricted | 92,244 | 4,991,569 | 8,608,897 | 2,962,200 | 27,420,008 |

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2014
Page 2 of 2

| ASSETS | General Fund | Major Special Revenue | | | Other Funds |
|-------------------------------------|----------------------|-----------------------|----------------------|---------------------------------|----------------------|
| | | Roads | Medic One | Public Health & Social Services | |
| Committed for: | | | | | |
| Elections | - | - | - | - | 178,495 |
| Total Committed | - | - | - | - | 178,495 |
| Assigned to: | | | | | |
| Capital Projects | - | - | - | - | 1,388,482 |
| Conservation Futures | - | - | - | - | 429,635 |
| Economic Development | - | - | - | - | 2,485 |
| Elections | - | - | - | - | 34,520 |
| General Obligation Debt | - | - | - | - | 1,159,629 |
| Health and Social Services | - | - | - | 25,556,691 | - |
| Historic Preservation | - | - | - | - | 357,705 |
| Housing Services | - | - | - | - | (1,008,547) |
| Judicial | - | - | - | - | 766,211 |
| Law Enforcement | - | - | - | - | 30,768 |
| Legislative/Admin/Support Services | - | - | - | - | 101,958 |
| Life Support and Transport Services | - | - | 8,164,138 | - | - |
| Mental Health | - | - | - | - | 835 |
| Noxious Weed Control | - | - | - | - | 192,851 |
| Parks and Recreation | - | - | - | - | - |
| Public Safety | - | - | - | - | 1,744 |
| Purchases on Order | - | - | - | - | - |
| Roads Construction | - | 1,728,907 | - | - | - |
| Roads Operations | - | 10,147,051 | - | - | - |
| Special assessments | - | - | - | - | 12,465 |
| Veteran's Relief | - | - | - | - | 31,126 |
| Water Management | - | - | - | - | 9,723 |
| Total Assigned | - | 11,875,958 | 8,164,138 | 25,556,691 | 3,511,590 |
| Unassigned | 9,865,708 | - | - | - | 981,566 |
| Total Fund Balance | \$ 11,805,244 | \$ 17,800,150 | \$ 16,773,035 | \$ 28,518,891 | \$ 32,288,623 |

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 | \$ 481,055,642 | \$ 35,892,052 |
| Less: Total Reported Outstanding Debt | (80,986,929) | (6,659,122) |
| Plus: Outside Agency Outstanding Debt | 1,082,781 | - |
| Plus: Debt Holding & Tilley Master Plan Fund Balance (Unspent Debt Proceeds) | 1,590,808 | - |
| Non-Capital Debt (Septic Loan Financing) | - | 609,807 |
| Net Investment in Capital Assets | \$ 402,742,302 | \$ 29,842,737 |

NOTE XVII – OTHER DISCLOSURES

A. Fund Changes

The following changes to County funds took place during 2014:

- The County Buildings Fund, a non-major Capital Projects fund, was closed during 2014 because the capital projects associated with this fund have all been completed.

The following funds were established in 2014 and added to the 2014 financial statements:

- 24/7 Sobriety Program
- Tourism Promotion

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.

**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 |
|--------------------------|---------------------------|-----------------------------|--|--------------|-----------------|---|
| 12/31/2012 | \$ - | \$ 5,529,586 | \$ 5,529,586 | 0% | \$ 104,010 | 5316.40% |
| 12/31/2013 | \$ - | \$ 5,340,148 | \$ 5,340,148 | 0% | \$ 102,327 | 5218.71% |
| 12/31/2014 | \$ - | \$ 7,995,574 | \$ 7,995,574 | 0% | \$ 98,584 | 8110.42% |

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 |
|--------------------------|---------------------------|-----------------------------|--|--------------|-----------------|---|
| 12/31/2012 | \$ - | \$ 26,655,663 | \$ 26,655,663 | 0% | \$ 68,962,110 | 38.65% |
| 12/31/2013 | \$ - | \$ 29,032,066 | \$ 29,032,066 | 0% | \$ 70,046,572 | 41.45% |
| 12/31/2014 | \$ - | \$ 29,032,067 | \$ 29,032,067 | 0% | \$ 69,330,722 | 41.87% |

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Note |
|---|--|----------------|-----------------------|---------------------------------|-----------------------|---------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | |
| 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-13-UC-53- 0007 | - | 928,963 | 928,963 | |
| Total CDBG - Entitlement Grants Cluster: | | | | - | 928,963 | 928,963 | |
| CDBG - State-Administered CDBG Cluster | | | | | | | |
| Office Of Community Planning And Development, Department Of Housing And Urban Development | Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii | 14.228 | 12-6400-032 | - | 65,173 | 65,173 | |
| Total CDBG - State-Administered CDBG Cluster: | | | | - | 65,173 | 65,173 | |
| Child Nutrition Cluster | | | | | | | |
| Food And Nutrition Service, Department Of Agriculture (via Wa. Office of Superintendent of Public Instruction) | School Breakfast Program | 10.553 | N/A | 18,115 | - | 18,115 | 3, 4 |
| Food And Nutrition Service, Department Of Agriculture (via Wa. Office of Superintendent of Public Instruction) | National School Lunch Program | 10.555 | N/A | 28,885 | - | 28,885 | 3, 4 |
| Total Child Nutrition Cluster: | | | | 47,000 | - | 47,000 | |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|---|--------|------------------|---------------|------------|---------------|
| Office Of Water, Environmental Protection Agency (via Washington State Department of Ecology) | Capitalization Grants for Clean Water State Revolving Funds | 66.458 | G1100203 | 73,884 | - | 73,884 |
| Office Of Water, Environmental Protection Agency (via Washington State Department of Ecology) | Capitalization Grants for Clean Water State Revolving Funds | 66.458 | L1200016 | 13,260 | - | 13,260 |
| Total Clean Water State Revolving Fund Cluster: | | | | 87,144 | - | 87,144 |
| Forest Service Schools and Roads Cluster | | | | | | |
| Forest Service, Department Of Agriculture | Schools and Roads - Grants to States | 10.665 | N/A | - | 578 | 578 |
| Total Forest Service Schools and Roads Cluster: | | | | - | 578 | 578 |
| Highway Planning and Construction Cluster | | | | | | |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS-5214 (001) | 1,000 | - | 1,000 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS-5252 (010) | 20,675 | - | 20,675 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPR-F341 (004) | 3,000 | - | 3,000 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | HPP-2034 (065) | 2,899,038 | - | 2,899,038 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS-5271 (001) | 189,014 | - | 189,014 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|--------------------------------------|--------|---------------------|-----------|---|-----------|
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPR-H345 (003) | 42,152 | - | 42,152 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPR-C344 (001) | 50,044 | - | 50,044 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS-5292 (004) | 59,874 | - | 59,874 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUS-2034 (070) | 9,349 | - | 9,349 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | BRS-C341 (002) | 1,531,031 | - | 1,531,031 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | HSIP-000S (265) | 1,387,499 | - | 1,387,499 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | HSIP-000S (356) | 49,481 | - | 49,481 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | HSIP-000S (358) | 428,811 | - | 428,811 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|------------------------------------|--------|------------------|------------------|----------|------------------|
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | HSIP-000S (354) | 7,604 | - | 7,604 |
| Total Highway Planning and Construction Cluster: | | | | 6,678,572 | - | 6,678,572 |
| Highway Safety Cluster | | | | | | |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | SWV0007436-01 | 258 | - | 258 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 6,927 | - | 6,927 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 7,748 | - | 7,748 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 1,833 | - | 1,833 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | 15ST-19 Amend #1 | 26,595 | - | 26,595 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | AL14-08 | 31,480 | - | 31,480 |

The accompanying notes are an integral part of this statement.

| | | | | | | | |
|---|--------------------------------------|--------|----------|----------------|----------|----------------|---|
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 241 | - | 241 | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 162 | - | 162 | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 23,782 | - | 23,782 | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 276 | - | 276 | 4 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | M1-15-01 | 14,837 | - | 14,837 | 5 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | N/A | 750 | - | 750 | 4 |
| Total CFDA 20.600: | | | | 114,889 | - | 114,889 | |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) | Occupant Protection Incentive Grants | 20.602 | N/A | 1,323 | - | 1,323 | 4 |
| Total Highway Safety Cluster: | | | | 116,212 | - | 116,212 | |

JAG Program Cluster

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|--|-----------------------------------|--------------------------------------|----------------|---------------|----------------|
| Bureau Of Justice Assistance, Department Of Justice (via Lacey- Thurston County Narcotics Task Force) | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | M13-34021- 010/ M13- 34021-011 | 60,774 | - | 60,774 |
| 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 | 60,774 | - | 60,774 |
| Bureau Of Justice Assistance, Department Of Justice | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-DJ-BX- 0837 | - | 1,989 | 1,989 |
| Bureau Of Justice Assistance, Department Of Justice | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-DJ-BX- 0467 | - | 495 | 495 |
| Bureau Of Justice Assistance, Department Of Justice | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2011-DJ-BX- 2561 | - | 18,505 | 18,505 |
| Medicaid Cluster | | Total JAG Program Cluster: | | 121,548 | 20,989 | 142,537 |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA Department of Social and Health Services) | Medical Assistance Program | 93.778 | 1163-35273 | 55,957 | - | 55,957 |
| Other Programs | | Total Medicaid Cluster: | | 55,957 | - | 55,957 |
| Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce) | Emergency Solutions Grant Program | 14.231 | 14-46107-011 | 179,222 | - | 179,222 |
| Office Of Community Planning And Development, Department Of Housing And Urban Development | Home Investment Partnerships Program | 14.239 | M12-DC-53- 0207 | - | 59,507 | 59,507 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|--|--------|----------------------------|---------|----------------|----------------|
| Office Of Community Planning And Development, Department Of Housing And Urban Development | Home Investment Partnerships Program | 14.239 | M13-DC-53- 0207 | - | 558,102 | 558,102 |
| Office Of Community Planning And Development, Department Of Housing And Urban Development | Home Investment Partnerships Program | 14.239 | M14-DC-53- 0207 | - | 208,358 | 208,358 |
| Total CFDA 14.239: | | | | | 825,967 | 825,967 |
| Fish And Wildlife Service, Department Of The Interior | Fish and Wildlife Management Assistance | 15.608 | FC11AC0026/ 13320BJ042A | - | 7,000 | 7,000 |
| Fish And Wildlife Service, Department Of The Interior (via Washington State Department of Fish and Wildlife) | Cooperative Endangered Species Conservation Fund | 15.615 | WDFW #132232 | 244,031 | - | 244,031 |
| Fish And Wildlife Service, Department Of The Interior | Endangered Species Conservation – Recovery Implementation Funds | 15.657 | F13AP00598 | - | 28,478 | 28,478 |
| Violence Against Women Office, Department Of Justice | Violence Against Women Act Court Training and Improvement Grants | 16.013 | 2011-WX-ZX- K022 | - | 91,043 | 91,043 |
| Violence Against Women Office, Department Of Justice | Justice Systems Response to Families | 16.021 | 2014-FJ-AX- 003 | - | 14,692 | 14,692 |
| Office For Victims Of Crime, Department Of Justice (via Washington State Department of Commerce) | Crime Victim Assistance | 16.575 | S15-31119-037 | 42,599 | - | 42,599 |
| Office For Victims Of Crime, Department Of Justice (via Washington State Department of Commerce) | Crime Victim Assistance | 16.575 | S14-31119-037 | 44,327 | - | 44,327 |
| Total CFDA 16.575: | | | | | 86,926 | 86,926 |
| Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce) | Violence Against Women Formula Grants | 16.588 | N/A | 16,185 | - | 16,185 |
| | | | | | | 4 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|---|--------|-------------------------------|----------------|----------------|----------------|
| Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce) | Violence Against Women Formula Grants | 16.588 | F13-31103-032 | 11,670 | - | 11,670 |
| Total CFDA 16.588: | | | | 27,855 | - | 27,855 |
| Bureau Of Justice Assistance, Department Of Justice (via Puget Sound Partnership) | State Criminal Alien Assistance Program | 16.606 | 2014 SCAAP | - | 38,340 | 38,340 |
| Region 10, Environmental Protection Agency (via Puget Sound Partnership) | Puget Sound Action Agenda Outreach, Education and Stewardship Support Program | 66.120 | PC-00J90301 | 58,499 | - | 58,499 |
| | | 66.122 | 2013-63, 2013- 78, 2013-08 | 18,359 | - | 18,359 |
| Region 10, Environmental Protection Agency (via Washington State Department of Commerce) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | 14-63401-006 | 7,752 | - | 7,752 |
| Region 10, Environmental Protection Agency (via Washington State Department of Ecology) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | G1400025 | 184,516 | - | 184,516 |
| Region 10, Environmental Protection Agency | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | PO-00J12401 | - | 162,430 | 162,430 |
| Region 10, Environmental Protection Agency (via Wa Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C16904 | 393,145 | - | 393,145 |
| Region 10, Environmental Protection Agency (via Wa Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C16904 | 5,575 | - | 5,575 |
| Total CFDA 66.123: | | | | 590,988 | 162,430 | 753,418 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|---|--------|---------------|--------------|--------|--------------|
| Office Of The Administrator, Environmental Protection Agency | Protection of Children from Environmental Health Risks | 66.609 | CH 83511901 | - | 13,762 | 13,762 |
| U.s. Election Assistance Commission (via Office of the Secretary of State) | Help America Vote Act Requirements Payments | 90.401 | G-2585 2C, 2D | 1,160 | - | 1,160 |
| U.s. Election Assistance Commission (via Office of the Secretary of State) | Help America Vote Act Requirements Payments | 90.401 | G-2585 #6 | 500 | - | 500 |
| Total CFDA 90.401: | | | | 1,660 | - | 1,660 |
| Office Of The Secretary, Department Of Health And Human Services (via Wa Department of Health) | Medical Reserve Corps Small Grant Program | 93.008 | MRC13-0172 | 9,248 | - | 9,248 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa Department of Health) | Public Health Emergency Preparedness | 93.069 | C16904 | 75,046 | - | 75,046 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa Department of Health) | Sodium Reduction in Communities | 93.082 | C16904 | 61,129 | - | 61,129 |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Department of Social and Health Services) | Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 1369-83134 | 46,991 | - | 46,991 |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Department of Social and Health Services) | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 1363-90047 | 120,660 | - | 120,660 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa Department of Health) | Immunization Cooperative Agreements | 93.268 | C16904 | 58,757 | - | 58,757 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|--|--------|------------------------|---------|---------|---------|
| Office Of The Secretary, Department Of Health And Human Services | National Community Centers of Excellence in Women's Health | 93.290 | CCEWH111027- 003-00 | - | 296,501 | 296,501 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa Department of Health/Grays Harbor County) | PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds | 93.531 | Interlocal (2) | 67,631 | 67,631 | |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa 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 | C16904 | 2,174 | 2,174 | |
| Administration For Children And Families, Department Of Health And Human Services (via WA Department of Social and Health Services) | Child Support Enforcement | 93.563 | 2110-80383 | 918,999 | 918,999 | 5 |
| Office Of The Secretary, Department Of Health And Human Services (via Wa Department of Health) | National Bioterrorism Hospital Preparedness Program | 93.889 | C16904 | 33,830 | 33,830 | |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Department of Social and Health Services) | Block Grants for Community Mental Health Services | 93.958 | 1369-76936 | 270,715 | 270,715 | 6 |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Department of Social and Health Services) | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 163-27329 | 230,821 | 230,821 | 6 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|---|--|--------|---|----------------|----------|----------------|
| Health Resources And Services Administration, Department Of Health And Human Services (via Wa Department of Health) | Maternal and Child Health Services Block Grant to the States | 93.994 | C16904 | 243,610 | - | 243,610 |
| Department Of Homeland Security (via Washington State Parks) | Boating Safety Financial Assistance | 97.012 | N/A | 19,572 | - | 19,572 |
| Department Of Homeland Security (via Washington State Military Department) | Hazard Mitigation Grant | 97.039 | D14-024 (Thurston 29A-2014-007) | 7,563 | - | 7,563 |
| Department Of Homeland Security (via Washington State Military Department) | Emergency Management Performance Grants | 97.042 | E14-104 (Thurston 29A-2013-035) | 90,336 | - | 90,336 |
| Department Of Homeland Security (via Washington State Military Department) | Emergency Management Performance Grants | 97.042 | E15-148 (Thurston 29A-2015-042) | 68,269 | - | 68,269 |
| Total CFDA 97.042: | | | | 158,605 | - | 158,605 |
| Department Of Homeland Security | Cooperating Technical Partners | 97.045 | EMW-2014-CA-00242 (Thurston 29A-2014-032) | - | 2,311 | 2,311 |
| Department Of Homeland Security (via Wa. Commission for National and Community Service) | Homeland Security Grant Program | 97.067 | K1034 | 8,332 | - | 8,332 |
| | | | | | | 6 |
| Department Of Homeland Security (via Washington State Military Department) | Homeland Security Grant Program | 97.067 | E 14-145 (Thurston 29A-2012-007) | 269,599 | - | 269,599 |
| Department Of Homeland Security (via Washington State Military Department) | Homeland Security Grant Program | 97.067 | E 13-161 (Thurston 29A-2013-007) | 134,340 | - | 134,340 |
| Department Of Homeland Security (via Washington State Military Department) | Homeland Security Grant Program | 97.067 | E 14-145 (Thurston 29A-2013-034) | 60,925 | - | 60,925 |
| Total CFDA 97.067: | | | | 473,196 | - | 473,196 |
| Department Of Homeland Security (via Seattle Police Department) | Regional Catastrophic Preparedness Grant Program (RCPGP) | 97.111 | 2011-43 (Thurston 29A-2011-061) | 6,597 | - | 6,597 |

The accompanying notes are an integral part of this statement.

| | | | | | | |
|--|--|---------------------------------------|---------------------------|-------------------|------------------|-------------------|
| Department Of Homeland Security (via Seattle Police Department) | Regional Catastrophic Preparedness Grant Program (RCPGP) | 97.111 | Thurston 29A-2013-022 | 10,629 | - | 10,629 |
| | | | Total CFDA 97.111: | 17,226 | - | 17,226 |
| Department Of Homeland Security (via Marine Exchange of Puget Sound) | Port Security Grant Program (ARRA) | 97.116 | EMW-2011-PU-K00268-/S01 | 34,965 | - | 34,965 |
| | | Total Federal Awards Expended: | | 11,164,711 | 2,496,227 | 13,660,938 |

The accompanying notes are an integral part of this statement.

THURSTON COUNTY
Notes to the Schedule of Expenditures of
Federal Awards
For the Year Ended December 31, 2014

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 10 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.

NOTE 3 – NONCASH AWARDS

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

NOTE 4 – NOT AVAILABLE (N/A)

The County was unable to obtain other identification numbers.

NOTE 5 – INDIRECT COST RATE

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

| CFDA # | Contract # | Indirect Cost Rate | Amount |
|---------------|---|---------------------------|---------------|
| 20.600 | M1-15-01 | 10% | \$1,349 |
| 20.600 | AL 14-08 | 10% | \$2,861 |
| 93.563 | 2110-80383 with Prosecuting Attorney's Office | 6.91% | \$15,631 |
| 93.563 | 2110-80383 with Clerk | 9.84% | \$33,845 |
| 93.563 | 2110-80383 with Superior Court | 8.25 | \$7,459 |
| 66.123 | 14-63401-006 | 25% | \$1,550.46 |
| 66.123 | PO-00J12401 | 24.18% | \$11,569.69 |
| 66.123 | G1400025 | 25% | \$1,554.32 |
| 14.239 | M13-DC-53-0207 | 12% | \$5,632.27 |

NOTE 6 – AMOUNTS AWARDED TO SUBRECIPIENTS

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

| CFDA # | Contract # | Amount |
|---------------|---------------------------------|---------------|
| 14.231 | 14-46107-011 | \$172,784.04 |
| 14.218 | B-13-UC-53-0007 | \$708,910.55 |
| 14.239 | M12-DC-53-0207 | \$57,875.01 |
| 14.239 | M13-DC-53-0207 | \$525,094.37 |
| 14.239 | M14-DC-53-0207 | \$208,358.31 |
| 14.228 | 12-6400-032 | \$63,050.20 |
| 14.228 | 12-6400-032 | \$2,122.76 |
| 93.243 | 1363-90047 | \$117,996.38 |
| 93.959 | 1163-27329 | \$227,552.26 |
| 93.958 | 1369-76936 | \$270,714.54 |
| 93.150 | 1369-83134 | \$46,990.74 |
| 97.067 | E14-145 (Thurston 29A-2012-007) | \$162,352 |
| 97.067 | E13-161 (Thurston 29A-2013-007) | \$22,500 |

NOTE 7 – 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 8 – FEDERAL LOANS

The County received a loan approved by EPA and DOE totaling \$16,265.89 for the purpose of providing low interest loans to repair or replace failing or antiquated on-site sewage systems or connect to sewer where available to owners of eligible Thurston County properties. The amount listed for this loan includes the amount using during 2014.

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

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

Thurston County January 1, 2014 through December 31, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Thurston County.

| | |
|---|---|
| Finding ref number: 2014-001 | Finding caption: The County's internal controls were not adequate to ensure compliance with Community Development Block Grant reporting requirements. |
| Name, address, and telephone of auditee contact person: Darren Bennett 2000 Lakeridge Drive S.W. Olympia, WA 98502-6090 (360) 867-2253 | |
| Corrective action the auditee plans to take in response to the finding: <i>The Department responsible for this grant has already been contacted by both our internal auditor and the Financial Services Manager and the issues uncovered by the audit have been discussed with the department's Fiscal Manager and the Grant Program Manager. Upon discovery, the reports have been brought up to date. Beginning immediately the department will do the following:</i> <ul style="list-style-type: none">• <i>Complete the cash status only section of the required SF-425 Federal Financial Report, per the A-133 compliance supplement for this particular grant. The required information will be submitted on a quarterly basis.</i>• <i>Complete the FFATA reports by the end of the month following the month in which the county awards \$25,000 or more in direct federal awards to a subrecipient.</i> | |
| Anticipated date to complete the corrective action: Immediately | |

| | |
|--|---|
| Finding ref number: 2014-002 | Finding caption: The County's internal controls were not adequate to ensure compliance with Home Investment Partnership Program reporting requirements. |
| Name, address, and telephone of auditee contact person: Darren Bennett 2000 Lakeridge Drive S.W. Olympia, WA 98502-6090 (360) 867-2253 | |
| Corrective action the auditee plans to take in response to the finding: <i>The Department responsible for this grant has already been contacted by both our internal auditor and the Financial Services Manager and the issues uncovered by the audit have been discussed with the Department's Fiscal Manager and the Grant Program Manager. Upon discovery, the reports have been brought up to date. Beginning immediately the Department will complete the FFATA reports by the end of the month following the month in which the county awards \$25,000 or more in direct federal awards to a subrecipient.</i> | |
| Anticipated date to complete the corrective action: Immediately | |

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 | |
|--|--|
| Deputy Director for Communications | Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367 |
| Public Records requests | (360) 725-5617 |
| Main telephone | (360) 902-0370 |
| Toll-free Citizen Hotline | (866) 902-3900 |
| Website | www.sao.wa.gov |