

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

Snohomish County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008263

Issue Date
September 17, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 17, 2012

County Council and Executive
Snohomish County
Everett, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Snohomish County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

Snohomish County January 1, 2011 through December 31, 2011

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

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

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

We reported 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
14.228	CDBG - State-Administered CDBG - Community Development Block Grants/State's Program
14.235	Supportive Housing Program
14.239	Home Investment Partnership Program
14.253	ARRA – CDBG - Entitlement Grants Cluster - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act)
16.808	ARRA - Edward Byrne Memorial Competitive Grant Program (Recovery Act)
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction Cluster - Highway Planning and Construction (Recovery Act)
81.042	Weatherization Assistance for Low-Income Persons Cluster
81.042	ARRA – Weatherization Assistance for Low-Income Persons Cluster (Recovery Act)
81.086	ARRA – Conservation Research and Development (Recovery Act)
93.563	Child Support Enforcement
93.600	Head Start Cluster - Head Start
93.709	Head Start Cluster - ARRA - Early Head Start (Recovery Act)
97.036	Disaster Grants - Public Assistance Program
97.067	Homeland Security Grant Program Cluster

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,367,084.

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

Schedule of Federal Audit Findings and Questioned Costs

Snohomish County
January 1, 2011 through December 31, 2011

1. The County did not comply with federal requirements for procurement, suspension and debarment, and earmarking related to its Head Start Grant Cluster.

CFDA Number and Title:	93.600 Head Start 93.709 ARRA - Early Head Start
Federal Grantor Name:	U.S. Department of Health and Human Services
Federal Award/Contract Number:	10CH018101 10SA0181/02
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

Procurement and Suspension and Debarment

Grant recipients that purchase goods and services with federal funds must maintain purchasing records to demonstrate compliance with federal procurement requirements. Grantees may solicit services from only one vendor when they determine awarding the contract is not feasible using bids or competitive proposals, and the goods and services are available from a single source, or competition is determined to be inadequate. The recipient must maintain documentation to show how it reaches this conclusion.

Federal grant management regulations require recipients to obtain quotes for services costing up to \$100,000 and formal bids for services costing more than \$100,000.

Recipients of federal grants are prohibited from contracting with or making subawards to parties that are suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the County must ensure the vendor or subrecipient is not suspended or debarred by obtaining a written certification from the vendor or subrecipient stating it has not been suspended or debarred. Alternatively, the County may check for suspended or debarred parties by reviewing the federal Excluded Parties List of the U.S. General Services Administration. This requirement should be met prior to making the first payment to the vendor.

Earmarking

In 2011, the Snohomish County Human Services Department spent \$1,211,790 in federal Head Start grant funds. Of this, \$962,782 was from the American Recovery and Reinvestment Act in 2011. The County is required to use this grant money to promote the school readiness of low-income infants and toddlers.

Description of Condition

Procurement and Suspension and Debarment

The County Human Services Department paid a vendor \$29,635 for interpreter services. It did not have procedures to obtain quotes or bids to ensure it met competitive procurement requirements. The County also did not have procedures to obtain information necessary to meet suspension and debarment verification for this vendor.

Earmarking

The Head Start grant provides funding to states, counties, cities, and tribal governments to enroll a specified number of children in each program. The grantor bases funding on the number of children required to be enrolled. Each grantee is required to enroll that number of children. The grantor required the Snohomish County Human Services Department to enroll 82 children in its program for 2011. However, the County did not do so.

Cause of Condition

Procurement and Suspension and Debarment

Employees responsible for monitoring the use of grant funds were not aware of the requirement for procurement of services or that they had to verify that the vendor was not suspended or debarred.

Earmarking

The Snohomish County Human Services Department did not devote enough resources to recruitment efforts to ensure the program was fully enrolled.

Effect of Condition and Questioned Costs

Procurement and Suspension and Debarment

The County cannot ensure it obtained the best services for the most competitive price. In addition, without adequate internal controls, the risk is increased for paying vendors that were not eligible to participate in the federal program. Payments to an ineligible party are unallowable and would be subject to recovery by the grantor. We determined the vendor was not suspended or debarred from participating in federal contracts; therefore, we are not questioning costs.

Earmarking

The County did not provide services to all of the children it should have in 2011.

Recommendation

We recommend the County:

- Retain documentation to support purchases made with federal funds.
- Establish and follow procedures to determine if vendors are suspended or debarred before making payments with federal funds.
- Ensure it complies with the enrollment earmarking requirement.

- Provide adequate support and training to staff responsible for compliance.
- Ensure it devotes sufficient time and resources to ensure it meets its enrollment requirements.

County's Response

Procurement and Suspension and Debarment

The Snohomish County Human Services Department appreciates the auditor's efforts and the opportunity to respond. The department will be initiating a competitive process in the fall of 2012 for the procurement of interpreter services. As part of the process, the suspension and debarment status of each of the applicants will be verified. Those vendor(s) that are successful in this process will enter into contract with the department. In addition, the department has existing procedures in place to verify and document suspension and debarment using the Excluded Parties List System (EPLS), before entering into any contract with all service providers.

Earmarking

The department concurs with this finding. The County received funding from the Office of Head Start for this new program in March 2010 and began enrolling families in September 2010. During this first year of the grant, county staff focused on locating sites to house Early Head Start services, establishing food service, arranging transportation for students to the Marysville site, and training staff on the curricula, performance standards, program policies and procedures, and county requirements. We worked closely with our federal representative from the Office of Head Start and received ongoing technical assistance from the Region X Technical Assistance staff on many issues, including a focus on recruitment and enrollment. We held monthly calls with our regional representative and received both telephone assistance and in-person visits to improve our recruitment efforts.

Beginning with the current grant period starting on September 30, 2011, the Snohomish County Human Services Department significantly improved procedures to ensure the program is fully enrolled. We have assigned recruitment to a staff person and conduct monthly recruitment meetings at each location—Marysville, Arlington, Granite Falls, and Sultan—to ensure we have full enrollment and maintain a waiting list. We reached full enrollment in January, 2012, and remain fully enrolled.

Auditor's Remarks

We thank the County for its cooperation and assistance during the audit and look forward to reviewing the County's corrective action during our 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, 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 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.

Title 45, Code of Federal Regulation, Section 74.43 – Competition, states:

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient.

Any and all bids or offers may be rejected when it is in the recipient's interest to do so.

Title 45, Code of Federal Regulation, Section 74.46 – Procurement records, states:

Procurement records and files for purchases in excess of the simplified acquisition threshold shall include the following at a minimum: (a) Basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

Title 2, Code of Federal Regulations, Section 180.220, states in part:

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a non-procurement transaction that is covered under Sec. 180.210, and the amount of the contract is expected to equal or exceed \$25,000.

Title 2, Code of Federal Regulations, Section 180.300 states:

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or

(b) Collecting a certification from that person if allowed by this rule; or

(c) Adding a clause or condition to the covered transaction with that person.

Title 45, Code of Federal Regulation, Section 1305.7 – Enrollment and re-enrollment, states in part:

(b) A Head Start grantee must maintain its funded enrollment level. When a program determines that a vacancy exists, no more than 30 calendar days may elapse before the vacancy is filled. A program may elect not to fill a vacancy when 60 calendar days or less remain in the program's enrollment year.

Schedule of Federal Audit Findings and Questioned Costs

Snohomish County
January 1, 2011 through December 31, 2011

- 2. The County's internal controls over its American Recovery and Reinvestment Act Edward Byrne Memorial Competitive Grant Program are inadequate to ensure compliance with federal regulations.**

CFDA Number and Title:	16.808 ARRA - Edward Byrne Memorial Competitive Grant Program
Federal Grantor Name:	U.S. Department of Justice
Federal Award/Contract Number:	2009-SC-B9-0146
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$863

Background

The Snohomish County Superior Court spent \$1,514,381 in federal funds through the Edward Byrne Memorial Competitive Grant Program funded by the American Recovery and Reinvestment Act. The purpose of the grant is to increase the efficiency of its court system.

Allowable activities and allowable costs

Grantees and sub-recipients may use grant funds only for costs identified in U.S. Office of Management and Budget Circular A-87, the grant contract and the grantor's guidelines.

Procurement and suspension and debarment

Grant recipients that purchase goods and services with federal funds must maintain purchasing records to demonstrate compliance with federal procurement requirements. Grantees may solicit services from only one vendor when they determine awarding the contract is not feasible using bids or competitive proposals, and the goods and service are available from a single source, or competition is determined to be inadequate. The recipient must maintain documentation to show how it reached this conclusion.

Grant regulations also require recipients to obtain quotes for services costing up to \$100,000 and formal bids for services costing more than \$100,000.

Regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the County must ensure the vendor or subrecipient is not suspended or debarred by obtaining a written certification

from the vendor or subrecipient stating it has not been suspended or debarred. Alternatively, the County may check for suspended or debarred parties by reviewing the federal Excluded Parties List of the U.S. General Services Administration. This requirement should be met prior to making the first payment to the vendor.

Description of Condition

Allowable activities and allowable costs

The Court purchased unallowable items such as gift cards and movie theater passes as incentives for drug court participants. Further, the Court did not ensure all incentives were monitored and tracked and provided only to participants who had earned them.

Procurement and suspension and debarment

The Court paid a vendor \$30,891 for laboratory services, but could not demonstrate it met competitive procurement requirements. Further, the Court did not meet suspension and debarment verification requirements.

The Court also paid a vendor \$42,711 for a case management software database, but did not meet suspension and debarment verification requirements by confirming the status of this vendor.

Cause of Condition

Allowable activities and allowable costs

Employees responsible for monitoring the use of grant funds did not have a complete understanding of what expenditures were allowable. In addition, staff did not devote adequate time and resources to ensure incentives were tracked and monitored.

Procurement and suspension and debarment

Employees responsible for monitoring the use of grant funds were not aware of the requirements for procurement of products and services, or that they had to verify that the vendor was not suspended or debarred.

Effect of Condition and Questioned Costs

Allowable activities and allowable costs

The County charged unallowable costs to its federal program. Our audit identified questioned costs of \$863 for incentives for program participants. Examples of unallowable incentives included movie tickets and a video game system.

Procurement and suspension and debarment

The County cannot ensure it obtained the best services for the most competitive price. In addition, without adequate internal controls, the risk is increased for paying vendors that were not eligible to participate in the federal program. Payments to an ineligible party are unallowable and would be subject to recovery by the grantor. We determined the vendor was not suspended or debarred from participating in federal contracts; therefore, we are not questioning costs.

Recommendation

We recommend the County:

- Improve monitoring to ensure all expenditures paid for with federal funds are for allowable activities and follow federal cost principles.
- Establish procedures for monitoring incentives to ensure awards are given only to eligible participants and comply with grant requirements.
- Retain documentation to adequately support purchases made with federal funds.
- Establish and follow procedures to determine if vendors are suspended or debarred before making payments with federal funds.

County's Response

Snohomish County Superior Court's Response:

The recommendations noted above were also made as part of the 2010 audit. Snohomish County Superior Court took immediate action in 2011 to address the recommendations. However, given the timing of the 2010 audit, some conditions still existed in early 2011 and were the basis for 2011 audit recommendations. Based upon those recommendations Snohomish County Superior Court implemented the following procedures and practices in 2011.

Allowable activities and costs:

All applicable staff were informed of federal funding rules, regulations and guidelines to ensure that no unallowable items would be purchased. Staff must request approval for purchases from their supervisor or manager.

The questioned costs identified were purchased prior to the 2010 audit recommendations and the implementation of our purchasing oversight procedures. We feel that we have addressed the recommendation in the 2010 audit and that this is a timing issue only.

Monitoring Incentives and retaining documentation:

Based upon the 2010 audit recommendations, Snohomish County Superior Court implemented a tracking system for incentives. Each incentive must be recorded in the Fiscal Unit incentive log. Incentives are then signed out to staff. When incentives are given to participants, the participant must sign a form in court that contains identifying information of the incentive (amount, description, vendor, date, etc). These forms are submitted to the Fiscal Unit for reconciliation. Additionally, the incentive is noted in the drug court's data management system including the date, type of incentive and the reason it was awarded. We feel that we have adequately addressed this recommendation. Once again, we took corrective action after the 2010 audit which was completed midyear 2011.

Procurement and suspension and debarment:

The Snohomish County Superior Court began a competitive bid process for laboratory services in the fall of 2011. However, due to a number of unforeseeable circumstances, the bid was not awarded until June 2012. We feel that this adequately addresses the recommendation for procurement.

In 2011, the Snohomish County Superior Court implemented a system to ensure that all potential contractors are not suspended or debarred from receiving federal funds. The data management system contract mentioned in the audit report was a joint sole source effort between the Court and the county's Purchasing and Information Services departments. The process was completed in February 2011 prior to the 2010 audit recommendations regarding debarment and suspension. We feel that we have addressed the suspension and debarment recommendation.

Auditor's Remarks

We thank the County for its cooperation and assistance during the audit and look forward to reviewing the County's corrective action during our 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, 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 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.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix A, states in part:

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

j. Be adequately documented.

Title 28, Code of Federal Regulation, Section 66.36 – Procurement, states in part:

(b) Procurement standards.

(1) Grantees and sub-grantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

(9) Grantees and sub-grantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(c) Competition.

(1) All procurement transactions will be conducted in a manner providing full and open competition . . .

(3) Grantees will have written selection procedures for procurement transactions . . .

(4) Grantees and subgrantees will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, grantees and subgrantees will not preclude potential bidders from qualifying during the solicitation period . . .

(d) Methods of procurement to be followed.

(1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

(2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price . . .

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost

reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids . . .

(4) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

(i) Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:

(A) The item is available only from a single source;

(B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(C) The awarding agency authorizes noncompetitive proposals; or

(D) After solicitation of a number of sources, competition is determined inadequate.

Title 2, Code of Federal Regulations, Section 180.220, states in part:

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a non-procurement transaction that is covered under Sec. 180.210, and the amount of the contract is expected to equal or exceed \$25,000.

Title 2, Code of Federal Regulations, Section 180.300 states:

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or

(b) Collecting a certification from that person if allowed by this rule; or

(c) Adding a clause or condition to the covered transaction with that person.

Schedule of Federal Audit Findings and Questioned Costs

Snohomish County January 1, 2011 through December 31, 2011

3. Snohomish County's internal controls were inadequate to ensure compliance with federal grant requirements of the Disaster Grant Program.

CFDA Number and Title:	97.036 Disaster Grants – Public Assistance
Federal Grantor Name:	U.S. Department of Homeland Security
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Military Department
Pass-through Award/Contract Number:	E04-739 1499-DR-WA E07-773P2 E08-801 1734-DR-WA D09-105R 1817-DR-WA
Questioned Cost Amount:	\$122

Background

The County received \$1,523,331 through the federal Disaster Grant program to assist with rebuilding County-owned roads and bridges damaged or destroyed during presidentially declared disasters. Grant funds paid for salaries, professional services, equipment use, and supplies and materials.

When submitting requests for reimbursement for equipment use, the County is required to submit the number of hours each piece of equipment was in use. Stand-by time is not eligible for reimbursement. However, if equipment is used intermittently for more than a half day, the County may claim use for the entire day if it keeps sufficient documentation.

Description of Condition

Our audit found the County's equipment use records do not distinguish between operating time and standby time at the job site.

From a sample of equipment charges, we identified one instance in which an employee worked five hours on a Disaster Grant-funded project and an additional five hours on a non-federally funded project. The employee documented that a loader and a pickup were used for five hours each on the Disaster Grant-funded project, and an additional five hours each on a non-federally funded project for a total of 20 hours on the projects. The employee's shift was only 10 hours, leaving us to question the number of hours reported for the actual use of the equipment. The County could not demonstrate that the equipment was in use for more than half of the working day, indicating that the County potentially was reimbursed for equipment standby time.

Cause of Condition

Public Works Department employees lacked knowledge of the grant requirement that reimbursements must be based on time the equipment was in use each day.

Effect of Condition and Questioned Costs

Without adequate internal controls or documentation over the tracking of the use of equipment, the County cannot ensure or demonstrate that federal funds are only being used to pay for time in which equipment is being used.

Based on our calculations, we are questioning the costs of the loader for the day, totaling \$122. We estimate additional likely unsupported equipment charges of \$39,291, based on the results of our sample.

Recommendation

We recommend the County establish internal controls to ensure its records demonstrate the allowability of costs charged to federal grants. The County should track actual equipment use time, rather than the time equipment was checked out

County's Response

Snohomish County Public Works Department respectfully disagrees with this finding as does our granting agency. Snohomish County Finance Department concurs with the Public Works Department.

Per FEMA requirements, the county is required to submit all costs for this improved project. Nowhere in the FEMA requirements does it say take out stand-by time for equipment charges. FEMA's 'standby time' application is different than that of other federal agencies. FEMA determines the 'standby time' with various calculations taking into account multiple factors from the detailed supporting documentation that is required to be submitted. As a result of their calculations, FEMA reduced the amount of eligible equipment costs by \$30,959.

Snohomish County's equipment use records adequately reflect the use of two pieces of equipment, a pickup truck and loader, for five hours each on the project in question as well as another non-federally funded project. Each piece of equipment was charged for 10 hours each which correlates to a 10 hour working day (5 hours of the FEMA funded project and 5 hours to the non-federal funded project.) Both pieces of equipment were used intermittently throughout the day on both projects. As confirmed by the Road Maintenance Supervisor, the pickup truck and loader were intermittently utilized for the federally reimbursed work throughout the 5 hour period. Neither piece of equipment was on standby. The pickup was used for transportation to the pit as well as a parts truck used on the job throughout the day. In addition to the materials and equipment, the pickup carried a large portable fuel tank that was needed to keep the loader running throughout the 5 hour period.

As for the "Effect of Condition and Questioned Cost": The finding states "because we used a sample and we take all equipment charged to the FEMA grant into consideration that generates additional likely questioned costs of \$39,291 which exceeds \$10,000 and thus needs to be reported as a finding." The County believes the discounted records

should be removed from the population. Regardless, the total cost of this project was \$747,556 of which the allowed federal reimbursement was \$258,348.51. The County's match requirement, including state funds, was \$86,116.17. The county expended over \$382,000 in eligible costs. If all equipment costs were removed, the County still had more eligible costs than needed for the full FEMA reimbursement. Therefore, there should effectively be no questioned costs.

Auditor's Remarks

We considered the County's response, and reaffirm our finding. We look forward to reviewing the County's corrective action during our 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, 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.

U.S. Department of Homeland Security, *FEMA 322 Public Assistance Guide – June 2007, Chapter 2: Eligibility, Equipment*, states:

Certain ownership and operating costs for force account (that is, applicant owned) equipment used to perform eligible work are eligible. Costs for use of automobiles and pick-up trucks may be reimbursed on the basis of mileage if less costly than hourly rates. For all other types of equipment, costs are reimbursed using an hourly rate. Reimbursable equipment rates typically include operation (including fuel), insurance, depreciation, and maintenance; however, they do not include the labor of the operator. Stand-by time for equipment is not eligible.

However, if an applicant uses equipment intermittently for more than half of the normally scheduled working hours for a given day, use for the entire day may be claimed if adequate documentation is submitted. Equipment that is used for less than half of the normally scheduled working day is reimbursable only for the hours used.

Schedule of Prior Federal Audit Findings

Snohomish County January 1, 2011 through December 31, 2011

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

Audit Period: 1/1/10-12/31/10	Report Reference No: 1006218	Finding Reference No: 1	CFDA Number(s): 14.228
Federal Program Name and Granting Agency: Community Development Block Grants - State's Program (Recovery Act) - U.S. Department of Housing and Urban Development		Pass-Through Agency Name: Department of Commerce	
Finding Caption: Snohomish County's internal controls are inadequate to ensure compliance with subrecipient monitoring requirements for the Community Development Block Grant Program.			
Background: One subrecipient who spent \$665,332 in federal funds did not receive an audit as required. The Snohomish County Human Service Department's monitoring did not detect this.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Snohomish County's Human Services Department updated their contracts database to include auto-generated single audit request letters, which will be sent to all the department's sub-recipients of federal funding. The database will also be used to generate periodic reports to track submission of audit reports by subrecipient agencies.</i>			

Audit Period: 1/1/10-12/31/10	Report Reference No: 1006218	Finding Reference No: 2	CFDA Number(s): 16.808
Federal Program Name and Granting Agency: ARRA - Edward Byrne Memorial Competitive Grant Program - U.S. Department of Justice		Pass-Through Agency Name: NA	
Finding Caption: Snohomish County's internal controls over its American Recovery and Reinvestment Act Edward Byrne Memorial Competitive Grant Program are inadequate to ensure compliance with allowable activities and costs and suspension and debarment requirements.			
Background: The Snohomish County Superior Court did not ensure costs charged to the grant were allowable. The Snohomish County Superior Court could not provide documentation to demonstrate it met competitive procurement requirements for one vendor nor did it meet suspension and debarment requirements for the vendor.			

Status of Corrective Action: (check one)			
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> No Corrective Action Taken	<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken: <u>Allowable Activities and Allowable Costs</u> 1) <i>Snohomish County Superior Court staff are developing a tracking system so that every incentive (gift cards, movie passes, etc.) is tracked from purchase to issuance to the approved drug court participant. Quarterly reconciliations will take place by the Court's fiscal division and documentation thereof will be kept by the Superior Court's Fiscal Manager. Additionally, we are reconciling all incentives purchased under this grant to connect each one to a drug court participant.</i> 2) <i>Snohomish County Superior Court has requested clarification from OJP regarding travel rules and will comply with those rules as clarified for all future travel.</i> <u>Procurement and Suspension and Debarment</u> <i>Snohomish County Superior Court created Requests for Proposals (RFP) for laboratory and other services relating to urinalysis including collecting observed samples. Every RFP to include a clause that states that by signing and submitting the RFP, the vendor attests that it is not currently suspended or debarred. A similar clause to be added to the contracts so the suspension and debarment requirement is met through the duration of the Contract and any amendments.</i>			

Audit Period: 1/1/10-12/31/10	Report Reference No: 1006218	Finding Reference No: 3	CFDA Number(s): 97.036
Federal Program Name and Granting Agency: Disaster Grants - Public Assistance - U.S. Department of Homeland Security		Pass-Through Agency Name: Military Department	
Finding Caption: Snohomish County's internal controls over equipment monitoring for its Disaster Grants – Public Assistance are not adequate.			
Background: The Snohomish County Department of Public Works did not maintain records to document it performed a physical inventory of all equipment purchased with federal money every two years. The Snohomish County Department of Public Works' records of equipment purchased with federal funding did not contain all the required information.			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid </div>			
Corrective Action Taken: <i>The Snohomish County Public Works Department has taken action to further improve its internal controls. When federal funds are used to purchase equipment, notification to the Purchasing Division and ER&R will now include all items listed in Title 44 CFR 13.32(d)(1). The Public Works Department has also modified a field in the ER&R Asset database to identify federally funded equipment. In addition, ER&R has established a task in its annual maintenance program to complete a physical inventory of this equipment. Confirmation of the equipment's existence, condition of the equipment, and current mileage will be noted at that time. If the equipment is not included in the ER&R inventory, the department making the purchase shall be responsible for meeting the physical inventory and its associated requirements. Further research is underway to determine if most or all of this information, as well as disposition information, can be included in the County's new fixed asset module.</i>			

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Snohomish County
January 1, 2011 through December 31, 2011**

County Council and Executive
Snohomish County
Everett, Washington

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Snohomish County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 2, 2012. During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain matters that we have reported to the management of the County in a separate letter dated August 29, 2012.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management, the Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 2, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Snohomish County
January 1, 2011 through December 31, 2011**

County Council and Executive
Snohomish County
Everett, Washington

COMPLIANCE

We have audited the compliance of Snohomish County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, 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 1, 2 and 3.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Findings 1, 2 and 3. *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.

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

This report is intended for the information of management, the Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its

distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 2, 2012

Independent Auditor's Report on Financial Statements

Snohomish County January 1, 2011 through December 31, 2011

County Council and Executive
Snohomish County
Everett, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Snohomish County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed on page 26. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Snohomish County, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Special Revenue Fund, County Road Fund and Human Services Fund funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 2, 2012

Financial Section

Snohomish County January 1, 2011 through December 31, 2011

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2011

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2011

Statement of Activities – 2011

Balance Sheet – Governmental Funds – 2011

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

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – County Roads Fund – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Human Services Fund – 2011

Statement of Net Assets – Proprietary Funds – 2011

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

Statement of Cash Flows – Proprietary Funds – 2011

Statement of Net Assets – Fiduciary Funds – 2011

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

Notes to Financial Statements – 2011

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2011

Our discussion and analysis of Snohomish County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2011. Please read it in conjunction with the transmittal letter at the front of this report, the County's financial statements and the notes to the financial statements, which follow.

FINANCIAL HIGHLIGHTS

- As of December 31, 2011, total assets of the County exceeded the total liabilities by \$1 billion (net assets). \$869 million, or 85%, of this amount is invested in capital assets, net of related debt. Of the remaining net assets, \$54.8 million is unrestricted and may be used to meet the County's ongoing obligations.
- In 2011, the County's total net assets increased by 2% or \$19 million from the prior year. The governmental net assets increased by 1.6% or \$13.2 million from the prior year. The business type net assets increased 3.4% or \$5.8 million.
- As of December 31, 2011, the County's governmental funds reported combined ending fund balances of \$128.6 million. Approximately 13.8% or \$17.7 is unassigned and available for spending at the government's discretion within the purposes specified for the County's funds.
- At the end of 2011, the general fund total assigned fund balance was \$2.2 million and the unassigned fund balance was \$17.7 million. The fund balance amounts to 10% of total general fund expenditures for 2011. Total fund balance for the general fund decreased by 12% or \$2.8 million for the year.
- General obligation debt issued during 2011 totaled \$109.6 million. All issuances were for refunding debt, which resulted in a long-term economic gain of \$3.3 million. Total activity for all general obligation debt during 2011 resulted in a net decrease of \$13.7 million in total general obligation debt liability.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Basic Financial Statements include the Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements. Within the Government-wide financial Statements, the Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund Financial Statements for governmental activities tell how these funds' services were financed in the short term as well as what remains for future spending. Fund Financial Statements also report the County's operations in more detail than the Government-wide Statements by providing information about the County's most significant funds. The remaining Basic Financial Statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The Comprehensive Annual Financial Report (CAFR) also includes a Supplemental Schedules section that provides more detailed information about the County.

Reporting the County as a Whole - Countywide Financial Statements

The Countywide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Statement of Net Assets and Statement of Activities

The **Statement of Net Assets** presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. **The Statement of Activities** presents information showing how the County's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

These two statements report the County's net assets and changes in them. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Readers of these statements should also consider other non-financial factors, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, the County is divided into three types of activities:

Governmental Activities:

Most of the County's functions are reported here, including general government, judicial, public safety, physical environment, transportation, health and human services, economic environment, and culture and recreation. Governmental activities are primarily supported by property taxes, sales taxes, federal and state grants, and state shared revenues.

Business-Type Activities:

These functions are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. User fees are charged for surface water management, solid waste disposal, and the Paine Field Airport.

Discretely Presented Component Units:

The County's financial statements include financial information of the Pilchuck Development Corporation (PDC) and the Snohomish County Public Facilities District (PFD). These component units are described in the notes to the financial statements. The component units are separate legal entities and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Reporting the County's Most Significant Funds

Fund Financial Statements:

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by state law or by bond covenants. The County Council establishes funds to help it control and manage money for particular purposes (an example would be the Snohomish County

Road Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (an example would be grants received from the federal government for various services provided by the Human Services Department). The County's governmental and proprietary funds use different accounting methods.

Governmental funds:

Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information assists in determining if fewer financial resources can be spent in the near future to finance the County's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation Statements are provided to describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds. The County's major governmental funds are the General Fund, the Special Revenue Fund, the County Road Fund and the Human Services Fund. Individual fund data for each of the non-major funds is provided in the form of combining statements in the supplemental schedules section.

Proprietary funds:

Proprietary funds are generally used to account for services for which the County charges customers a fee. Proprietary funds are reported using the accrual method of accounting, which is the same method used for reporting the Statement of Net Assets and the Statement of Activities. The proprietary fund statements provide additional types of information as compared to the governmental fund statements, such as cash flows.

Reporting the County's Fiduciary Responsibilities:

The County is the trustee, or fiduciary, for several entities such as fire districts. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and, for the external investment pool, a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations.

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.

Other Information – Combining Statements

The combining statements, which provide detail information for non-major governmental, internal service funds, component units, and agency funds, are presented in the supplemental schedules section.

FINANCIAL ANALYSIS

As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. The following schedule provides a summary of the assets, liabilities, and net assets of the County.

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current	\$ 263,535,858	\$ 276,346,731	\$ 53,288,552	\$ 49,392,942	\$ 316,824,410	\$ 325,739,673
Noncurrent	18,775,430	18,196,240	801,815	540,361	19,577,245	18,736,601
Capital Assets	963,845,755	956,610,842	234,411,079	238,136,745	1,198,256,834	1,194,747,587
Total Assets	1,246,157,043	1,251,153,813	288,501,446	288,070,048	1,534,658,489	1,539,223,861
Liabilities						
Current Liabilities	115,975,094	141,890,684	15,668,862	15,977,524	131,643,956	157,868,208
Noncurrent Liabilities	287,023,747	279,334,294	97,348,591	102,358,515	384,372,338	381,692,809
Total Liabilities	402,998,841	421,224,978	113,017,453	118,336,039	516,016,294	539,561,017
Net Assets						
Invested in Capital, Net of Related Debt	716,330,913	684,331,825	152,494,980	148,844,543	868,825,893	833,176,368
Restricted	94,461,981	93,786,886	563,490	1,905,165	95,025,471	95,692,051
Unrestricted	32,365,308	51,810,124	22,425,523	18,984,301	54,790,831	70,794,425
Total Net Assets	\$ 843,158,202	\$ 829,928,835	\$ 175,483,993	\$ 169,734,009	\$ 1,018,642,195	\$ 999,662,844

Snohomish County's overall financial position improved for 2011. For the year ended December 31, 2011, net assets changed as follows:

Total Net Assets of the County increased by \$19 million or 2% from the prior year. Governmental Activities' Total Net Assets increased by 1.6% from the prior year. The increase was primarily due to increases in property tax and grant and intergovernmental revenues which more than offset reductions in charges for service and capital grant revenues. Business-Type Activities' Total Net Assets increased by 3.49% from the prior year. The increase was primarily due to an increase in charges for services revenues.

Total assets of the County exceeded total liabilities by just over \$1 billion (net assets). Unrestricted net assets for governmental activities were \$32.4 million and for business-type activities were \$22.4 million. These assets assist the County in meeting ongoing obligations to citizens and creditors. A negative balance in unrestricted net assets would indicate that no funds were available for discretionary purposes. Governmental activities restricted net assets were \$94.5 million. Restricted net assets for business-type activities were \$563 thousand. Restricted net assets are subject to external legal or contractual restrictions, such as those imposed by the Revised Code of Washington or by contractual agreements with parties outside the County.

The County's total assets were \$1.5 billion as of December 31, 2011. Capital assets represent \$1.2 billion of this amount. As required by GASB Statement No. 34, the County reports its infrastructure assets as a component of total capital assets; infrastructure assets amounted to \$504 million, net of depreciation, at December 31, 2011. The County's current assets consist of \$239 million of cash and investments, \$75.7

million of receivables, net of allowance for uncollectible accounts, and miscellaneous other current assets of \$1.9 million. Total non-current assets include \$7.1 million for the County's equity interest in the Snohomish Emergency Radio System joint venture, \$3.3 million for deferred charges and \$9.1 million for notes/contracts receivable.

The largest portion of the County's net assets, 85%, reflects its investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets for operations and to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At December 31, 2011, the County had total outstanding liabilities of \$516 million. General obligation bonds and other long-term loans payable were \$368 million, of which \$19.2 million was due within one year. Other current liabilities consist of accounts payable of \$17.8 million, due to other governments in the amount of \$12.9 million, deferred revenues of \$56.7 million, accrued liabilities of \$17.1 million and current portion of landfill closure costs reserve of \$940 thousand. A liability of \$12.8 million is recorded for general liability and workers' compensation claims, of which \$4.1 million was due within one year. Other significant non-current liabilities include compensated absences of \$16.1 million and future landfill closure costs reserve of \$10.3 million.

The following schedule provides a summary of the changes in net assets:

	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$ 67,546,315	\$ 77,888,410	\$ 78,604,414	\$ 76,425,306	\$ 146,150,729	\$ 154,313,716
Operating Grants and Contributions	96,109,008	88,042,812	2,494,917	2,130,175	98,603,925	90,172,987
Capital Grants and Contributions	36,980,415	62,616,781	3,554,186	9,267,676	40,534,601	71,884,457
Total Program Revenues	200,635,738	228,548,003	84,653,517	87,823,157	285,289,255	316,371,160
General Revenues						
Property Taxes	126,372,999	121,697,814	-	-	126,372,999	121,697,814
Sales/Use Taxes	47,247,127	49,000,016	-	-	47,247,127	49,000,016
Real Estate Excise Tax	7,351,824	8,168,205	-	-	7,351,824	8,168,205
Business and Other Taxes	13,097,688	9,988,131	-	-	13,097,688	9,988,131
Intergovernmental Revenues	13,973,089	7,261,041	-	-	13,973,089	7,261,041
Interest and Investment Earnings	11,318,962	12,956,602	365,877	494,345	11,684,839	13,450,947
Miscellaneous Revenues	115,844	1,209,103	26,073	85,432	141,917	1,294,535
Total General Revenues	219,477,533	210,280,912	391,950	579,777	219,869,483	210,860,689
Total Revenues	420,113,271	438,828,915	85,045,467	88,402,934	505,158,738	527,231,849
Expenses						
General Government	51,672,661	54,484,390	-	-	51,672,661	54,484,390
Judicial	32,181,326	37,338,986	-	-	32,181,326	37,338,986
Public Safety	121,254,086	120,095,604	-	-	121,254,086	120,095,604
Physical Environment	1,234,475	2,460,541	-	-	1,234,475	2,460,541
Transportation	94,433,357	81,830,429	-	-	94,433,357	81,830,429
Health and Human Services	51,557,316	51,769,839	-	-	51,557,316	51,769,839
Economic Environment	27,194,328	26,222,092	-	-	27,194,328	26,222,092
Culture and Recreation	13,437,749	17,917,188	-	-	13,437,749	17,917,188
Interest on Long-Term Debt	12,919,605	11,111,141	-	-	12,919,605	11,111,141
Airport	-	-	18,135,767	16,856,421	18,135,767	16,856,421
Solid Waste	-	-	44,465,301	45,142,954	44,465,301	45,142,954
Surface Water	-	-	17,693,416	14,077,242	17,693,416	14,077,242
Total Expenses	405,884,903	403,230,210	80,294,484	76,076,617	486,179,387	479,306,827
Excess (Deficiency) Before Contributions, Extraordinary Items, and Transfers	14,228,368	35,598,705	4,750,983	12,326,317	18,979,351	47,925,022
Transfers In (Out)	(999,001)	(1,513,883)	999,001	1,513,883	-	-
Change in Net Assets	13,229,367	34,084,822	5,749,984	13,840,200	18,979,351	47,925,022
Net Assets, Beginning of Year	\$ 829,928,835	\$ 795,844,013	\$ 169,734,009	\$ 155,893,809	\$ 999,662,844	\$ 951,737,822
Net Assets, End of Year	\$ 843,158,202	\$ 829,928,835	\$ 175,483,993	\$ 169,734,009	\$ 1,018,642,195	\$ 999,662,844

The Total Change in Net Assets was an increase of 2% or \$19 million from the prior year. Of that total, Governmental Activities most significant revenue increase was reported in operating grants and contributions. Governmental Activities' expense increased from the prior year by .7%, resulting in an Excess Before Contributions, Extraordinary Items and Transfers of \$14.2 million. In total, governmental activities net assets increased \$13.2 million or 1.6% from the prior year. Business-type Activities' net assets increased 3.4% from the prior year primarily due to increases in Airport rent, lease and concession revenue as well as Surface Water Management intergovernmental revenue.

Total 2011 revenues for the County were \$505 million. Of the total County revenues, governmental activities provided 83% or \$420 million while business-type activities provided 17% or \$85 million.

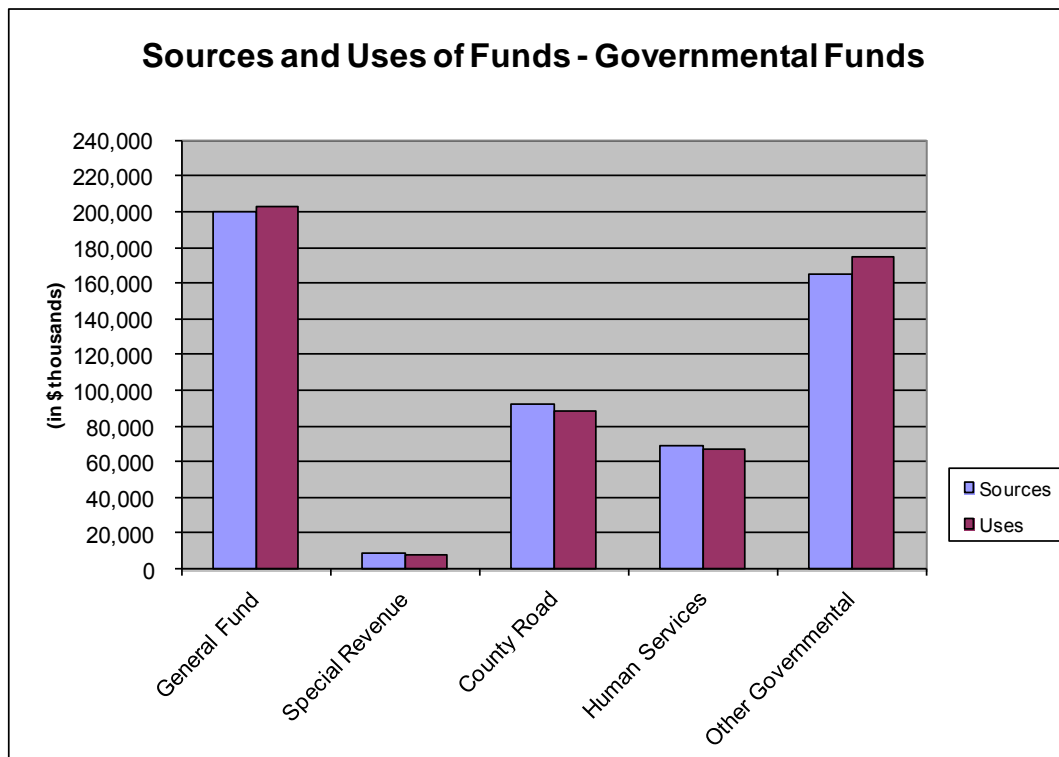
The majority of revenues for governmental activities were derived from property taxes, operating grants and contributions, charges for services and sales/use taxes. Together those revenue sources accounted for 80% of total governmental activity revenues. Property taxes provided 30% or \$126.4 million, operating grants and contributions provided 22.9% or \$96.1 million, charges for services provided 16% or \$67.5 million, and sales/use taxes provided 11% or \$47.2 million of total governmental activity revenues. Most of the governmental activities' resources were spent for Public Safety, 30%, Transportation, 23%, Health and Human Services, 12.7%, and General Government, 12.7%. Interest on long-term debt and amortization of debt related items totaled \$12.9 million, which was 3.2% of governmental activities expenses for 2011.

Revenues for business-type activities consisted primarily of charges for services of \$78.6 million, which were 93% of total business-type activities revenues. Operating expenses for Solid Waste Management represented 55% of total expenses for business-type activities, Surface Water Management expenses were at 22%, and Airport expenses were at 23%.

FUND FINANCIAL INFORMATION

Governmental Funds

The General Fund, Special Revenue Fund, County Road Fund and Human Services Fund are the County's 2011 major funds. These funds account for 62% of total governmental fund assets and 52% of total governmental fund balances. Governmental funds' total assets amounted to \$216.7 million and total liabilities were \$88.1 million. The governmental funds' uses of funds exceeded the sources of funds, resulting in a net decrease in fund balance of \$5.4 million. This was largely due to decreased general fund revenues and increased general fund expenditures. The total fund balance for all governmental funds at December 31, 2011 was \$128.6 million.



General Fund

The County's General Fund is the primary operating fund of the County and is used to account for all financial resources other than the resources that are required to be accounted for separately. As of December 31, 2011, total assets were \$28.6 million and total liabilities were \$8.7 million. The ending fund balance of \$19.9 million represents approximately 9.8% of the 2012 budgeted uses of funds for the 2012 fiscal year. The net change in fund balance for the general fund in 2011 was a decrease of \$2.8 million or 12.4%. The decrease was, largely due to decreases in several general fund revenue streams, the largest drops being in sales tax revenue, interest earnings and rent/lease/concession revenue. Increased expenditures in Public Safety also contributed to the decrease in fund balance.

The Special Revenue Fund

The Special Revenue Fund accounts for various revenues that are restricted for specific purposes and are either small in amount or are for projects that have a limited life. The single largest source of project assets currently reported in the Special Revenue Fund are related to Brightwater Mitigation fees received from King County. Current deferred revenues related to those fees amount to \$44.2 million and account for 82.7% of the fund's total assets and 99.9% of the fund's total liabilities. The fund reported insignificant revenue and expense for other projects.

The County Road Fund

The County Road Fund accounts for the construction, maintenance and inspection of county streets, roads, and bridges and other countywide public works projects. The fund reported total assets of \$24.7 million, total liabilities of \$4.9 million and an ending fund balance of \$19.7 million, an increase of \$4.1 million or 26.3% from the prior year. This increase was primarily due to a decrease of \$18 million in capital outlay expenditures related to transportation construction projects.

The Human Services Fund

The Human Services Fund accounts for the administration, planning, development and provision of the following services: energy assistance; long term care and aging; developmental disabilities; mental health; alcohol and other drugs; community services; children and youth; veteran's relief; and other human services in Snohomish County. Total assets for this fund were \$28.2 million and total liabilities were \$9.6 million with ending fund balance at \$18.5 million, an increase of \$2.2 million, or 13.8% from the prior year. The fund balance increased despite declining revenues from intergovernmental sources.

Other Governmental Funds

The County has 25 other special revenue funds, four debt service funds and six capital projects funds. These funds reported total assets of \$81.8 million, total liabilities of \$20.7 million and fund balances of \$61.2 million. \$43.5 million of the ending fund balance was restricted and \$17.6 million was committed.

Proprietary Funds

The County reported three major enterprise funds that represent the business-type activities in the government-wide financial statements. Eight internal service funds account for the operation of services provided to the different departments of the County. The principal users of internal service fund services are the County's governmental activities; therefore, the internal service funds are consolidated into the governmental column in the Government-wide Financial Statements.

Net Assets - Proprietary Funds										
	Solid Waste		Airport		Surface Water		Total		Internal Service Funds	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Assets										
Current Assets	\$ 26,703,774	\$24,663,854	\$ 4,797,732	\$ 6,831,452	\$21,787,046	\$17,897,636	\$ 53,288,552	\$ 49,392,942	\$30,390,938	\$28,220,569
Noncurrent Assets	199,077	107,989	514,103	334,874	88,635	97,498	801,815	540,361	13,720	15,035
Capital Assets	64,178,793	67,620,939	128,638,507	130,099,278	41,593,779	40,416,528	234,411,079	238,136,745	42,120,029	43,992,028
Total Assets	91,081,644	92,392,782	133,950,342	137,265,604	63,469,460	58,411,662	288,501,446	288,070,048	72,524,687	72,227,632
Liabilities										
Current Liabilities	5,990,252	6,153,197	6,057,345	7,736,899	3,621,265	2,087,428	15,668,862	15,977,524	13,698,920	11,010,094
Noncurrent Liabilities	37,276,348	39,978,629	49,445,831	50,778,110	10,626,412	11,601,776	97,348,591	102,358,515	18,101,187	22,964,570
Total Liabilities	43,266,600	46,131,826	55,503,176	58,515,009	14,247,677	13,689,204	113,017,453	118,336,039	31,800,107	33,974,664
Net Assets										
Invested in Capital, Net of Related Debt	38,294,884	38,934,240	82,935,217	82,105,007	31,264,879	27,805,296	152,494,980	148,844,543	36,380,015	37,879,984
Restricted	-	280,705	563,490	1,624,460	-	-	563,490	1,905,165	3,525,122	2,460,984
Unrestricted	9,520,160	7,046,011	(5,051,541)	(4,978,872)	17,956,904	16,917,162	22,425,523	18,984,301	819,443	(2,088,000)
Total Net Assets	\$ 47,815,044	\$46,260,956	\$78,447,166	\$78,750,595	\$49,221,783	\$44,722,458	\$175,483,993	\$169,734,009	\$40,724,580	\$38,252,968

Changes in Net Assets – Proprietary Funds										
	Solid Waste		Airport		Surface Water		Total		Internal Service Funds	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Operating Income (Loss)	\$ 1,588,079	\$ 1,394,125	\$ 157,785	\$(1,135,717)	\$ 399,846	\$ 4,328,625	\$ 2,145,710	\$ 4,587,033	\$ 2,108,634	\$(5,711,002)
Non-Operating Revenues (Expenses)	(69,760)	(244,847)	(1,917,887)	(1,448,220)	1,038,735	164,675	(948,912)	(1,528,392)	695,997	216,666
Extraordinary Items and Transfers	35,769	312,407	1,456,673	8,502,252	3,060,744	1,966,900	4,553,186	10,781,559	(333,019)	(155,273)
Changes in Net Assets	\$ 1,554,088	\$ 1,461,685	\$(303,429)	\$ 5,918,315	\$ 4,499,325	\$ 6,460,200	\$ 5,749,984	\$ 13,840,200	\$ 2,471,612	\$(5,649,609)

Statement of Cash Flow – Proprietary Funds										
	Solid Waste		Airport		Surface Water		Total		Internal Service Funds	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cash Flow from Operating Activities	\$ 4,579,557	\$ 4,633,445	\$ 4,835,120	\$ 5,383,929	\$ 3,444,907	\$ 5,229,404	\$ 12,859,584	\$ 15,246,778	\$ 5,850,501	\$ 2,195,713
Cash Flow from Capital and Related Financing Activities	(3,456,548)	(5,744,352)	(7,383,281)	(3,124,780)	(2,126,499)	(4,331,350)	(12,966,328)	(13,200,482)	(3,221,018)	(6,484,000)
Cash Flow from Non-Capital Financing Activities	989,280	835,391	1,337,164	765,390	1,028,742	1,877,199	3,355,186	3,477,980	(240,583)	(80,406)
Cash Flow from Investing Activities	1,018,926	885,462	51,311	38,350	173,149	153,308	1,243,386	1,077,120	150,864	6,145,507
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,131,215	\$ 609,946	\$(1,159,686)	\$ 3,062,889	\$ 2,520,299	\$ 2,928,561	\$ 4,491,828	\$ 6,601,396	\$ 2,539,764	\$ 1,776,814
Cash and Cash Equivalents, January 1	8,881,286	8,271,340	5,510,354	2,447,465	16,484,843	13,556,282	30,876,483	24,275,087	25,667,261	23,890,447
Cash and Cash Equivalents, December 31	\$ 12,012,501	\$ 8,881,286	\$ 4,350,668	\$ 5,510,354	\$ 19,005,142	\$ 16,484,843	\$ 35,368,311	\$ 30,876,483	\$ 28,207,025	\$ 25,667,261

Solid Waste Management Fund

This fund is used to account for solid waste disposal operations, capital improvements and debt service. Restricted investments in the amount of \$11.3 million represent funds set aside to finance long-term landfill post-closure care costs. Total assets as of December 31, 2011 were \$91.1 million, total liabilities were \$43.3 million, and net assets were \$47.8 million. Net Assets increased \$1.6 million or 3.4% from the prior year primarily due to decreased interest expense and a downward adjustment in the post closure cost estimate. Operating income was \$1.6 million, an increase of \$194 thousand as compared to last year's operating income.

Airport Fund

This fund is used to account for the operation, capital improvements and debt service of Paine Field, Snohomish County's Airport. Total assets were \$134 million, total liabilities were \$55.5 million, and net assets were \$78.4 million. Operating income was \$158 thousand, an increase of \$1.3 million from last year's operating loss. Increases in charges for services and rents/lease/concessions revenues offset increases in various operating expenses, which resulted in increased operating income for the year.

Surface Water Management Fund

This fund accounts for the operations of the Surface Water Management Division. The purpose of this division is to protect and enhance water quality and aquatic habitats, and to minimize damage from flooding and erosion. Total assets as of December 31, 2011 were \$63.5 million, total liabilities were \$14.2 million, and net assets were \$49.2 million. Surface Water's 2011 operating income of \$400 thousand was a decrease of \$3.9 million from last year's operating income. The 2011 decrease in operating income was largely due to increased personnel, intergovernmental and contractual services expenses.

Internal Service Funds

The County's internal service funds are used to provide fleet management, information services, risk management, road surface materials (pits and quarries), employee benefits, facility services, employee training and security services. Total assets as of December 31, 2011 were \$72.5 million, total liabilities were \$31.8 million and net assets were \$40.7 million. Internal service funds' operating income of \$2.1 million was an increase of \$7.8 million from last year's operating loss. The increase in total internal service funds operating income was primarily the result of increased charges for services revenue, particularly in the Employee Benefits Fund and a reduction in interfund space rent expense in the Facility Services Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2011, the General Fund's fund balance decreased by approximately \$2.8 million as a result of unanticipated revenue shortfalls. The primary elements in those revenue shortfalls were the State's rebate of prior years' sales tax dollars and a reduction of revenues from the State for jail beds. Departments continued to carefully manage their budgets in the face of continued tightening of resources. The County is committed to managing its budgets aggressively in future years and to grow the General Fund's fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following schedule provides a summary of the County's capital assets activity. Snohomish County's total investment in capital assets, including construction in progress, amounts to \$1.2 billion. Infrastructure assets, net of accumulated depreciation, represent \$504 million of capital assets. More detailed information on the County's capital assets can be found in this report in Note 3D.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Assets						
Land	\$186,092,439	\$183,557,404	\$ 35,016,940	\$ 34,536,146	\$ 221,109,379	\$ 218,093,550
Building and Structures, Net	188,283,036	190,225,724	71,676,220	74,965,479	259,959,256	265,191,203
Other Improvements, Net	53,840,160	56,570,230	61,708,238	65,089,982	115,548,398	121,660,212
Machinery and Equipment, Net	40,779,760	42,025,289	2,768,882	3,081,462	43,548,642	45,106,751
Infrastructure Assets, Net	447,532,042	461,415,703	56,489,394	56,971,277	504,021,436	518,386,980
Construction in Progress	33,963,703	11,022,523	6,189,830	2,842,456	40,153,533	13,864,979
Intangibles, Net	13,354,615	11,793,969	561,575	649,943	13,916,190	12,443,912
Total Capital Assets	\$963,845,755	\$956,610,842	\$234,411,079	\$238,136,745	\$1,198,256,834	\$1,194,747,587

Governmental Activities - Capital Assets

Governmental Activities reported an overall increase of \$7.2 million in capital assets due to various construction in progress projects.

Business-Type Activities - Capital Assets

Business-type activities reported an overall decrease in capital assets of 1.6 % primarily due to depreciation expense of existing assets.

Governmental Activities – Debt

General obligation debt of \$109.6 million was issued during 2011. The total amount was issued for refunding bonds. Principal payments made during 2011 for governmental activities' debt totaled \$84 million, which included \$83 million for general obligation bond debt, \$125 thousand for special assessment debt and \$937 thousand for loans. Interest expense for 2011 was \$12.1 million.

See Note 3F to the financial statements for additional information on long-term debt.

Business-Type Activities – Debt

General obligation debt of \$34.5 million was issued during 2011. The total amount was issued for refunding bonds. Total principal payments made during 2011 for business-type activities were \$39.2 million, which included \$38 million for general obligation bond debt and \$1.2 million for loans. Interest expense for 2011 was \$2.9 million.

See Note 3F to the financial statements for additional information on long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The American economy may not be truly healthy yet, but it's healing. The 2.8% annual growth rate for the fourth quarter of 2011 was the fastest since spring 2010 and was the third straight quarter that growth has accelerated. Experts caution, however, that the pace is unlikely to last and that it's not enough to sharply drive down the unemployment rate. The Fed has signaled that a full economic recovery could take at least three more years. Although things may not be good, they are getting better.

Snohomish County's jobless rate saw another promising decline in December to 8.2 %, the lowest that unemployment has been in the county since December 2008. Snohomish County's unemployment rate is

now below that of the state's average. The general trend since early 2010 has been one of overall job growth, with the majority of month over month growth attributable to the private sector.

A recent Federal Commerce Department report suggests more hiring gains ahead. For the final three months of 2011, Americans spent more on vehicles, and companies restocked their supplies at a robust pace. Still, overall growth in the last quarter of 2011 - and for all of last year - was slowed by the sharpest cuts in annual government spending in four decades. Many people are reluctant to spend more or buy homes, and many employers remain hesitant to hire, even though job growth has strengthened.

The outlook for 2012 is slightly better. The Federal Reserve has estimated economic growth of roughly 2.5 percent for the year, despite abundant risk factors: federal spending cuts, weak pay increases, cautious consumers and the risk of a European recession. Many fear that a likely recession in Europe could cool demand for U.S. manufactured goods. Growth would slow. Without many more jobs and better pay, consumer spending could weaken.

During the Great Recession, the General Fund budget has been carefully managed by the County with the intent of maximizing priority services to the public and maintaining fund balance. Due to the ongoing impacts of the Great Recession on County General Fund revenues in conjunction with additional reductions in state budget resources allocated to the County, initial 2013 budget projections indicate that the General Fund will not have the capacity to maintain current levels of staff and programs without the addition of new revenue sources. The County is committed to make the difficult decisions required to balance the 2013 General Fund budget in the face of this challenge either by identifying those resources or by making necessary reductions in the budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the following address: Snohomish County, 3000 Rockefeller, M/S 610, Everett, WA 98201 or by calling 425-388-3401 or by visiting our website:

<http://www1.co.snohomish.wa.us/Departments/Finance/>.

Snohomish County, WA
Statement of Net Assets
December 31, 2011



	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 188,290,270	\$ 34,551,286	\$ 222,841,556	\$ -
Cash and Equivalents, Restricted	4,375,135	817,025	5,192,160	278,849
Investments, Restricted	-	11,284,047	11,284,047	-
Taxes Receivables	6,018,883	-	6,018,883	-
Other Receivables, Net	12,864,601	4,213,963	17,078,564	-
Interest Receivable	13,641,474	54,358	13,695,832	-
Due from Other Governments	36,501,601	2,356,969	38,858,570	-
Inventories	1,843,894	-	1,843,894	-
Prepayments	-	10,904	10,904	-
Total Current Assets	263,535,858	53,288,552	316,824,410	278,849
Non-Current Assets				
Notes/Contracts Receivable	9,141,888	-	9,141,888	-
Investment in Joint Venture	7,106,327	-	7,106,327	-
Deferred Charges	2,527,215	801,815	3,329,030	-
Land	186,092,439	35,016,940	221,109,379	-
Buildings and Structures, Net	188,283,036	71,676,220	259,959,256	-
Other Improvements, Net	53,840,160	61,708,238	115,548,398	-
Machinery and Equipment, Net	40,779,760	2,768,882	43,548,642	-
Infrastructure Assets, Net	447,532,042	56,489,394	504,021,436	-
Construction in Progress	33,963,703	6,189,830	40,153,533	-
Intangible Assets, Net	13,354,615	561,575	13,916,190	-
Total Non-Current Assets	982,621,185	235,212,894	1,217,834,079	-
Total Assets	\$ 1,246,157,043	\$ 288,501,446	\$ 1,534,658,489	\$ 278,849

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Net Assets
December 31, 2011



	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts Payable	14,286,962	3,489,809	17,776,771	-
Payable from Restricted Assets	-	164,576	164,576	-
Claims and Judgments Payable	4,139,535	-	4,139,535	-
Due to Other Governments	12,906,767	-	12,906,767	-
Accrued Liabilities	14,102,390	2,993,249	17,095,639	-
Deferred Revenue	53,878,392	2,778,743	56,657,135	-
Custodial Accounts	174,849	-	174,849	-
Employee Benefits Payable	2,577,200	-	2,577,200	-
Bonds, Notes and Loans Payable	13,908,999	5,302,952	19,211,951	-
Landfill Closure Costs	-	939,533	939,533	-
Total Current Liabilities	115,975,094	15,668,862	131,643,956	-
Non-Current Liabilities				
Employee Benefits Payable	15,024,963	1,109,958	16,134,921	-
Special Assessment Debt w/ Govt Commitment	505,000	-	505,000	-
Bonds, Notes and Loans Payable	262,882,322	85,894,119	348,776,441	-
Claims and Judgments Payable	8,611,462	-	8,611,462	-
Landfill Closure Costs	-	10,344,514	10,344,514	-
Total Non-Current Liabilities	287,023,747	97,348,591	384,372,338	-
Total Liabilities	402,998,841	113,017,453	516,016,294	-
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	716,330,913	152,494,980	868,825,893	-
Restricted for:				
General Government	9,654,011	-	9,654,011	-
Judicial	763,837	-	763,837	-
Public Safety	4,749,702	-	4,749,702	-
Physical Environment	3,330,075	-	3,330,075	-
Transportation	35,347,068	-	35,347,068	-
Health & Human Services	21,709,581	-	21,709,581	-
Economic Environment	4,032,386	-	4,032,386	164,248
Culture and Recreation	2,452,912	-	2,452,912	114,601
Capital Purposes	11,854,195	563,490	12,417,685	-
Debt Service	568,214	-	568,214	-
Total Restricted Net Assets	94,461,981	563,490	95,025,471	278,849
Unrestricted	32,365,308	22,425,523	54,790,831	-
Total Net Assets	\$ 843,158,202	\$ 175,483,993	\$ 1,018,642,195	\$ 278,849

The notes to the financial statements are an integral part of this statement.

SNOHOMISH COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	Program Revenues					Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Indirect Expense Allocation	Operating		Capital	Primary Government			Component Units
			Charges for Services	Grants and Contributions		Governmental Activities	Business-type Activities	Total	
Functions/Programs									
Governmental activities:									
General Government	\$ 55,931,417	\$ (4,258,756)	\$ 15,181,617	\$ 7,098,739	\$ 855,577	\$ (28,536,728)	\$ -	\$ (28,536,728)	\$ -
Judicial	32,181,326	-	4,173,431	5,561,854	-	(22,446,041)	-	(22,446,041)	-
Public Safety	121,096,316	157,770	19,623,708	14,002,973	2,638,554	(84,988,851)	-	(84,988,851)	-
Physical Environment	1,214,708	19,767	-	90,326	853,778	(290,371)	-	(290,371)	-
Transportation	92,741,540	1,691,817	4,773,051	16,900,808	31,310,282	(41,449,216)	-	(41,449,216)	-
Health and Human Services	51,059,392	497,924	71,225	42,677,050	-	(8,809,041)	-	(8,809,041)	-
Economic Environment	26,871,546	322,782	17,940,688	9,411,936	-	158,296	-	158,296	-
Culture and Recreation	13,357,817	79,932	5,782,595	365,322	1,322,224	(5,967,608)	-	(5,967,608)	-
Interest on Long-term Debt	12,919,605	-	-	-	-	(12,919,605)	-	(12,919,605)	-
Total governmental activities	407,373,667	(1,488,764)	67,546,315	96,109,008	36,980,415	(205,249,165)	-	(205,249,165)	-
Business-type activities:									
Airport	17,707,353	428,414	15,990,702	375,232	1,391,937	-	(377,896)	(377,896)	-
Solid Waste Management	43,841,123	624,178	45,034,438	711,043	49,535	-	1,329,715	1,329,715	-
Surface Water Management	17,257,244	436,172	17,579,274	1,408,642	2,112,714	-	3,407,214	3,407,214	-
Total business-type activities	78,805,720	1,488,764	78,604,414	2,494,917	3,554,186	-	4,359,033	4,359,033	-
Total primary government	486,179,387	-	146,150,729	98,603,925	40,534,601	(205,249,165)	4,359,033	(200,890,132)	-
Component units:	1,853,083	-	-	-	-	-	-	(1,853,083)	(1,853,083)
Total component units	1,853,083	-	-	-	-	-	-	(1,853,083)	-
General revenues:									
Property Taxes						126,372,999	-	126,372,999	-
Sales/Use Taxes						47,247,127	-	47,247,127	1,709,806
Real Estate Excise Taxes						7,351,824	-	7,351,824	-
Business and Other Taxes						13,097,688	-	13,097,688	-
Intergovernmental Revenues						13,973,089	-	13,973,089	-
Interest and Investment Earnings						11,318,962	365,877	11,684,839	524
Miscellaneous Revenues						115,844	26,073	141,917	-
Total General Revenues						219,477,533	391,950	219,869,483	1,710,330
Transfers						(999,001)	999,001	-	-
Total General Revenue, and Transfers						218,478,532	1,390,951	219,869,483	1,710,330
Change in net assets						13,229,367	5,749,984	18,979,351	(142,753)
Net assets - Beginning						829,928,835	169,734,009	999,662,844	421,602
Net assets - Ending						\$ 843,158,202	\$ 175,483,993	\$ 1,018,642,195	\$ 278,849

Snohomish County, WA
Balance Sheet
Governmental Funds
December 31, 2011



	General Fund	Special Revenue Fund	County Road Fund	Human Services	Other Governmental Funds	Total
ASSETS						
Cash and Cash Equivalents	\$ 9,772,417	\$ 53,083,929	\$ 15,713,233	\$ 16,665,063	\$ 64,848,600	\$ 160,083,242
Cash and Cash Equivalents, Restricted	-	295,054	3,346,343	-	733,737	4,375,134
Taxes Receivable	3,178,783	-	2,601,929	67,238	170,933	6,018,883
Other Receivables, Net	3,363,932	510	48,597	86,758	1,019,042	4,518,839
Interest Receivable	170,663	65,282	11,125	12,877	97,932	357,879
Due From Other Governments	12,080,267	-	2,966,354	10,998,435	6,144,502	32,189,558
Notes/Contracts Receivable	-	-	-	324,021	8,817,867	9,141,888
Total Assets	\$ 28,566,062	\$ 53,444,775	\$ 24,687,581	\$ 28,154,392	\$ 81,832,613	\$ 216,685,423
LIABILITIES						
Accounts Payable	1,722,324	16,036	1,149,974	4,445,559	4,781,589	12,115,482
Due To Other Governments	2,090	-	-	4,222,965	8,681,711	12,906,766
Accrued Liabilities	3,329,682	2,260	1,157,917	295,109	1,074,544	5,859,512
Deferred Revenue	3,515,480	44,200,765	2,638,325	652,993	6,040,761	57,048,324
Custodial Accounts	83,610	-	-	-	91,239	174,849
Total Liabilities	8,653,186	44,219,061	4,946,216	9,616,626	20,669,844	88,104,933
FUND BALANCES						
Restricted	-	9,124,040	19,741,365	18,537,766	43,533,688	90,936,859
Committed	-	101,674	-	-	17,629,081	17,730,755
Assigned	2,237,649	-	-	-	-	2,237,649
Unassigned	17,675,227	-	-	-	-	17,675,227
Total Fund Balance	19,912,876	9,225,714	19,741,365	18,537,766	61,162,769	128,580,490
Total Liabilities and Fund Balances	\$ 28,566,062	\$ 53,444,775	\$ 24,687,581	\$ 28,154,392	\$ 81,832,613	\$ 216,685,423

The notes to the financial statements are an integral part of this statement.

**Reconciliation
Governmental Funds Balance
Sheet to the Statement of Net Assets
December 31, 2011**

Total fund balance as shown on the Governmental Funds Balance Sheet	\$ 128,580,490
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Amounts reported for governmental activities in the statement of activities are different because:

Capital Assets used in governmental activities are not financial resources and are therefore not reported in the fund statement. This includes Investment in Joint Venture of \$7 million.	928,832,054
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Long-term debt is not due and payable in the current period and is therefore not reported in the fund statement. This includes the current and non-current portion of the long-term debt, and accrued interest payable.	(267,247,445)
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Internal service funds are used by the County to charge the costs of certain activities, like insurance and fleet services, to individual funds. The assets and liabilities of these funds are included in governmental activities in the Statement of Net Assets.	40,724,580
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Full accrual adjustments to the governmental funds, such as to record long term compensated absences payable, to record allowance for doubtful accounts, and to reclassify deferred revenues for property taxes.	<u>12,268,523</u>
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Net Assets of Governmental Activities as shown on the Statement of Net Assets	<u><u>\$ 843,158,202</u></u>
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The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Revenues, Expenditures
and Changes In Fund Balances
Governmental Funds
For the Year Ended December 31, 2011



	General Fund	Special Revenue Fund	County Road Fund	Human Services	Other Governmental Funds	Total
Detailed Revenues						
Property Taxes	\$ 69,104,537	\$ -	\$ 52,216,359	\$ 1,462,169	\$ 3,659,360	\$ 126,442,425
Sales/Use Taxes	36,693,713	-	-	10,203,415	350,000	47,247,128
Real Estate Excise Taxes	684,563	-	-	-	6,667,261	7,351,824
Business and Other Taxes	2,650,037	358,787	675,592	13,734	9,399,537	13,097,687
Licenses and Permits	3,778,360	-	-	-	-	3,778,360
Charges for Services	33,735,633	1,240	6,551,732	3,960,651	17,137,312	61,386,568
Operating Assessments	20,373	-	-	-	-	20,373
Intergovernmental Revenues	21,259,781	7,606,809	23,532,518	49,829,581	21,312,783	123,541,472
Fines and Forfeitures	6,479,078	-	-	102,325	470,098	7,051,501
Interest and Investment Earnings	9,682,448	388,636	40,889	96,044	508,983	10,717,000
Rents, Leases, and Concessions	3,729,814	-	167,859	-	4,690,796	8,588,469
Contributions and Donations	1,400	42,896	-	193,020	315,862	553,178
Miscellaneous Revenues	1,039,959	212,852	64,629	1,195	421,666	1,740,301
Total Detail Revenues	188,859,696	8,611,220	83,249,578	65,862,134	64,933,658	411,516,286
Detailed Expenditures						
<i>Current</i>						
General Government	44,607,789	34,551	6,477,422	-	6,681,234	57,800,996
Judicial	32,865,070	27,440	-	-	1,463,426	34,355,936
Public Safety	100,759,639	120,980	-	188,467	21,188,100	122,257,186
Physical Environment	-	-	-	-	4,219,658	4,219,658
Transportation	-	-	73,178,573	-	44,946	73,223,519
Health & Human Services	3,038,246	-	-	48,533,438	-	51,571,684
Economic Environment	3,632,956	-	-	12,853,251	11,155,836	27,642,043
Culture & Recreation	8,487,989	18,687	-	919,048	13,237,232	22,662,956
<i>Debt Service</i>						
Principal Payments	-	-	733,760	-	10,559,452	11,293,212
Interest and Other Charges	467,492	-	58,711	-	13,372,735	13,898,938
Total Detail Expenditures	193,859,181	201,658	80,448,466	62,494,204	81,922,619	418,926,128
Excess (deficiency) of revenues over (under) expenditures	(4,999,485)	8,409,562	2,801,112	3,367,930	(16,988,961)	(7,409,842)
Other Financial Sources (Uses)						
Disposition Of Capital Assets	5,072	-	14,800	1,480	13,412	34,764
Transfers In	10,890,538	264,964	9,164,569	3,007,859	23,637,891	46,965,821
Transfers Out	(8,709,825)	(8,122,969)	(7,871,612)	(4,133,833)	(18,287,631)	(47,125,870)
Issuance of Refunding Bonds	-	-	-	-	75,045,000	75,045,000
Payment to Refunded Bonds Escrow Agent	-	-	-	-	(39,269,112)	(39,269,112)
Refunded Bonds Redeemed	-	-	-	-	(35,056,555)	(35,056,555)
Issuance Premium on LT Debt	-	-	-	-	1,367,622	1,367,622
Total Other Financial Sources (Uses)	2,185,785	(7,858,005)	1,307,757	(1,124,494)	7,450,627	1,961,670
Net Change in Fund Equity	(2,813,700)	551,557	4,108,869	2,243,436	(9,538,334)	(5,448,172)
Fund Balance - Beginning	22,726,576	8,674,157	15,632,496	16,294,330	70,701,103	134,028,662
Fund Balance - Ending	\$ 19,912,876	\$ 9,225,714	\$ 19,741,365	\$ 18,537,766	\$ 61,162,769	\$ 128,580,490

The notes to the financial statements are an integral part of this statement.

**Reconciliation
Governmental Funds Statement
Of Revenues, Expenditures, and
Changes in Fund Balances to the
Statement of Activities.
For the Year Ended December 31, 2011**



Net Change in fund balances of Governmental Funds	\$ (5,448,172)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and is reported as depreciation expense.	(18,685,298)
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Capital contributions, donations, and equity adjustment to the investment in joint venture do not provide current financial resources and therefore are not reported as revenues in governmental funds.	26,056,690
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Repayment of bond principal are reported as expenditures in the fund statements and as a reduction of long-term liabilities in the statement of net assets.	85,618,879
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Debt proceeds are reported as current financial resources in the funds statement and as increases long-term liabilities in the statement of net assets.	(76,412,622)
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Accrued interest payable is not recorded on the fund statements.	1,067,273
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Internal service funds are used by the County to charge the costs of certain activities, such as insurance and fleet management services, to individual funds. The net cost of the internal service funds are reported as governmental activities in the statement of activities.	2,471,612
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Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures and revenues in governmental funds.	(1,438,995)
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Change in net assets of governmental activities on the statement of activities	<u>\$ 13,229,367</u>
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The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2011



	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 1,156,576	\$ 311,953	\$ 22,726,576	\$ 22,414,623
Resources (in-flows)				
Property Taxes	\$ 68,792,400	\$ 68,792,400	\$ 69,104,537	312,137
Sales/Use Taxes	38,893,120	38,893,120	36,693,713	(2,199,407)
Real Estate Excise Taxes	921,744	921,744	684,563	(237,181)
Business and Other Taxes	2,600,937	2,600,937	2,650,037	49,100
License and Permits	3,857,187	3,857,187	3,778,360	(78,827)
Charges for Services	35,408,587	35,408,587	33,735,633	(1,672,954)
Operating Assessments	20,923	20,923	20,373	(550)
Intergovernmental Revenues	21,595,102	21,805,387	21,259,781	(545,606)
Fines and Forfeitures	6,111,114	6,111,114	6,479,078	367,964
Interest and Investment Earnings	9,109,940	9,109,940	9,682,448	572,508
Rents, Leases, and Concessions	3,871,115	3,871,115	3,729,814	(141,301)
Contributions and Donations	-	-	1,400	1,400
Miscellaneous Revenues	1,094,348	1,132,471	1,039,959	(92,512)
Transfers In	10,890,538	10,890,538	10,890,538	-
Disposition of Capital Assets	5,451	5,451	5,072	(379)
Total Resources (in flows)	<u>\$ 203,172,506</u>	<u>\$ 203,420,914</u>	<u>\$ 199,755,306</u>	<u>\$ (3,665,608)</u>
Amounts Available for Appropriation	204,329,082	203,732,867	222,481,882	18,749,015
Charges to Appropriations (out flows)				
General Government	46,450,971	45,075,212	44,607,789	467,423
Judicial	32,436,380	32,985,380	32,865,070	120,310
Public Safety	100,659,294	101,083,459	100,759,639	323,820
Health & Human Services	3,089,054	3,061,054	3,038,246	22,808
Economic Environment	3,870,982	3,745,982	3,632,956	113,026
Culture & Recreation	8,655,883	8,594,883	8,487,989	106,894
Debt Service	485,000	485,000	467,492	17,508
Transfers Out	8,681,518	8,701,897	8,709,825	(7,928)
Amount Charged to Appropriations (out flows)	204,329,082	203,732,867	202,569,006	1,163,861
Budgeted Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,912,876</u>	<u>\$ 19,912,876</u>

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Special Revenue Fund
For the Year Ended December 31, 2011



	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 12,910,464	\$ 12,910,464	\$ 8,674,157	\$ (4,236,307)
Resources (in-flows)				
Business and Other Taxes	-	-	358,787	358,787
Charges for Services	-	-	1,240	1,240
Intergovernmental Revenues	12,263,999	12,263,999	7,606,809	(4,657,190)
Interest and Investment Earnings	1,011,753	1,029,753	388,636	(641,117)
Contributions and Donations	159,300	159,300	42,896	(116,404)
Miscellaneous Revenues	200,000	200,000	212,852	12,852
Transfers In	264,964	264,964	264,964	-
Total Resources (in flows)	<u>\$ 13,900,016</u>	<u>\$ 13,918,016</u>	<u>\$ 8,876,184</u>	<u>\$ (5,041,832)</u>
Amounts Available for Appropriation	26,810,480	26,828,480	17,550,341	(9,278,139)
Charges to Appropriations (out flows)				
General Government	507,992	507,992	34,551	473,441
Judicial	280,400	280,400	27,440	252,960
Public Safety	135,000	153,000	120,980	32,020
Culture & Recreation	185,509	185,509	18,687	166,822
Transfers Out	25,701,579	25,701,579	8,122,969	17,578,610
Amount Charged to Appropriations (out flows)	<u>26,810,480</u>	<u>26,828,480</u>	<u>8,324,627</u>	<u>18,503,853</u>
Budgeted Fund Balance, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,225,714</u></u>	<u><u>\$ 9,225,714</u></u>

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
County Roads Fund
For the Year Ended December 31, 2011



	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 4,179,486	\$ 4,179,486	\$ 15,632,496	\$ 11,453,010
Resources (in-flows)				
Property Taxes	\$ 52,408,000	\$ 52,408,000	\$ 52,216,359	(191,641)
Business and Other Taxes	450,000	450,000	675,592	225,592
Charges for Services	9,002,384	9,002,384	6,551,732	(2,450,652)
Intergovernmental Revenues	24,222,256	24,222,256	23,532,518	(689,738)
Interest and Investment Earnings	250,000	250,000	40,888	(209,112)
Rents, Leases, and Concessions	75,000	75,000	167,859	92,859
Miscellaneous Revenues	50,000	50,000	64,629	14,629
Transfers In	18,845,570	18,845,570	9,164,569	(9,681,001)
Disposition of Capital Assets	1,000,000	1,000,000	14,800	(985,200)
Bond Proceeds	500,000	500,000	-	(500,000)
Total Resources (in flows)	<u>\$ 106,803,210</u>	<u>\$ 106,803,210</u>	<u>\$ 92,428,946</u>	<u>\$ (14,374,264)</u>
Amounts Available for Appropriation	110,982,696	110,982,696	108,061,442	(2,921,254)
Charges to Appropriations (out flows)				
General Government	11,915,046	11,915,046	6,477,422	5,437,624
Transportation	90,549,635	90,549,635	73,178,573	17,371,062
Debt Service	646,403	646,403	792,470	(146,067)
Transfers Out	7,871,612	7,871,612	7,871,612	-
Amount Charged to Appropriations (out flows)	<u>110,982,696</u>	<u>110,982,696</u>	<u>88,320,077</u>	<u>22,662,619</u>
Budgeted Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,741,365</u>	<u>\$ 19,741,365</u>

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Human Services Fund
For the Year Ended December 31, 2011



	Budgeted Amounts		Actual	Variance
	Original	Final		
Budgeted Fund Balance, January 1	\$ 458,798	\$ 537,727	\$ 16,294,330	\$ 15,756,603
Resources (in-flows)				
Property Taxes	\$ 1,454,986	\$ 1,454,986	\$ 1,462,169	\$ 7,183
Sales/Use Taxes	10,651,764	10,651,764	10,203,415	(448,349)
Business and Other Taxes	8,573	8,573	13,734	5,161
Charges for Services	3,512,887	3,498,887	3,960,651	461,764
Intergovernmental Revenues	53,927,514	55,976,345	49,829,581	(6,146,764)
Fines and Forfeitures	110,000	110,000	102,325	(7,675)
Interest and Investment Earnings	160,000	160,000	96,044	(63,956)
Contributions and Donations	138,452	138,452	193,020	54,568
Miscellaneous Revenues	6,212,650	4,098,890	1,195	(4,097,695)
Transfers In	3,007,859	3,007,859	3,007,859	-
Disposition of Capital Assets	-	-	1,480	1,480
Total Resources (in flows)	\$ 79,184,685	\$ 79,105,756	\$ 68,871,473	\$ (10,234,283)
Amounts Available for Appropriation	79,643,483	79,643,483	85,165,803	5,522,320
Charges to Appropriations (out flows)				
Public Safety	160,211	199,211	188,467	10,744
Health & Human Services	61,042,456	59,753,696	48,533,438	11,220,258
Economic Environment	13,337,697	14,587,457	12,853,251	1,734,206
Culture & Recreation	969,286	969,286	919,048	50,238
Transfers Out	4,133,833	4,133,833	4,133,833	-
Amount Charged to Appropriations (out flows)	79,643,483	79,643,483	66,628,037	13,015,446
Budgeted Fund Balance, December 31	\$ -	\$ -	\$ 18,537,766	\$ 18,537,766

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Net Assets
Proprietary Funds
December 31, 2011



	Business Type Activities			Governmental Activities	
	Solid Waste	Airport	Surface Water	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 11,847,925	\$ 3,704,809	\$ 18,998,552	\$ 34,551,286	\$ 28,207,025
Cash and Cash Equivalents, Restricted	164,576	645,859	6,590	817,025	-
Investments, Restricted	11,284,047	-	-	11,284,047	-
Other Receivables, Net	2,908,692	311,091	994,180	4,213,963	47,274
Interest Receivable	32,563	4,192	17,603	54,358	20,648
Due From Other Governments	455,067	131,781	1,770,121	2,356,969	272,097
Inventories	-	-	-	-	1,843,894
Prepayments	10,904	-	-	10,904	-
Total Current Assets	26,703,774	4,797,732	21,787,046	53,288,552	30,390,938
Non-Current Assets					
Deferred Charges	199,077	514,103	88,635	801,815	13,720
Capital assets					
Land	3,985,484	22,081,360	8,950,096	35,016,940	392,678
Buildings and Structures, Net	24,836,893	46,839,327	-	71,676,220	11,366,150
Other Improvements, Net	32,404,029	-	29,304,209	61,708,238	2,452,833
Machinery and Equipment, Net	2,417,104	306,940	44,838	2,768,882	27,647,054
Infrastructure Assets, Net	459,813	53,827,409	2,202,172	56,489,394	-
Construction in Progress	75,470	5,021,896	1,092,464	6,189,830	261,314
Intangibles, Net	-	561,575	-	561,575	-
Total Non-Current Assets	64,377,870	129,152,610	41,682,414	235,212,894	42,133,749
Total Assets	91,081,644	133,950,342	63,469,460	288,501,446	72,524,687

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Net Assets
Proprietary Funds
December 31, 2011



	Business Type Activities			Governmental Activities	
	Solid Waste	Airport	Surface Water	Total	Internal
				Enterprise Funds	Service Funds
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 1,846,555	\$ 860,199	\$ 783,055	\$ 3,489,809	\$ 2,171,478
Claims and Judgments Payable	-	-	-	-	4,139,535
Accrued Liabilities	615,051	1,936,356	441,842	2,993,249	1,051,196
Deferred Revenue	97,861	1,275,438	1,405,444	2,778,743	3,409,812
Employee Benefits Payable	-	-	-	-	2,577,200
Bonds, Notes, and Loans Payable	2,326,676	1,985,352	990,924	5,302,952	349,699
Landfill Closure Costs	939,533	-	-	939,533	-
Payable from Restricted Assets	164,576	-	-	164,576	-
Total Current Liabilities	5,990,252	6,057,345	3,621,265	15,668,862	13,698,920
Non-Current Liabilities					
Employee Benefits Payable	452,853	273,198	383,907	1,109,958	3,914,104
Future Landfill Closure Costs	10,344,514	-	-	10,344,514	-
Bonds, Notes, and Loans Payable	26,478,981	49,172,633	10,242,505	85,894,119	5,575,621
Claims and Judgments Payable	-	-	-	-	8,611,462
Total Non-Current Liabilities	37,276,348	49,445,831	10,626,412	97,348,591	18,101,187
Total Liabilities	43,266,600	55,503,176	14,247,677	113,017,453	31,800,107
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	38,294,884	82,935,217	31,264,879	152,494,980	36,380,015
Restricted for:					
Capital Purposes	-	563,490	-	563,490	3,525,122
Total Restricted Net Assets	-	563,490	-	563,490	3,525,122
Unrestricted	9,520,160	(5,051,541)	17,956,904	22,425,523	819,443
Total Net Assets	\$ 47,815,044	\$ 78,447,166	\$ 49,221,783	\$ 175,483,993	\$ 40,724,580

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011



	Business Type Activities			Governmental
				Activities
	Solid Waste	Airport	Surface Water	Internal Service Funds
Operating Revenues				
Charges for Services	\$ 45,046,388	\$ 3,929,237	\$ 532,001	\$ 49,507,626
Operating Assessments	-	-	17,481,611	17,481,611
Rents, Leases, and Concessions	14,200	12,518,397	-	12,532,597
Total Operating Revenues	45,060,588	16,447,634	18,013,612	79,521,834
Operating Expenses				
Personnel Services	10,213,124	4,792,870	7,942,703	22,948,697
Supplies	350,833	390,850	271,062	1,012,745
Interfund-Intergovernmental Payment	6,370,151	1,030,231	4,323,634	11,724,016
Depreciation	4,067,920	6,065,481	1,549,332	11,682,733
Miscellaneous Expenses	48,184	116,973	945	166,102
Contractual Services	22,422,297	3,893,444	3,526,090	29,841,831
Total Operating Expenses	43,472,509	16,289,849	17,613,766	77,376,124
Operating Income (Loss)	1,588,079	157,785	399,846	2,145,710
Non-Operating Revenues (Expenses)				
Intergovernmental Revenues	711,043	375,232	1,408,642	2,494,917
Interest and Investment Earnings	229,226	48,520	136,651	414,397
Miscellaneous Revenues	8,911	9,731	7,431	26,073
Disposition of Capital Assets	(117)	-	-	(117)
Interest and Other Charges	(816,284)	(2,351,370)	(513,989)	(3,681,643)
Change in Accounting Estimate	(202,539)	-	-	(202,539)
Total Non-Operating Revenues (Exp)	(69,760)	(1,917,887)	1,038,735	(948,912)
Income (Loss) Before Contribution:	1,518,319	(1,760,102)	1,438,581	1,196,798
Capital Contributions	49,535	1,391,937	2,112,714	3,554,186
Transfers In	33,000	149,491	1,540,224	1,722,715
Transfers Out	(46,766)	(84,755)	(592,194)	(723,715)
Change in Net Assets	1,554,088	(303,429)	4,499,325	5,749,984
Net Assets, Beginning	46,260,956	78,750,595	44,722,458	169,734,009
Net Assets, Ending	\$ 47,815,044	\$ 78,447,166	\$ 49,221,783	\$ 175,483,993

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011



	Business-type Activities				Governmental Activities Internal Service Funds
	Solid Waste	Airport	Surface Water	Total	
Cash Flows from Operating Activities					
Receipts from Operations	\$ 45,084,270	\$ 15,653,218	\$ 19,348,810	\$ 80,086,298	\$ 99,138,421
Payments to Employees	(10,214,940)	(4,779,577)	(7,930,470)	(22,924,987)	(19,789,747)
Payments of Claims	(23,919,622)	(5,008,290)	(3,649,799)	(32,577,711)	(68,303,513)
Internal Activity - Payment to Other Funds	(6,370,151)	(1,030,231)	(4,323,634)	(11,724,016)	(5,194,660)
Total Cash Flows from Operating Activities	\$ 4,579,557	\$ 4,835,120	\$ 3,444,907	\$ 12,859,584	\$ 5,850,501
Cash Flows from Capital and Related Financing Activities					
Capital Acquisition and Construction	\$ (679,542)	\$ (4,604,710)	\$ (2,726,583)	\$ (8,010,835)	\$ (3,776,536)
Capital Grants	49,535	1,391,937	2,112,714	3,554,186	441,957
Sale of Capital Assets	(117)	-	-	(117)	755,713
Principal Paid on Loans	(2,253,878)	(2,285,182)	(1,022,173)	(5,561,233)	(334,156)
Interest Paid on Loans	(572,546)	(1,885,326)	(490,457)	(2,948,329)	(307,996)
Total Cash Flows from Capital and Related Financing Activities	\$ (3,456,548)	\$ (7,383,281)	\$ (2,126,499)	\$ (12,966,328)	\$ (3,221,018)
Cash Flows from Non-Capital Financing Activities					
Intergovernmental Revenue	\$ 947,367	\$ 1,262,698	\$ 73,280	\$ 2,283,345	\$ 98,742
Miscellaneous Revenue	8,913	9,730	7,432	26,075	546,393
Transfers	33,000	64,736	948,030	1,045,766	(885,718)
Total Cash Flows from Non-Capital Financing Activities	\$ 989,280	\$ 1,337,164	\$ 1,028,742	\$ 3,355,186	\$ (240,583)
Cash Flows from Investing Activities					
Interest on Investments	\$ 289,977	\$ 51,311	\$ 173,149	\$ 514,437	\$ 150,864
Purchase of Investments	728,949	-	-	728,949	-
Total Cash Flows from Investing Activities	\$ 1,018,926	\$ 51,311	\$ 173,149	\$ 1,243,386	\$ 150,864
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,131,215	\$ (1,159,686)	\$ 2,520,299	\$ 4,491,828	\$ 2,539,764
Cash and Cash Equivalents, January 1, 2011	8,881,286	5,510,354	16,484,843	30,876,483	25,667,261
Cash and Cash Equivalents, December 31, 2011	\$ 12,012,501	\$ 4,350,668	\$ 19,005,142	\$ 35,368,311	\$ 28,207,025
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Net Operating Income (loss)	\$ 1,588,079	\$ 157,785	\$ 399,846	\$ 2,145,710	\$ 2,108,634
Depreciation Expense	4,067,920	6,065,481	1,549,332	11,682,733	5,140,938
Changes in Receivables, net	62,505	(16,220)	958	47,243	15,024
Changes in Inventories	-	-	-	-	38,877
Changes in Accounts Payable & Other Liabilities	(1,141,714)	(1,371,926)	1,565,975	(947,665)	(1,821,798)
Changes in Prepaid Items and Operating Assessments	2,767	-	(71,204)	(68,437)	368,826
Net Cash Provided (Used) by Operating Activities	\$ 4,579,557	\$ 4,835,120	\$ 3,444,907	\$ 12,859,584	\$ 5,850,501
Non-Cash Investing, Capital and Related Financing Activities:					
Contributions of Capital Assets	-	-	-	-	-

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Net Assets
Fiduciary Funds
December 31, 2011



	<u>Agency Funds</u>	<u>Investment Trust Fund</u>
ASSETS		
Current Assets		
Deposits and Investments with County Treasurer	\$ 518,766,669	\$ 80,924,568
Assets Held in Trust-External Investment Pool	81,061,472	-
Taxes Receivable	37,717,562	-
Other Receivables, Net	2,890,038	-
Interest Receivable	166,966	136,904
Total Assets	<u><u>640,602,707</u></u>	<u><u>81,061,472</u></u>
LIABILITIES		
Current Liabilities		
Due to Other Governments	640,602,707	-
Total Liabilities	<u><u>\$ 640,602,707</u></u>	<u><u>\$ -</u></u>
NET ASSETS		
Held in Trust for External Pool Participants	<u><u>\$ -</u></u>	<u><u>\$ 81,061,472</u></u>

The notes to the financial statements are an integral part of this statement.

Snohomish County, WA
Statement of Changes
in Fiduciary Net Assets
For the Year Ended December 31, 2011



	<u>Investment Trust Fund</u>
ADDITIONS:	
Contributions	426,457,749.00
Interest	<u>1,020,271.00</u>
Total Additions	427,478,020
DEDUCTIONS:	
	<u>(408,911,647)</u>
Change in net assets	18,566,373
Net assets - January 1, 2011	<u>62,495,099</u>
Net assets - December 31, 2011	<u><u>81,061,472</u></u>

The notes to the financial statements are an integral part of this statement.

Note 1 Summary of Significant Accounting Policies

General

The County of Snohomish, Washington (the “County”), was incorporated in 1861 and operates under the laws of the State of Washington applicable to a home rule charter county. The charter was adopted by a vote of the citizens of Snohomish County in 1979 and was amended through the charter review process effective January 1, 1997 and January 1, 2007. The executive branch of the county government is elected at large and consists of the county executive, the prosecuting attorney, the sheriff, the auditor, the clerk, the treasurer, and the assessor. Fifteen superior court judges and eight district court judges are also elected at large. A five-member council, elected by district, constitutes the legislative body.

Snohomish County is a general-purpose government and provides services such as public safety, fire prevention, road construction and maintenance, parks and recreation, judicial administration, health and social programs and general administration. The County also operates an airport, a fairground, is responsible for the disposal of solid waste, and the control of surface water runoff.

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions beginning with the 2011 reporting year. This resulted in five new classifications for governmental fund balance replacing the three existing categories.

1.A Reporting Entity

These financial statements present the County (the primary government) and its component units, the Pilchuck Development Corporation (“PDC”) and Snohomish County Public Facilities District (“PFD”). The component units are combined and presented in a single column on the government-wide financial statements.

In determining the financial reporting entity, the County complies with the provisions of GASB Statement No. 14, “The Financial Reporting Entity,” and GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units.” Accordingly, the County reports as component units those entities where the County appointed a voting majority of the board of directors, the County is able to impose its will, or where a financial benefit or burden relationship exists.

The County created the PDC in 1983 to promote and finance industrial development. The Snohomish County Council appoints the Corporation's board of directors. The Corporation may issue industrial revenue bonds to finance industrial development facilities upon approval of the County Council; however, the County has no financial responsibility for such bonds.

Snohomish County established the PFD in July 2001 for the sole purpose of pursuing joint ownership, financing, or operational relationships with any other public agency within the County for the development of regional center projects and/or with a nonprofit entity for the development of a regional center project at Paine Field. A five-member board of directors appointed by the County Council governs the PFD.

The PFD has formalized support for four regional centers: the City of Everett Public Facilities District's Arena and Parking Garage, the South Snohomish County Public Facilities District's Regional Convention Center in Lynnwood, the City of Edmonds Public Facilities District's remodel of the Puget Sound Christian College for use as a Performing Arts and Convention Center, and the Future of Flight in conjunction with Snohomish County Paine Field Airport.

Financial statements for the Pilchuck Development Corporation and Snohomish Public Facilities District can be obtained by writing to the Snohomish County Finance Department, MS 610, 3000 Rockefeller Ave., Everett, WA 98201.

1.B Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The *statement of net assets* and *statement of activities* present financial information about the County as a whole on a full accrual basis with an economic resource measurement focus. They include all County funds except for the agency funds and external investment pool, which are reported separately. The statements distinguish between governmental and business-type activities. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. *Business-type activities* are financed in whole or in part by fees charged to external parties for goods or services. Program revenues as reported on the statement of activities include charges to customers and users of goods or services provided by that program, and grants or contributions that are restricted for use by that program. Taxes and other revenues that are not specific to a particular program are reported as general revenues.

The expenses and program revenues of governmental activities are reported on the statement of activities by function/program. Fund financial statements also report governmental fund expenditures by function/program. The County reports the following functions/programs:

General Government - Legislative and administrative services, including expenses for recording and elections, financial services, legislative, personnel administration, administration and facility management.

Judicial - Court system for civil, criminal, and juvenile cases, including jury and witness fees and other judicial and legal costs.

Public Safety - Protection and safety of the citizenry at large, including expenses for law enforcement, fire protection services, inspections and regulatory enforcements, detention and corrections, emergency services and juvenile services.

Physical Environment - Conservation and preservation of the environment, and animal control services.

Transportation - Programs to ensure safe and adequate flow of vehicles and pedestrians in the County, including costs for road and street preservation, construction, and maintenance.

Health and Human Services - Programs that provide prevention, intervention, and rehabilitative human services for County citizens with an emphasis on serving those most in need. They include costs associated with programs such as veterans' services, mental health, substance abuse prevention and treatment, public health, and children's services.

Economic Environment - Community planning and development services, housing programs, and promotion of tourism.

Culture and Recreation - Costs associated with the maintenance and general operations of County parks, trails, natural land and recreational facilities, and the fairgrounds.

Interfund Activity

Interfund activity can be classified into two general categories:

- *Reciprocal* interfund activities are transfers similar to exchange and exchange-like transactions (quasi-external). Interfund services provided and used are reported as revenues in the seller funds and expenditures/expenses in the purchaser funds.
- *Nonreciprocal* interfund activities are nonexchange transactions – no equivalent value is received for the assets transferred and there is no requirement for repayment. They include interfund transfers and interfund reimbursements. Interfund transfers have been eliminated within the governmental activities and business-type activities categories. Transfers between these two activities are reported on the statement of activities. Interfund reimbursements have been eliminated from the statement of activities. See Note 3I for details of transfers.

Fund Financial Statements

The fund financial statements individually present major funds and present non-major funds in total. A fund is considered major if it is the primary operating fund of the entity or if its assets, liabilities, revenues, or expenditures/expenses equal at least 10% of the corresponding total for all funds of that category or type, and at least 5% of the corresponding total for all governmental and enterprise funds combined. Separate financial statements are provided for governmental, proprietary, and fiduciary funds.

The governmental fund financial statements are prepared using a modified accrual accounting basis with a current financial resources measurement focus. The modified accrual basis differs from the full accrual basis in the following ways:

- Purchases of capital assets are considered expenditures.
- Redemptions of long-term debt are considered expenditures when due.
- Proceeds from long-term debt are considered "other financing sources" when received.
- Revenues are recognized only when they become both measurable and available to finance expenditures of the current period. Revenues are considered available if received within 60 days.
- Interest on long-term debt is not accrued, but is recorded as an expenditure when due.
- Accumulated unpaid vacation, sick pay, and other employee benefits are considered expenditures when paid.

The *governmental funds* are accounted for with a flow of current financial resources measurement focus, which emphasizes the current sources and uses of resources. The County reports the following governmental funds:

The **general fund** is the primary operating fund of the County. It is used to account for all financial resources except those funds required to be accounted for separately.

Special revenue funds account for revenues which are to be utilized for specific purposes and/or expenditures incurred in the performance of specific activities. Major special revenue funds include the Special Revenue Fund, County Road Fund and the Human Services Fund.

- The Special Revenue Fund accounts for various revenues that are restricted or committed for a specific purpose and are either small in amount or are for projects that have a limited life. Revenue streams and associated expenditures are appropriately segregated and tracked within the fund. Revenue/expenditure streams currently recorded within the fund include Animal Benefit Bequests, Blanche Miller Juvenile Court funds, Parks Donations, Trial Court Improvement funds, Brightwater Mitigation fees, and Community Impact funds.
- The County Road Fund accounts for the construction, maintenance, and inspection of county streets, roads, and bridges and the design and coordination of countywide public works projects. Revenue is primarily from road and other taxes and from state and federal grants.
- The Human Services Fund is for the administration, planning, development, and provision of the following services: energy and weatherization assistance, long-term care and aging, developmental disabilities, mental health, alcohol and other drug treatment, community services, children and family, housing, homelessness and community development, and veteran's relief. Revenue comes from liquor and other taxes, state and federal grants, state and county mandated charges for

services, general County revenues, as well as from a tax levy for mental health, developmental disabilities, and veterans' assistance.

The **debt service funds** account for the accumulation of resources for the payment of general and special assessment long-term debt.

Capital projects funds account for the resources and expenditures relating to the acquisition and development of capital improvements other than those accounted for in the proprietary funds.

Proprietary funds are accounted for with a flow of economic resources measurement focus, which emphasizes the measurement of costs and determination of net income. They consist of *enterprise fund types* and *internal service fund types*. All assets and all liabilities are reported on the balance sheet. Revenues and expenses are reported on a full accrual basis - revenues are recorded when earned, expenses are recorded when a measurable liability has been incurred. Proprietary funds disclose the composition of cash flows on a separate statement of cash flows. Operating income for the proprietary funds includes all revenues derived in the normal course of operations except for interest and investment earnings, gain or loss on the sale of capital assets, capital grants and contributions, and some miscellaneous non-recurring revenues which are accounted for as non-operating. Operating expenses include all expenses derived in the normal course of operation. Non-operating expenses include interest expense and any other expenses not incurred as a result of the normal operation and purpose of the fund. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, the County has elected to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, unless they conflict with a GASB pronouncement. Under this election, the County chooses not to follow FASB pronouncements issued after that date.

Enterprise funds account for operations of business-type activities, which are financed primarily by user charges. The accounting focus is on the measurement of costs and the determination of net income. The County maintains three enterprise funds: solid waste management, airport operation and maintenance, and surface water management.

- The solid waste management fund, administered by the department of public works, accounts for the operations, capital improvements, and debt service of the County's solid waste facilities. Revenue comes from the collection of fees at the facilities.
- The airport fund accounts for the operations, capital improvements, and debt service of Paine Field, Snohomish County's airport. The fund is wholly supported by fees for services. Additional capital funding is received from federal grants, and bond issues may be used to finance capital improvements.
- The surface water management fund, administered by the department of public works, accounts for operations relating to the management of storm drainage and surface water. Revenue comes from the collection of charges to property owners.

Internal service funds account for centralized operations related to providing goods or services to various County departments on a cost-reimbursement basis. The County's internal service funds are presented in the proprietary fund financial statements. In the government-wide financial statements, interfund transactions relating to internal service fund activity have been eliminated. Any residual activity and net assets are reported as governmental activities. The County maintains eight internal service funds: equipment rental and revolving fund, information services fund, Snohomish County insurance fund, pits and quarries fund, employee benefit fund, facility services fund, training fund, and the security services fund.

Fiduciary Funds

Investment Trust Fund is used to report investment activity conducted by the Snohomish County Investment Pool on behalf of legally separate entities that are not part of the County's reporting entity.

Snohomish County has two major classifications of agency funds: (1) those used with the operations of county government such as clearing accounts; and (2) those which account for cash received and disbursed in the County's capacity as *ex officio* treasurer or collection agent for special districts and other governments such as school districts, water and sewer districts, and fire districts.

1.C Assets, Liabilities, and Equity

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include funds held by the County Treasurer, the county investment pool, the Washington State Treasurer's Local Government Investment Pool, and bank accounts not administered by the County Treasurer. These are primarily depository accounts, revolving accounts, and change funds. The Washington State Treasurer's Local Investment Pool and county investment pool are considered to be cash equivalents as funds held within the pools can be liquidated on demand to meet daily cash flow needs.

Investments are recorded at cost, which is materially equivalent to fair value. Additional cash and investment disclosures are presented in Note 3.A.

Interfund Receivables and Payables

Occasionally, transactions for goods and services between County funds may result in amounts which are due but not yet paid. These are reported as "due to/from other funds" on the balance sheet. Short-term interfund loans are reported as "due to/from other funds." Long-term interfund loans (non-current portion) are reported as "advances to/ from other funds."

Receivables

Property taxes levied for the current year are recorded as taxes receivable and deferred revenue. As tax payments are collected, the taxes receivable and deferred revenue balances are reduced and revenue is recognized in the fund statements. Other receivables represent primarily amounts due from private individuals and organizations for goods or services rendered.

Amounts reported as due from other governments and notes/contract receivable represent receivables from other governments for goods and services rendered, grant reimbursements or entitlements. Amounts due for grant reimbursements are recorded in the period in which the authorized disbursements are made.

Inventories and Prepaid Items

Governmental funds use the purchase method whereby inventory items are considered expenditures when purchased. Proprietary funds value inventories using average cost method. Certain other purchases representing costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets are recorded at actual cost. Donated capital assets are recorded at estimated fair market value on the date of donation. Capital costs in the governmental funds are reported as expenditures of the current period in the fund financial statements and as assets in the government-wide financial statements. Individual assets (except infrastructure and software) with a total cost of less than \$5,000 are reported as expenses in the period in which they were incurred. Infrastructure expenditures (roads, bridges, traffic signals, and other public property) and software expenditures in excess of \$100,000 are capitalized and depreciated over their useful life in the government-wide financial statements.

Depreciation of capital assets is reported as an allocated expense in the statement of activities. Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. Generally, buildings and other land improvements are assigned estimated useful lives of 5 to 50 years, machinery and equipment 3 to 20 years, and infrastructure 5 to 60 years. Intangible software has been determined to have an indefinite useful life unless reasonably estimable.

Restricted Assets and Liabilities

Restricted assets include cash and investments that are subject to legal restrictions and also other assets which are considered to be restricted for a particular purpose such as debt service payments and unspent bond proceeds. Related liabilities are reported as payable from restricted assets.

Restricted investments of business-type activities in the amount of \$11,284,047 represent funds set aside to finance the post-closure care costs of the Cathcart Landfill, which closed in 1992. Federal, state, and local requirements mandate that such reserves be established to cover future post-closure care costs such as site monitoring, testing, maintenance, and treatment of leachates. The County has no landfills in active operation. The related liability in the amount of \$11,284,047 represents the estimated cost of future post-closure care as of December 31, 2011. The current portion of this liability is \$939,533 and is estimated based on historical trends. This estimate is subject to change due to inflation, technological changes, or regulatory changes.

Investment in Joint Venture

Snohomish County Emergency Radio Systems (SERS), a public nonprofit corporation, was established via an interlocal agreement between the County, nine cities, and a fire district located within the county. Each member city and the County provide a voting member to the SERS board of directors. The purpose of SERS is to develop a countywide public safety communications system. The County financed its original investment in SERS with general obligation bond proceeds. SERS operations are based on annual assessments from each of its members.

In accordance with generally accepted accounting principles, the investment balance was reduced by \$1,735,522 for the 2011 year to reflect the County's share of SERS revenues and expenditures. SERS financial statements are subject to audit by the Washington State Auditor's Office and can be obtained by writing to the Snohomish County Finance Department, MS 610, 3000 Rockefeller Ave., Everett, WA 98201.

Long-Term Debt

Long-term debt incurred by the governmental funds is not reported as a liability in the governmental fund financial statements, but is reported in the government-wide statement. The debt proceeds (including any bond premium) are reported as other financing sources and payment of principal, interest, and debt issuance costs are reported as expenditures. Proprietary fund debt is reported on the same basis in both the government-wide and fund financial statements. Bond premiums/discounts and issuance costs are deferred and amortized over the life of the bonds.

Employee Benefits Payable

The County's policies regarding vacation, sick leave and compensatory time permit employees to be compensated for earned but unused vacation leave, compensatory time, and a portion of their sick leave. The liability for such compensated absences in governmental funds is recorded as long-term debt in the government-wide statements. Proprietary fund reporting is the same in both the fund statements and the government-wide statements. The current portion of this debt is estimated based on historical trends.

Deferred Revenues

Deferred revenues are recorded for property taxes, special assessments, grant related advances, and prepaid revenues. There are differences between deferred revenues reported on the fund statements and those reported on the entity-wide statements. Deferred revenue for property taxes and special assessments is reclassified to revenue on the entity-wide statements.

Equity Classifications

The government-wide financial statements present equity as net assets and are displayed in three components:

- Invested in capital assets, net of related debt: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, and contributors; or (2) legal restrictions resulting from constitutional provisions or enabling legislation.
- Unrestricted net assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The governmental funds’ financial statements present equity as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

Note 2 Stewardship, Compliance, And Accountability

2.A Budgetary Data

Budget Policies and Controls

In accordance with the Snohomish County Charter, the County Council is required to adopt annual budgets for all budgeted funds for the next fiscal year no later than thirty days prior to the end of the current fiscal year. Each quarter during the fiscal year, the Executive must submit a written report to the Council explaining the relationship between the estimated income and expenses and actual income and expenses to date. If income is estimated to be less than anticipated, the Council may reduce appropriations as necessary to keep expenditures within income. The County Council may also modify the budget on an emergency basis by appropriating contingency funds, revenues received in excess of budgeted revenues, or funds from any other legally available source. All appropriations lapse at the end of the year with the exception of project-length budgets for capital project funds.

The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is at the fund/department/program level for all budgeted funds. For example the Sheriff’s Office’s budget that is included in the General Fund may have multiple programs that cannot be individually exceeded. The legal level of budgetary control is highly detailed, which makes it impractical to demonstrate compliance within the comprehensive annual financial report. For a detailed review of Snohomish County’s budget, please visit the County’s website located at: <http://www.co.snohomish.wa.us/documents/Departments/finance/2012%20budget/2011closing.pdf>

For financial statement presentation, the Budget versus Actual Statements included in this report provide the results of operations, at the financial statement level, as compared to the authorized budgets approved by the County Council.

Four special revenue funds and two debt service funds were not budgeted for the fiscal year ended December 31, 2011. Per RCW 84.56.020, no budget is required for the *Treasurer’s Operations and Maintenance Special Revenue Fund*. Additionally, the *Tax Refund Fund*, *US Department of HUD Grants fund*, *Housing Trust Fund*, *Sno Co Road Improvement Guarantee Fund*, and the *Road Improvement District 30 Fund* were not budgeted as there were no expenditures anticipated for 2011.

Basis of Budgeting

Annual appropriated budgets are adopted for the general, special revenue, debt service, and proprietary funds on the modified accrual basis of accounting. Budgets for capital project funds are adopted at the level of the individual project for fiscal periods that correspond to the lives of the projects. Annual appropriated budgets are adopted at the program level within each fund ("appropriation unit").

Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders and contracts. All appropriations lapse at the end of the year with the exception of *Capital Project Funds*. Accordingly, encumbrances outstanding at year-end must be absorbed within budget appropriations for the next year.

2.B Deficit Fund Equity

Insurance Fund

At December 31, 2011, the insurance fund (an internal service fund) reported a deficit fund balance of \$4,885,736. This represents a \$1,782,244 decrease in the deficit from the prior year. The budget deficit resulted from major claims that settled above the original estimated amounts. Adjustments to rates charged to departments are being made to address this deficit.

Note 3 Detail Notes On Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A Deposits And Investments

Deposits

The County's deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC provides protection for public treasurer deposits that exceed the amount insured by FDIC.

Investments

It is the policy of the Snohomish County Treasurer (Treasurer) to invest funds in accordance with governing statutes to obtain the highest return possible consistent with the safety and liquidity objectives outlined in investment policy and conforming to all state/local statutes governing the investment of public funds. Among the authorized investments (but not limited to) are U.S. Treasury securities, U.S. Agency Securities, Certificates of Deposit with qualified public depositories, and Washington State Local Government Investment Pool (LGIP). The LGIP is an unrated 2a-7 like pool which has an average maturity which does not exceed 90 days.

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All County securities are held for safekeeping by the Union Bank of California, as the County's agent, in the County's name.

Interest rate risk: In accordance with its investment policy, the County manages its exposure to investments that are highly sensitive to changes in fair value due to interest rate change by limiting the weighted average of maturity of its investments. In accordance with the policy one half of the portfolio is comprised of investments maturing within a year. The remainder of the portfolio will not exceed five years in maturity. The average maturity of the portfolio shall not exceed two years.

Investments are reported at cost which is materially equivalent to fair value. It includes monies invested by individual funds and residual cash invested for the benefit of the general fund. As of December 31, 2011, the County held the following investments:

Investment Type	Fair Value	Carrying Value	Weighted Average Maturity (Years)
U.S. Agencies	\$256,755,385	\$255,430,000	1.21
U.S. Treasury Notes	4,182,200	4,000,000	.02
Local Government Investment Pool	509,236,186	509,236,186	
Municipal Investor Account	4,578,690	4,578,690	
Certificate of Deposit	20,000,000	20,000,000	.01
Municipal Bond	1,408,468	1,385,000	
Total Fair Value	\$796,160,929	\$794,629,876	

Portfolio Weighted Average Maturity			1.24
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Credit risk: Credit risk is related to quality ratings of investments held by the County. State law and County Investment Policy limit the type of investments the County can hold. At year end the county held obligations of the U.S. Government, U.S. agency issues, the Washington State Local Government Investment Pool, and time certificates of deposit with authorized Washington State banks. The ratings as of December 31, 2011 are:

Investment	Fair Value	S&P Rating
Local Government Investment Pool	\$509,236,186	Not subject
Municipal Investor	4,578,690	Not subject
Certificate of Deposit	20,000,000	Not subject
Municipal Bonds	1,408,468	Not subject
US Treasury	4,182,200	Exempt
Federal Agency-FHLB	48,309,112	AAA
Federal Agency- FHLMC	91,063,700	AAA
Federal Agency-FNMA	117,382,573	AAA
Total	\$796,160,929	

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County limits its exposure to concentration risk by requiring diversification of its investments by type and institution. The County limits 25% of the portfolio to a single security type or amount deposited with a single financial institution, with the exception of U.S. Treasury, Agency Securities, and the Local Government Investment Pool.

Investment	Fair Value	Percent of Portfolio
Local Government Investment Pool	\$509,236,186	64.10%
Municipal Investor	4,578,690	0.58%
Certificate of Deposit	20,000,000	2.52%
Federal Agencies	256,755,385	32.13%
US Treasury	4,182,200	0.49%
Municipal Bond	1,408,468	0.18%
Total	\$796,160,929	100.00%

Investment Pool

The Snohomish County Investment Pool, SCIP, is not registered with the SEC. Investments are reported at fair value to pool participants. It includes participating funds from the county's primary government and funds from the district's where the County Treasurer serves as ex-officio treasurer. There are no involuntary participants in the SCIP. All participants have notified the Treasurer of their desire to participate in SCIP. The portion of the pool belonging to outside districts is reported in an Investment Trust Fund. SCIP investments are those allowed by County Investment Policy and include savings accounts, CD's and securities.

Fair value of securities is based on the market value reports provided by the county's custodial agent. The market values are uploaded into the county investment software monthly from the custodial agent. The fair value of each participants' investment is determined by calculating the ratio of total investments by pool participants divided into the total fair value of the all SCIP underlying assets. Each pool participant can determine their fair value by taking their investment in SCIP times this ratio.

Pool participant shares are based on the dollars that they have invested in SCIP. The income is distributed based on interest rates on investments, amortization of premiums and discounts, and realized gains and loss for the month.

Pool oversight comes from the Snohomish County Finance Committee (SCFC). The SCFC consists of the County Treasurer, County Executive and Chairman of the County Council. SCFC approves investment policies for SCIP.

The Primary Government has \$200,370,230 invested in the SCIP. The change in fair value of SCIP at December 31, 2011 is \$1,678,319.

<u>Condensed Statement of Net Assets</u>	<u>External</u>	<u>Internal</u>	<u>Total</u>
Assets	84,061,472	200,370,230	281,431,702
Equity of pool participants	84,061,472	200,370,230	281,431,702
 <u>Condensed Statement of Changes in Net Assets</u>	 <u>External</u>	 <u>Internal</u>	 <u>Total</u>
Net Assets January 1, 2011	62,495,099	209,963,943	272,459,042
Net Change in investments	18,566,373	(9,593,713)	8,972,660
Net Assets December 31, 2011	81,061,472	200,370,230	281,431,702
 FMV Change	 483,410	 1,194,909	 1,678,319

3.B Taxes Receivable

Taxing Authority

The County is authorized to levy both “regular” property taxes and “excess” property taxes. Regular property taxes are subject to limitations as to rates and amounts, and are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. The County also may impose “excess” property taxes that are not subject to limitation when authorized by a 60 percent majority popular vote, as provided in Article VII, Section 2, of the State Constitution and Revised Code of Washington (RCW), RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the turnout is not less than 24 percent of the number who voted at the last County general election. Excess levies may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

Property Tax Rates and Limitations

The Washington State Constitution and Washington State law (RCW 84.55.010) allow counties to limit the rate of property taxes. A county may levy taxes at a maximum rate of \$1.80 per \$1,000 of assessed value against all real and personal property subject to taxation for general county purposes. This includes payment of principal and interest on bonds issued by the County without a vote of the people, including limited tax general bond obligations (RCW 84.52). The County’s regular levy for 2011 was \$0.83 per \$1,000 on an assessed valuation of \$85.7 billion for a total regular tax levy of \$71.1 million.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the

same limitations as the levy for general government services. The County's road levy for 2011 was \$1.49 per \$1,000 on assessed valuation of \$35.1 billion for a total road levy of \$52.4 million.

A county may increase its levy from \$1.80 to \$2.475 for general county purposes if the total levies for both county and road purposes do not exceed \$4.05 per \$1,000 of assessed value and no other taxing district has had its levy reduced as a result of the increased county levy.

The \$1.80 per \$1,000 limitation on the general purposes levy is exclusive of certain regular property taxes: (i) a voted levy for emergency medical services, limited to \$0.50 per \$1,000 (authorized by RCW 84.52.069); (ii) a voted levy to finance affordable housing for very low income households, limited to \$0.50 per \$1,000 (authorized by RCW 84.52.105); and (iii) a non-voted levy for conservation futures, limited to \$0.0625 per \$1,000 (authorized by RCW 84.34.230). The County currently is levying \$0.04 per \$1,000 for conservation futures.

Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of one percent of the true and fair value of property (or \$10.00 per \$1,000) by Article VII, Section 2 of the State Constitution and by RCW 84.52.050. Within the one percent limitation, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90 per \$1,000 of assessed value (or 0.59%) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, affordable housing for very low-income households and acquiring conservation futures. If aggregate regular property tax levies exceed the one percent or \$5.90 per \$1,000 limitations, levies requested by "junior" taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010), in order to bring the aggregate levy into compliance. Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

Property Tax Calendar

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. The following is an annual timeline for tax collections:

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable and deferred revenue when levied. Property tax collections are recorded as a reduction of the receivable. Also, upon collection, the

related deferred revenue is reclassified to revenue, on the modified accrual basis. For the statement of activities, property taxes are revenue in the year they are levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

Property Tax Levy Procedures

In the State of Washington, the county assessor (the “Assessor”) determines the value of all real and personal property throughout the county that is subject to ad valorem taxation. The Assessor’s duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the Department of Revenue of the State of Washington. For tax purposes, the assessed value of property is set at 100% of its actual value. All property is subject to revaluation every year. The Assessor lists the property on a tax roll at its current assessed value and the tax roll is filed in the Assessor’s office.

The Assessor’s determinations are subject to revision by the County Board of Equalization and, for certain property, subject to further revision by the State Board of Equalization. After all administrative procedures are completed, the County receives the Assessor’s final certificate of assessed value of property within the county.

Property taxes are levied in specific amounts, and the rates for all taxes levied for all taxing districts in the county (including the County) are determined, calculated, and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district upon a tax roll, which contains the total amount of taxes to be so levied and collected. The tax roll is delivered to the County Treasurer by January 15 of each year, and an abstract of the tax roll showing the total amount of taxes collectible in each of the taxing districts for the year, is delivered to the County Auditor at the same time. The Treasurer creates a tax account for each taxpayer and is responsible for the collection of taxes due on each account. All such taxes are due and payable on the 30th of April of each year, but if the amount due from a taxpayer exceeds \$50, one-half may be paid then, and the balance no later than October 31 of that year.

The method of giving notice of payment of taxes due, the Treasurer’s accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes.

Tax Liens and Foreclosure

Property taxes, and all charges and expenses relating to the taxes, constitute a statutory lien on the property taxed. The lien attaches to the property, from and including January 1 in the year in which the tax is levied, and is discharged only when the taxes are paid. By law, the Treasurer may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency. The County Treasurer may commence foreclosure proceedings in Superior Court upon all tax liens embraced by the certificate of delinquency. The County Treasurer must immediately sell the property to the highest and best bidder for cash upon entry of the order of foreclosure. The minimum bid allowable is the total amount of the taxes, interest,

penalty, and costs due. To the extent property is stricken to the County at a foreclosure sale, that property is exempt from taxation for so long as the County holds it. A property owner may redeem their property at any time prior to the foreclosure sale by paying the County Treasurer the amount of the certificate of delinquency and all taxes, interest, and costs accruing after the certificate of delinquency is issued.

3.C Other Receivables

Other receivables consist primarily of customer accounts receivable. These are reported net of allowance for uncollectible accounts as follows:

Other Receivables
As of December 31, 2011

	Governmental	Business-type	Total
	Activities	Activities	Primary
			Government
Other Receivables	\$ 53,996,696	\$ 4,434,516	\$ 58,431,212
Allowance for Uncollectibles	(41,132,096)	(220,553)	(41,352,649)
Other Receivables, Net	<u>\$ 12,864,600</u>	<u>\$ 4,213,963</u>	<u>\$ 17,078,563</u>

3.D Capital Assets

The following is a summary of changes in capital assets for the County primary government:

CAPITAL ASSETS
For the year ended December 31, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 183,557,404	\$ 2,535,035	\$ -	\$ 186,092,439
Construction in progress	11,022,523	24,531,468	(1,590,288)	33,963,703
Total capital assets not depreciated	194,579,927	27,066,503	(1,590,288)	220,056,142
Other capital assets:				
Buildings	271,803,674	4,729,823	-	276,533,497
Other improvements	79,223,520	2,231,530	(9,423)	81,445,627
Equipment	92,594,747	6,062,390	(15,044,641)	83,612,496
Infrastructure	770,323,828	28,976,422	(736,333)	798,563,917
Intangible assets	19,324,332	1,682,667	(6,272,874)	14,734,125
Total other capital assets at historical cost	1,233,270,101	43,682,832	(22,063,271)	1,254,889,662
Less accumulated depreciation for:				
Buildings	(81,577,950)	(6,672,511)	-	(88,250,461)
Other improvements	(22,653,290)	(4,961,600)	9,423	(27,605,467)
Equipment	(50,569,458)	(6,760,409)	14,497,131	(42,832,736)
Infrastructure	(308,908,125)	(42,376,292)	252,542	(351,031,875)
Intangible assets	(7,530,363)	(122,021)	6,272,874	(1,379,510)
Total accumulated depreciation	(471,239,186)	(60,892,833)	21,031,970	(511,100,049)
Other capital assets, net	762,030,915	(17,210,001)	(1,031,301)	743,789,613
Governmental activities capital assets, net	\$ 956,610,842	\$ 9,856,502	\$ (2,621,589)	\$ 963,845,755
Business-type Activities				
Capital assets not depreciated:				
Land	\$ 34,536,146	\$ 480,794	\$ -	\$ 35,016,940
Construction in progress	2,842,456	4,276,071	(928,697)	6,189,830
Total capital assets not depreciated	37,378,602	4,756,865	(928,697)	41,206,770
Other capital assets:				
Buildings	106,009,920	150,213	(499,922)	105,660,211
Other improvements	106,283,184	303,505	(14,896,801)	91,689,888
Equipment	8,258,448	94,747	(1,278,025)	7,075,170
Infrastructure	131,863,209	3,593,192	-	135,456,401
Intangible assets	2,318,688	-	(39,652)	2,279,036
Total other capital assets at historical cost	354,733,449	4,141,657	(16,714,400)	342,160,706
Less accumulated depreciation for:				
Buildings	(31,044,441)	(3,439,472)	499,922	(33,983,991)
Other improvements	(41,193,202)	(3,685,249)	14,896,801	(29,981,650)
Equipment	(5,176,986)	(394,570)	1,265,268	(4,306,288)
Infrastructure	(74,891,932)	(4,075,075)	-	(78,967,007)
Intangible assets	(1,668,745)	(88,368)	39,652	(1,717,461)
Total accumulated depreciation	(153,975,306)	(11,682,734)	16,701,643	(148,956,397)
Other capital assets, net	200,758,143	(7,541,077)	(12,757)	193,204,309
Business-type activities capital assets, net	\$ 238,136,745	\$ (2,784,212)	\$ (941,454)	\$ 234,411,079

Changes to assets and accumulated depreciation may appear skewed due to reclassification of assets between categories.

Depreciation

Amounts posted in the accumulated depreciation account include retirement of assets sold or transferred and current period depreciation expense. Amounts of depreciation expense charged to capital assets by function are as follows:

**Depreciation Expense
For the Year Ended December 31, 2011**

<u>Governmental Activities</u>	
General Government	\$ 9,513,644
Judicial	2,830,533
Public Safety	1,877,826
Physical Environment	134,087
Transportation	44,154,989
Health and Human Services	36,514
Economic Environment	-
Culture and Recreation	2,345,241
Total Governmental Activities	<u>60,892,833</u>
<u>Business-type Activities</u>	
Airport	6,065,481
Solid Waste Management	4,067,920
Surface Water Management	1,549,332
Total Business-type Activities	<u>11,682,734</u>
Total Primary Government	<u>\$ 72,575,566</u>

3.E Short-Term Debt

The County had no short-term debt during or at the end of 2011.

3.F Long-Term Debt

The County's long-term debt consists primarily of general obligation bonds, Washington State public works trust fund loans, and special assessment bonds for Road Improvement District (RID) 24A.

RID 24A bonds were issued in 1997 for \$3.8 million as special limited obligation bonds. These are payable solely from assessments levied on property owners. As of December 31, 2011, there were \$130,394 in delinquent assessments, including interest and penalties. Bonds are due in 2019 and are redeemed each year based on paid assessments. RID guaranty funds are required by state law and are reflected by restricted assets of \$168,441 recorded as of December 31, 2011. State law also requires that county road funds be used to make up for any insufficiencies in monies available to make debt payments.

Refunded Debt

In 2011, Snohomish County issued \$109.6 million of general obligation refunding bonds to provide resources to an escrow agent to refund \$11.6 million of the 2001 Denny Youth Center, Medical Examiner and Memorial Stadium Bonds; advance refund \$71.1

million of the 2003 Campus Redevelopment, Solid Waste, Paine Field, Gun Range and Auditor Equipment Bonds; and to refund \$23.4 million of the Cathcart Property 2008 Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$281,225. This amount is amortized over the life of the old bonds which has a shorter life than the refunded bonds. This advance refunding resulted in an economic gain of \$3.3 million.

With the 2011B refunding, the County defeased the general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Payments of principal and interest on these bond issues are the responsibility of the escrow agent. Accordingly, the liability for defeased bonds is not included in the County's financial statements. The total amount of defeased debt outstanding, but removed from the statement of net assets, at December 31, 2011, is \$73.1 million.

The following table summarizes the long-term debt issued and outstanding as of December 31, 2011:

2011 Schedule of Long Term Debt

Purpose		Original Issue Amount	Beginning Outstanding Balance	Ending Outstanding Balance	Scheduled Payoff Date	2012 Redemption	Interest Rate
Governmental Activities							
1997 Bond Issue	Memorial Stadium Series B	1,134,775	1,134,775	1,134,775	2026	-	4.5-6.0%
	Total 1997 Issue	1,134,775	1,134,775	1,134,775		-	
2001 Refunding Bond Issue	Denny Youth Center	15,925,000	7,915,000	-	2015	-	4.0-5.5%
	Memorial Stadium	4,385,000	3,050,000	-	2018	-	4.0-5.5%
	Medical Examiner	1,345,000	670,000	-	2015	-	4.0-5.5%
	Total 2001 Issue	21,655,000	11,635,000	-		-	
2003 Bond Issue	Auditor Voting Equipment Purchase	4,740,000	2,615,000	-	2017	-	2.0-5.0%
	Sheriff's Gun Range Construction	738,000	519,000	-	2022	-	2.0-5.0%
	County Campus Redevelopment	45,500,000	36,095,000	-	2027	-	2.0-5.0%
	Total 2003 Issue	50,978,000	39,229,000	-		-	
2003A Bond Issue	County Campus Redevelopment	3,755,000	2,990,000	2,865,000	2027	130,000	2.0-5.0%
	Park Improvements/Willis Tucker Park	2,035,000	1,480,000	1,390,000	2023	90,000	2.0-4.9%
	Total 2003A Issue	5,790,000	4,470,000	4,255,000		220,000	
2005A Bond Issue	County New Administration Building	2,926,055	2,522,115	2,432,192	2030	92,777	3.0-4.4%
	Existing Administration Building Remodel	3,110,324	2,680,947	2,585,361	2030	98,620	3.0-4.4%
	Mission Building	487,688	420,363	405,376	2030	15,463	3.0-4.4%
	County Campus Redevelopment - Jail	1,853,213	1,597,380	1,540,428	2030	58,760	3.0-4.4%
	Other Campus Remodel Projects	975,375	840,726	810,751	2030	30,927	3.0-4.4%
	Fairgrounds Property	507,195	437,177	421,590	2030	16,082	3.0-4.4%
	Sheriff Storage/Gun Range	390,150	336,291	324,301	2030	12,371	3.0-4.4%
	Memorial Stadium	435,000	435,000	435,000	2027	-	3.0-4.4%
	Total 2005A Issue	10,685,000	9,269,999	8,954,999		325,000	

Notes to the Financial Statements
December 31, 2011

2011 Schedule of Long Term Debt

	Purpose	Original Issue Amount	Beginning Outstanding Balance	Ending Outstanding Balance	Scheduled Payoff Date	2012 Redemption	Interest Rate
Governmental Activities, continued							
2005B Bond Issue	GTE Building	1,191,659	887,021	779,469	2017	113,273	3.0-5.0%
	Conservation Futures	14,655,477	10,908,938	9,586,216	2017	1,393,080	3.0-5.0%
	Cathcart Athletic Fields	3,507,469	2,812,367	2,157,213	2014	687,112	3.0-5.0%
	Snohomish County Radio Project	2,820,390	2,519,954	2,288,719	2019	241,362	3.0-5.0%
	City of Edmonds Radio Project	940,929	840,698	763,554	2019	80,522	3.0-5.0%
	Fire District No. 1 Radio Project	883,434	789,328	716,898	2019	75,602	3.0-5.0%
	City of Lynnwood Radio Project	1,141,411	1,019,823	926,242	2019	97,679	3.0-5.0%
	City of Marysville Radio Project	761,119	680,042	617,640	2019	65,135	3.0-5.0%
	City of Mill Creek Radio Project	287,218	256,622	233,074	2019	24,579	3.0-5.0%
	City of Mountlake Terrace Radio Project	511,481	456,996	415,061	2019	43,771	3.0-5.0%
	City of Woodway Radio Project	38,580	34,469	31,306	2019	3,302	3.0-5.0%
	Snocom 800 MHz/Edmonds	257,509	230,078	208,966	2019	22,037	3.0-5.0%
	Snocom 800 MHz/Mountlake Terrace	137,265	122,645	111,391	2019	11,747	3.0-5.0%
	Snocom 800 MHz/Other	575,665	514,344	467,147	2019	49,264	3.0-5.0%
	Various County Remodel/Building Projects	415,000	415,000	415,000	2019	-	4.0%
	Total 2005B Issue	28,124,606	22,488,325	19,717,896		2,908,465	
2006 Bond Issue	Parks	2,650,000	1,730,000	1,475,000	2016	265,000	4.3-5.1%
	PW Cathcart Fleet/Road Maint Center	10,448,886	9,062,734	8,675,427	2026	404,094	4.3-5.1%
	Sheriff Gun Range/Impound Lot	1,855,410	1,609,272	1,540,498	2026	71,755	4.3-5.1%
	Roads	22,721,054	19,706,878	18,864,681	2026	878,700	4.3-5.1%
	Total 2006 Issue	37,675,350	32,108,884	30,555,606		1,619,549	
2008A Bond Issue	Cathcart Land Acquisition	23,420,555	23,420,555	-	2011	-	Variable
	Total 2008A Issue	23,420,555	23,420,555	-		-	
2009B Bond Issue	Animal Shelter	3,376,502	3,247,778	3,113,043	2028	132,579	2.0-5.0%
	Facilities HVAC	2,144,566	2,019,487	1,890,656	2023	128,729	2.0-5.0%
	Total 2009B Issue	5,521,068	5,267,265	5,003,699		261,308	
2010A Bond Issue	800 MHZ Radio Project Phase 2 - Refunding	8,708,214	8,708,214	8,122,394	2021	693,871	3.0-4.3%
	Parks - Refunding	4,102,635	4,102,635	3,826,642	2021	326,902	3.0-4.3%
	County Campus Redevelopment - Refunding	98,799,570	98,799,570	97,521,396	2035	2,492,202	3.0-4.3%
	Total 2010A Issue	111,610,419	111,610,419	109,470,432		3,512,975	
2010B Bond Issue	Roads	3,932,748	3,932,708	3,779,330	2030	168,989	1.0-5.9%
	Fairgrounds	7,058,779	7,058,844	6,873,529	2040	215,006	1.0-5.9%
	Emergency Operations Center	2,218,473	2,218,448	2,157,141	2035	71,005	1.0-5.9%
	Total 2010B Issue	13,210,000	13,210,000	12,810,000		455,000	
2011A Bond Issue	Denny Youth Center - Refunding	7,280,000		6,560,000	2015	1,540,000	2.0-5.0%
	Medical Examiner - Refunding	620,000		550,000	2015	125,000	2.0-5.0%
	Memorial Stadium - Refunding	2,755,000		2,430,000	2018	250,000	2.0-5.0%
	Total 2011A Issue	10,655,000	-	9,540,000		1,915,000	
2011B Bond Issue	Auditor Equipment - Refunding	2,315,000		2,315,000	2017	355,000	2.0-5.0%
	Gun Range - Refunding	475,000		475,000	2022	35,000	2.0-5.0%
	County Campus Redevelopment - Refunding	37,875,000		37,875,000	2036	160,000	2.0-5.0%
	Total 2011B Issue	40,665,000	-	40,665,000		550,000	
2011C Bond Issue	Cathcart - Refunding	23,725,000		23,725,000	2025	1,235,000	0.5-3.6%
	Total 2011C Issue	23,725,000	-	23,725,000		1,235,000	
Total G.O. Bonds - Governmental Activities		384,849,773	273,844,222	265,832,407		13,002,297	

Notes to the Financial Statements
December 31, 2011

2011 Schedule of Long Term Debt

Purpose		Original Issue Amount	Beginning Outstanding Balance	Ending Outstanding Balance	Scheduled Payoff Date	2012 Redemption	Interest Rate
Governmental Activities, continued							
Public Works Trust Fund Loans	Relocate Road Away from River	500,000	216,139	189,120	2018	27,018	1.0%
	County Wide Payment Overlays	3,703,529	1,176,033	980,028	2016	196,005	1.0%
	Bridge Replacement Program Phase 111	1,000,000	264,620	211,696	2015	52,924	1.0%
	High Bridge Road Re-alignment	844,615	195,390	146,543	2014	48,847	3.0%
	88th. St. NE Road Improvements	45,000	9,475	7,107	2014	2,368	1.0%
	Enhanced Bridge Replacement Program	665,873	38,176	-	2011	-	1.0%
	Granite Falls Alternate Route	4,500,000	6,631,579	6,263,158	2028	368,421	1.0%
	Total PWTF Loans	11,259,017	8,531,412	7,797,652		695,583	
Other Loans	Furniture, Fixtures and Equipment	1,973,000	978,256	774,912	2015	211,119	3.8%
Special Assessment Bonds	Road Improvement District	3,856,632	630,000	505,000		-	
Total Debt - Governmental Activities		401,938,422	283,983,890	274,909,971		13,908,999	
Business-Type Activities							
2003 Bond Issue	T-Hangar Paine Field	2,552,000	1,798,000	-	2022	-	2.0-5.0%
	Solid Waste Facility Construction	18,905,000	13,323,000	-	2022	-	2.0-5.0%
	Paine Field Museum	22,465,000	20,270,000	-	2027	-	3.1-5.0%
	Total 2003 Issue	43,922,000	35,391,000	-		-	
2005B Bond Issue	Airport	4,982,863	3,709,039	3,259,314	2017	473,647	3.0-5.0%
	Airport C-3	500,235	401,100	307,662	2014	97,996	3.0-5.0%
	Airport C-5	382,296	306,533	235,125	2014	74,892	3.0-5.0%
	Total 2005B Issue	5,865,394	4,416,672	3,802,101		646,535	
2006 Bond Issue	Surface Water Projects	2,880,000	110,000	100,000	2021	10,000	4.3-5.1%
	Various Airport Projects	4,833,830	4,192,573	4,013,398	2026	186,941	4.3-5.1%
	Airport Runway/Ramp	1,953,063	1,693,971	1,621,577	2026	75,532	4.3-5.1%
	Airport Interfund Loan	1,757,757	1,524,572	1,459,418	2026	67,978	4.3-5.1%
	Total 2006 Issue	11,424,650	7,521,116	7,194,393		340,451	
2009A Bond Issue	Surface Water - 2001 Refunding	11,075,000	9,690,000	8,950,000	2021	780,000	3.0-5.0%
	Surface Water - 2006 Refunding	2,745,000	2,395,000	2,210,000	2021	170,000	3.0-5.0%
	Total 2009A Issue	13,820,000	12,085,000	11,160,000		950,000	
2009B Bond Issue	Solid Waste	4,204,079	3,958,881	3,706,327	2023	252,352	2.0-5.0%
	Airport - Private	2,331,885	2,247,223	2,160,022	2028	104,657	2.0-5.0%
	Airport - Public	297,968	286,631	274,954	2028	11,683	2.0-5.0%
	Total 2009B Issue	6,833,932	6,492,735	6,141,303		368,692	
2010A Bond Issue	Airport Debt Service 10 Year - Refunding	126,384	126,384	-	2011	-	3.0-4.3%
	Airport Debt Service 20 Year - Refunding	8,003,197	8,003,197	7,899,571	2035	202,026	3.0-4.3%
	Total 2010A Issue	8,129,581	8,129,581	7,899,571		202,026	
2010C Bond Issue	Airport 2009 BAN - Refunding	4,950,000	4,950,000	4,845,000	2035	140,000	2.0-4.4%
2011B Bond Issue	Paine Field Various - Refunding	1,775,000	-	1,775,000	2036	45,000	2.0-5.0%
	Solid Waste Facility Construction - Refunding	12,175,000	-	12,175,000	2022	930,000	2.0-5.0%
	Paine Field Museum - Refunding	20,555,000	-	20,555,000	2036	505,000	2.0-5.0%
		34,505,000	-	34,505,000		1,480,000	
Total G.O. Bonds - Business-Type Activities		129,450,557	78,986,104	75,547,368		4,127,704	
Public Works Trust Fund Loans	Recycling & Transfer Station Construction	10,000,000	6,352,940	5,823,529	2022	529,412	0.5%
	Recycling & Transfer Station Construction	1,000,000	578,946	526,314	2021	52,632	0.5%
	Recycling & Transfer Station Reconstruction	10,000,000	5,622,806	5,060,525	2020	562,281	1.0%
	Dry Creek Estates Drainage Improvements	225,001	59,211	47,369	2015	11,842	1.0%
	Surface Water Detention & Drainage Systems	1,116,160	56,249	-	2011	-	1.0%
	Storm Drainage System	267,140	114,491	95,410	2016	19,081	1.0%
	Total PWTF Loans	22,608,301	12,784,643	11,553,147		1,175,248	
Community Economic Revitalization Board	Airport	1,193,854	1,700,000	1,700,000		-	2.0%
	Total Debt - Business-Type Activities	153,252,712	93,470,747	88,800,515		5,302,952	

Original Issue Amount for Public Works Trust Fund Loans reflects the total amount of loan. Total loan amount may not be fully drawn down.

The following table summarizes the changes in long-term debt during 2011:

Long-term Debt
For the Year Ended December 31, 2011

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Governmental Activities:						
General Obligation Bonds	\$ 273,844,223	\$ 75,045,000	\$ 83,056,816	\$ 265,832,407	\$ 13,002,297	\$ 252,830,110
Special Assessment Bonds	630,000	-	125,000	505,000	-	505,000
Loans Payable	9,509,667	-	937,103	8,572,564	906,703	7,665,861
Total Bonds, Notes, and Loans Payable	283,983,890	75,045,000	84,118,919	274,909,971	13,909,000	261,000,971
Business-type Activities:						
G.O. Bonds/Solid Waste	17,281,881	12,175,000	13,575,553	15,881,328	1,182,352	14,698,976
G.O. Bonds/Airport	49,509,222	22,330,000	23,433,182	48,406,040	1,985,352	46,420,688
G.O. Bonds/Surface Water	12,195,000	-	935,000	11,260,000	960,000	10,300,000
Loans Payable/Solid Waste	12,554,695	-	1,144,324	11,410,371	1,144,324	10,266,047
Loans Payable/Airport	1,700,000	-	-	1,700,000	-	1,700,000
Loans Payable/Surface Water	229,949	-	87,173	142,776	30,924	111,852
Total Bonds, Notes, and Loans Payable	93,470,747	34,505,000	39,175,232	88,800,515	5,302,952	83,497,563
Total Primary Government:	\$ 377,454,637	\$ 109,550,000	\$ 123,294,151	\$ 363,710,486	\$ 19,211,952	\$ 344,498,534

Debt service requirements at December 31, 2011 are as follows:

Debt Service Requirements
For the Year Ended December 31, 2011

	General Obligation		Other Debt		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	13,002,295	10,959,989	906,702	76,964		
2013	13,637,522	10,482,324	914,776	62,801		
2014	14,125,328	9,963,789	923,157	48,328		
2015	13,874,153	9,385,643	761,397	33,536	125,000	22,875
2016	12,413,854	8,815,201	591,444	26,718	190,000	23,180
2017-2021	56,543,224	38,493,784	1,896,141	92,916	190,000	11,590
2022-2026	52,762,050	28,874,010	1,842,105	46,053	-	-
2027-2031	45,868,981	14,714,149	736,842	5,526	-	-
2032-2036	43,035,000	5,093,442	-	-	-	-
2037-2041	570,000	84,956	-	-	-	-
Total	\$ 265,832,407	\$ 136,867,287	\$ 8,572,564	\$ 392,842	\$ 505,000	\$ 57,645

**Debt Service Requirements
For the Year Ended December 31, 2011**

Business-Type Activities

	Solid Waste		Airport		Surface Water		Other Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	1,182,353	608,001	1,985,351	2,014,484	960,000	455,298	1,175,247	83,783
2013	1,214,923	573,032	2,072,553	1,925,872	990,000	426,348	1,175,247	74,940
2014	1,264,412	528,758	2,165,259	1,839,598	1,015,000	401,173	1,175,247	66,098
2015	1,302,634	491,312	2,033,213	1,753,283	1,050,000	360,473	1,175,248	57,255
2016	1,340,404	450,844	2,140,742	1,670,803	1,090,000	318,373	1,163,406	252,413
2017-2021	7,503,270	1,461,706	9,265,110	7,125,551	6,155,000	900,368	5,713,171	261,402
2022-2026	2,073,332	122,959	10,677,793	5,060,455	-	-	1,140,887	93,288
2027-2031	-	-	8,736,019	2,948,900	-	-	534,694	26,999
2032-2036	-	-	9,330,000	1,097,050	-	-	-	-
Total	\$ 15,881,328	\$ 4,236,612	\$ 48,406,040	\$ 25,435,996	\$ 11,260,000	\$ 2,862,033	\$ 13,253,147	\$ 916,178

Debt Limitation

Voted Debt - The County may issue general obligation bonds for general county purposes in an amount not to exceed 2.5 percent of the assessed value of all taxable property. Unlimited tax general obligation bonds require an approving vote, and any election to validate general obligation bonds must have a voter turnout of at least 40 percent of those who voted in the last State general election. Of those voting, 60 percent must be in the affirmative. The principal and interest on voted general obligation bonds is payable from property taxes in excess of regular property taxes, without limitation as to rate or amount.

Non-voted Debt - The County Council may, by ordinance, authorize the issuance of limited tax general obligation bonds in an amount up to 1.5 percent of the assessed valuation within the County without authorization of the voters. No combination of limited and unlimited tax bonds may exceed 2.5 percent of the assessed valuation. The principal and interest on non-voted debt is payable from regular property tax levies or from other available revenues of the County.

The computation of the County's general obligation debt capacity is displayed in the statistical section of this report.

Arbitrage

The County issues tax-exempt bonds that are subject to IRS arbitrage regulations. The County contracts with a consultant to analyze arbitrage requirements. For the year ended December 31, 2011, there is no arbitrage liability.

3.G Compensated Absences

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund. Historically, approximately 60% has been paid by the general fund, 15% by the road fund, and the remainder by various other governmental and internal service funds.

**Compensated Absences
For the Year Ended December 31, 2011**

	Beginning Balance	Addition/ (Deletion)	Ending Balance	Amounts Due Within One Year
Governmental Activities	\$ 17,139,693	\$ 435,747	\$ 17,575,440	\$ 5,272,632
Business-type Activities				
Solid Waste	\$ 650,438	\$ (3,506)	\$ 646,932	\$ 194,080
Airport	376,538	13,745	390,283	117,085
Surface Water	550,405	(1,966)	548,439	164,532
Subtotal Business-type	1,577,381	8,273	1,585,654	475,697
Total Primary Government	\$ 18,717,074	\$ 444,020	\$ 19,161,094	\$ 5,748,329

3.H Accrued Liabilities

The County's accrued liabilities include the following:

**Accrued Liabilities
As of December 31, 2011**

	Governmental Activities	Business-type Activities	Total Primary Government
Interest Payable	\$ 2,454,253	\$ 366,373	\$ 2,820,626
Wages Payable	9,942,373	936,830	10,879,203
Taxes Payable	18,381	441,183	459,564
Retainage Payable	1,215,446	189,059	1,404,505
Customer Deposits	471,937	1,059,804	1,531,741
Total	\$ 14,102,390	\$ 2,993,249	\$ 17,095,639

3.I Interfund Transactions

Transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Most recurring transfers are for the purpose of funding debt service payments. Transfers for general operating purposes and transfers of assets are also done on a routine basis. The following table summarizes the transfers made between funds and activities:

Schedule of Interfund Transfers
For the Year Ended December 31, 2011

Disbursing Funds	Receiving Funds						Proprietary Funds					Total Fund Statements - Transfers Out
	Governmental Funds			Business-type Activities			Governmental Activities					
Governmental Funds	General Fund	Special Revenue Fund	County Road Fund	Human Services Fund	Other Governmental Funds	Total Governmental Funds	Solid Waste Fund	Airport Fund	Surface Water Fund	Business-type Activities	Subtotal	Internal Service Funds
	\$ -	\$ 164,964	\$ 63,570	\$2,830,859	\$ 4,297,423	\$ 7,356,816	\$ -	\$149,491	\$ -	\$ -	\$ 149,491	\$ 1,203,518
	-	-	6,188,964	-	1,357,434	7,546,398	-	-	576,571	-	576,571	-
	4,720,069	-	-	112,000	2,424,739	7,256,808	-	-	614,804	-	614,804	-
	4,133,833	-	-	-	-	4,133,833	-	-	-	-	-	-
	1,074,806	100,000	2,912,035	65,000	13,753,940	17,905,781	33,000	-	348,850	-	381,850	-
	9,928,708	264,964	9,164,569	3,007,859	21,833,536	44,199,636	33,000	149,491	1,540,225	1,722,716	1,203,518	47,125,870
Proprietary Funds	Business-type Activities											
	Solid Waste Fund											
	Airport Fund											
	Surface Water Fund											
Subtotal Business-type Activities	592,194	-	-	-	-	592,194	-	-	-	-	-	-
	592,194	-	-	-	-	592,194	-	-	-	-	-	131,521
Governmental Activities	369,636	-	-	-	1,804,355	2,173,991	-	-	-	-	-	-
	Internal Service Funds											
Full Accrual Activity*	Internal Service Funds											
	-	-	-	-	-	-	-	-	-	-	-	13,549
Total Fund Statements - Transfers In												
	\$10,890,538	\$ 264,964	\$9,164,569	\$3,007,859	\$ 23,637,891	\$ 46,965,821	\$33,000	\$149,491	\$1,540,225	\$ 1,722,716	\$ 1,348,588	\$ 50,037,125

*Due to the different basis of accounting and measurement focus between the governmental fund statements and the entity-wide statements, not all transfer activity, such as transfers of assets, are reflected in the governmental fund statements.

Total Transfers on Statement of Activities	
Governmental Activities	
Total transfers in-governmental funds	\$ 46,965,821
Less total transfers out-governmental funds	(47,125,870)
Total transfers in-internal service funds	1,348,588
Less total transfers out-internal service funds	(2,173,991)
Full Accrual Activity*	(13,549)
Net transfers out to business-type activities	\$ (999,001)
Business-type Activities	
Total transfers in	\$ 1,722,716
Less total transfers out	(723,715)
Net transfers in from governmental activities	\$ 999,001

3.J Fund Balance and Net Assets

The County reported \$90.9 million in restricted fund balance in the governmental funds. In the Statement of Net Assets the County reported \$94.5 million. Restricted fund balance/net assets are subject to external restrictions such as those imposed by state and federal law or by contractual agreements with third parties. Committed fund balance is committed for a specific purpose established by the County Council. Assigned fund balance are resources intended to be used for a specific purpose. Assignments are expressed by the governing body or an official authorized by the governing body.

Unless otherwise directed by the County Council, County Executive, or Director of Finance and committed to writing, resources shall be utilized in the following order: restricted, committed, assigned, and unassigned.

The restricted fund balance and net assets of governmental activities are summarized below:

	General Fund	Special Revenue Fund	County Road Fund	Human Services	Other Governmental Funds	Total Governmental Funds	Internal Service Funds	Restricted Net Assets
Restricted Purpose:								
Capital Purposes					8,329,073	8,329,073	3,525,122	11,854,195
Culture & Recreation		20,839			2,432,073	2,452,912		2,452,912
Debt Service		302,983			265,231	568,214		568,214
Economic Environment		358,787			3,673,599	4,032,386		4,032,386
General Government		6,987,687			2,666,324	9,654,011		9,654,011
Health and Human Services				18,537,766	3,171,815	21,709,581		21,709,581
Judicial		763,837				763,837		763,837
Physical Environment					3,330,075	3,330,075		3,330,075
Public Safety		689,907			4,059,795	4,749,702		4,749,702
Transportation			19,741,365		15,605,703	35,347,068		35,347,068
Total Restricted Fund Balance	0	9,124,040	19,741,365	18,537,766	43,533,688	90,936,859	3,525,122	94,461,981
Committed Purpose:								
Capital Purposes					4,914,661	4,914,661		
Culture & Recreation					503,724	503,724		
Debt Service					7,268,100	7,268,100		
Economic Environment					1,793,152	1,793,152		
General Government		100,000			2,028,703	2,128,703		
Physical Environment					989,793	989,793		
Public Safety		1,674			130,948	132,622		
Total Committed Fund Balance	0	101,674	0	0	17,629,081	17,730,755		
Assigned For:								
General Government	2,237,649					2,237,649		
Total Assigned Fund Balance	2,237,649	0	0	0	0	2,237,649		
Unassigned	17,675,227					17,675,227		
Total Fund Balance	19,912,876	9,225,714	19,741,365	18,537,766	61,162,769	128,580,490		

3.K Adjustment to General Fund Beginning Fund Balance

To comply with reporting requirements of GASB Statement No. 54, beginning fund balance in the General Fund is restated from the prior year. Three funds for which there was no anticipated future activity were closed to the General Fund due to the funds not meeting fund definition requirements of GASB Statement No. 54.

General Fund	
Beginning Fund Balance	\$ 22,713,035
Extradition Services	9,833
Road Improvement Dist 13 LT Debt	533
Road Improvement Dist 11A LT Debt	3,175
Beginning Fund Balance, Restated	<u>\$ 22,726,576</u>

Note 4 Other Notes

4.A Employee Pension And Other Benefit Plans

Substantially all Snohomish County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (The AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two 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 actually reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 base upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS 1 Plan members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (The AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the 1 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 4 that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

Judicial Benefit Multiplier

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

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75 percent of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

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

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

Funding Policy

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

choice. Two of the options are graduated rates based on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

The required contribution rates, expressed as a percentage of covered payrolls, for the year ended December 31, 2011 were:

Contributor	PERS 1 Required	PERS 2 Required	PERS 3 Required	
Employer	5.31%	5.31%	5.31%	1/01/11-6/30/11
Employee	6.00%	3.90%	6 options- rates 5-15%	1/01/11-6/30/11
Total	11.31%	9.21%	N/A	
Employer	7.07%	7.07%	7.07%	7/01/11-8/31/11
Employee	6.00%	4.59%	6 options- rates 5-15%	7/01/11-8/31/11
Total	13.07%	11.66%	N/A	
Employer	7.25%	7.25%	7.25%	9/01/11-12/31/11
Employee	6.00%	4.64%	6 options- rates 5-15%	9/01/11-12/31/11
Total	13.25%	11.89%	N/A	

Both Snohomish County and the employees made the required contributions. Snohomish County's required contributions of employees and employers for the years ended December 31 were:

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$674,944	\$12,381,986	\$2,141,789
2010	726,402	11,082,684	1,973,766
2009	978,312	14,128,633	2,165,263

The required contribution rates, expressed as a percentage of covered payrolls, for the year ended December 31, 2011 were:

Contributor	PERS-JBM 1 Required	PERS-JBM 2 Required	PERS-JBM 3 Required	
Employer	5.31%	5.31%	7.25%	1/01/11-6/30/11
Employee	12.26%	9.75%	Minimum of 7.5%	1/01/11-6/30/11
Total	17.57%	15.06%	N/A	
Employer	7.07%	7.07%	7.25%	7/01/11-8/31/11
Employee	12.26%	11.48%	Minimum of 7.5%	7/01/11-8/31/11
Total	19.33%	18.55%	N/A	
Employer	7.25%	7.25%	7.25%	9/01/11-12/31/11
Employee	12.26%	11.60%	Minimum of 7.5%	9/01/11-12/31/11
Total	19.51%	18.85%	N/A	

Both Snohomish County and the employees made the required contributions. Snohomish County's required contributions of employees and employers for the years ended December 31 were:

Year	PERS-JBM Plan 1	PERS-JBM Plan 2	PERS-JBM Plan 3*
2011	\$26,230	\$143,736	\$0
2010	24,898	128,049	0
2009	27,019	157,242	0

*as of 12/31/2011 the County did not have any employees participating in PERS-JBM Plan 3

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

Plan Description

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

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

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

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

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

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

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

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and

can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is two percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for

interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may request service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

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

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

	Contributor	LEOFF 1 Required	LEOFF 2 Required
1/01/2011-12/31/2011	Employer	0.16%	5.24%
1/01/2011-12/31/2011	Employee	0.00%	8.46%
	Total	0.16%	13.70%

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

	LEOFF Plan 1	LEOFF Plan 2
2011	\$384	\$3,072,351
2010	481	3,157,657
2009	579	3,222,511

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

Plan Description

The Legislature created PSERS in 2004 Legislature and the system became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

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

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

A *covered employer* is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol and Liquor Control Board;
- Corrections Departments of Washington State counties;
- Corrections Department of Washington State cities except for Seattle, Tacoma and Spokane and;
- Interlocal corrections agencies

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

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

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is two percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

PSERS Plan 2 members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may request service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

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

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates, expressed as a percentage of covered payrolls, for the year ended December 31, 2011 were:

Contributor	PSERS 2 Required	
Employer	7.85%	1/01/11-6/30/11
Employee	6.55%	1/01/11-6/30/11
Total	14.40%	
Employer	8.73%	7/01/11-8/31/11
Employee	6.36%	7/01/11-8/31/11
Total	15.09%	
Employer	8.86%	9/01/11-12/31/11
Employee	6.36%	9/01/11-12/31/11
Total	15.22%	

Both Snohomish County and the employees made the required contributions. Snohomish County's required contributions of employees and employers for the years ended December 31 were:

Year	PSERS Plan 2
2011	\$1,613,792
2010	1,561,674
2009	1,410,232

Other Post-Employment Benefit (OPEB) Plans Plan Description

In 1970, LEOFF was established by the Legislature under RCW Chapter 41.26. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. For Plan 1 members, the necessary hospital, medical, and nursing care expenses not payable by workers' compensation, Social Security, etc, are covered.

Under Revised Code of Washington (RCW) Chapter 41.16, all medical, hospital, and nursing care as long as a disability exists are covered for any active member hired prior to March 1, 1970. For any retired member hired prior to March 1, 1970, medical, hospital, and nursing care are covered at the discretion of the Retirement Board. Members retired prior to 1961 for reasons other than duty disability are not eligible for medical benefits during retirement.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2010. 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 OPEB for LEOFF.

Annual Required Contribution (ARC)	12/31/2011
1. Annual Normal Cost (1/1/11)	\$ 45,563
2. Amortization of UAAL (1/1/11)	1,812,156
3. Interest to 12/31/11 [(1)+(2)]x(i)*	0
4. ARC at 12/31/11 [(1)+(2)+(3)]	1,857,719
5. Interest on prior Net OPEB Obligation	102,510
6. Adjustment to ARC	0
7. Annual OPEB cost [(4)+(5)-(6)]	1,960,229
8. Employer Contributions	1,288,273
9. change in Net OPEB Obligation [(7)-(8)]	671,956
10. Net OPEB Obligation at 1/1/11	2,050,199
11. Net OPEB Obligation at 12/31/11 [(9)+(10)]	\$ 2,722,155

* 'i' the assumed interest rate is 0.0% in 2011 and deemed immaterial.
(UAAL is defined as "Unfunded Actuarial Accrued Liability".)

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net change in OPEB obligation, as of December 31, were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Ending Net OPEB Obligation
12/31/2011	\$1,960,229	65.8%	\$2,722,155
12/31/2010	\$1,792,130	61.7%	\$2,050,199
12/31/2009	\$1,382,164	73.8%	\$1,363,187

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$19.4 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$19.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$250,107.44. The unfunded actuarial accrued liability as a percentage of annual covered payroll is 7782.00%. Snohomish County's plan has fewer than 100 members and, as such, is required to have an actuarial valuation performed at least triennially. The next actuarial reevaluation of the County's OPEB obligation is scheduled for year-end 2013.

Schedule of Funding Progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
01/01/2010	\$ 0	\$ 19,461,733	\$ 19,461,733	0 %

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 County's OPEB liability is recorded in an internal service fund. As of December 31, 2011, the County has adequate fund balance to pay the full 2011 annual required contribution (ARC).

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.

In the January 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. 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, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA) located at <http://osa.leg.wa.gov/index/index.htm>. Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The Actuarial Accrued Liability (AAL) and Net OPEB Obligation (NOO) are amortized on an open basis as a level dollar over 15 years. The following assumptions were used: annual growth in membership – 0%, return on investment earnings – 4.5%, inflation – 3.5%, general salary increases – 4.00%, and the long term medical inflation trend – 4.5%.

Prior to the January 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used.

4.B Risk Management

Snohomish County is exposed to various risks of loss, including theft, property damage, or destruction of assets, business interruption, errors and omissions, injuries to employees, and natural disasters.

The County uses two internal service funds to account for and finance property/casualty, worker's compensation, unemployment, and employee medical and dental benefits self-insurance programs. The County has a professional claims adjuster to adjudicate all general liability claims under \$15,000, per County Code 2.90.060 and contracts with a third-party claim administrator to manage workers' compensation, and employee medical benefits claims. Unemployment claims are administered through Washington State Department of Employment Security. The Civil Division of the County's Prosecuting Attorney's office handles general liability claims over \$15,000. The County is self-insured for \$1,000,000, and procures excess insurance for damages and/or legal actions settled for more than \$1,000,000.

Claims settlements and loss expenses are reported in the Insurance Fund and the Employee Benefit Fund. These funds are responsible for collecting interfund premiums from insured funds and departments, for paying claims and settlements, and for purchasing certain excess insurance policies. Interfund premiums are assessed on the basis of claims experience, insurance policy purchases, and risk management programs. The County's established liabilities for probable losses for 2010 and 2011 are:

Claims and Judgments Payable
For the Year Ended December 31, 2010

	Beginning of the Year Liability	Current Year Claims & Changes in Estimates	Claims Payments	Balance at Year End	Claims due Within one year
Workers Compensation	\$ 6,540,344	\$ 2,332,752	\$ (2,447,831)	\$ 6,425,265	\$ 1,287,336
General Liability	6,743,387	4,978,529	(4,440,632)	7,281,284	1,456,257
Total	\$ 13,283,731	\$ 7,311,281	\$ (6,888,463)	\$ 13,706,549	\$ 2,743,593

Claims and Judgments Payable
For the Year Ended December 31, 2011

	Beginning of the Year Liability	Current Year Claims & Changes in Estimates	Claims Payments	Balance at Year End	Claims due Within one year
Workers Compensation	\$ 6,425,265	\$ 2,185,146	\$ (2,695,821)	\$ 5,914,590	\$ 2,466,339
General Liability	7,281,284	672,962	(1,117,839)	6,836,407	1,673,196
Total	\$ 13,706,549	\$ 2,858,108	\$ (3,813,660)	\$ 12,750,997	\$ 4,139,535

Insurance Fund

The Insurance Fund accounts for the County's property/casualty insurance program. Established in 1977, this fund accounts for the County's exposures to loss due to the tortuous conduct of the County and includes, but is not limited to, those damages which are commonly covered by general liability, property/automobile liability, airport/aircraft liability, and crime insurance policies. In addition to its general insurance policies and excess liability policies, the County has specific liability insurance policies to cover some of its other exposures, and coverage for protection against other types of losses.

The fund also accounts for all Risk Management programs, including safety and worker's compensation. The County is self-insured for workers' compensation as certified under the Revised Code of Washington, Industrial Insurance Act, and Title 51. Additionally, the County purchases an Excess Workers' Compensation insurance policy with statutory limits.

General liability and worker's compensation claim estimates are based on an actuarial analysis prepared by AON Actuarial & Analytical Consulting in February of each year. The estimate includes all pending claim reserves and estimates for incurred, but not yet received, claims (IBNR).

Unemployment compensation benefits are expensed quarterly as claims are billed from the Washington State Department of Employment Security. All interfund premiums are

assessed on loss history, and are reported as revenues in the Self-insurance fund, and as expenses or expenditures by insured funds.

Employee Benefits Program Fund

The Employee Benefits Program Fund accounts for medical, dental, vision, life, accidental death and dismemberment, long-term-disability, and other benefits, including LEOFF retiree medical benefits. The benefits offered by the County include both self-insured medical and vision plans, which the County offers to employees, outside district subscribers, and COBRA subscribers. Snohomish County retirees may participate in a self-insured retiree medical insurance plan. In addition, the County offers a premium-based medical insurance plan to its employees, outside district subscribers, and COBRA subscribers. Interfund premiums are calculated on a per subscriber per month basis and charged to departments through composite rates that include expected claims, expenses, premiums, and administrative expenses. In most cases, employees contribute towards medical insurance premiums.

4.C Commitments, Contingencies, and Legal Matters

Snohomish County has recorded in its financial statements all material liabilities, including an estimate for situations not yet resolved, but where, based on available information, management believes it is probable that the County will have to make payment. All known or pending claims are properly recognized within the recorded liabilities of the Snohomish County insurance fund, or are covered by insurance policies.

Debt

The County has guaranteed payment of \$19,380,000 in revenue bonds issued by the Snohomish County Housing Authority, \$12,920,000 in senior lien housing revenue bonds issued by the Housing Authority of the City of Everett, and \$2,850,000 in revenue bonds issued by Senior Services of Snohomish County. The County's management has reviewed their ability to meet the debt service requirements on these bonds and does not anticipate that it will become necessary for the County to fulfill these guarantees. Accordingly, no liability has been recorded for them.

Contracts

In June 1992, Solid Waste Management entered into a waste export contract with Regional Disposal Company (RDC), also referred to as Rabanco, to transport Snohomish County's solid waste to RDC's Klickitat County, Washington, landfill. The County agrees to deliver 95% of its solid waste (net of recyclable and construction debris) or 150,000 tons per year, whichever is greater. The original contract with Rabanco was for a term of seven years (which began in 1992). The County exercised its right to renew the contract for two consecutive seven-year periods in exchange for a reduction in the waste export fee, thus providing for a contract term of 21 years of waste transport, ending May 15, 2013. In 2011 Snohomish County paid RDC an average rate of approximately \$49.90 per ton. This rate is adjusted quarterly based on average bale weights and also each October by 65% of the fractional change in the consumer price index. The County paid RDC \$20.0 million in 2011. The projected

annual estimates range from \$21 million to \$23 million through the end of the contract, based on a 2% fee escalation and a 1% tonnage increase.

Beginning December 15, 2005, Snohomish County leased a portion of the Future of Flight to the Boeing Company, through June 15, 2030. The lease for the building has a set annual lease amount that ties to their pro-rated portion of debt service through the life of the lease. In addition, Boeing pays a land rent for their footprint of the building with rent adjusted to fair market value every 5 years.

The leased space is used for Boeing Tour Center related activities, including theatre and conference presentations, special events, educational programs, and a gift shop. Boeing and Snohomish County agree to jointly market the facility.

Construction

At December 31, 2011, the County had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

	Expended Through 12/31/11	Remaining Commitment
Governmental Activities		
County Roads	\$ 47,639,310	\$ 7,624,419
Parks Construction	19,491,904	7,555,886
Facilities	6,686,734	1,641,231
Fleet	538,763	4,684
Total Governmental Activities	74,356,711	16,826,220
Business-type Activities		
Airport	16,519,107	3,538,570
Solid Waste	566,560	-
Surface Water	2,249,525	241,941
Total Business-type Activities	19,335,192	3,780,511
Total Primary Government	\$ 93,691,903	\$ 20,606,731

Operating Leases

The County leases office buildings under non-cancelable operating leases. Total cost for such leases was \$623,238 for the year ended December 31, 2011. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2012	606,554
2013	566,034
2014	342,122
2015	264,808
2016	166,320
2017-2021	84,024
Total	\$ 2,029,862

Grant Program Involvement

The County participates in various federal or state grant/loan programs. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Environmental Liabilities

Snohomish County has a number of closed landfill sites, four of which have a current potential for risk of environmental liability due to groundwater contamination. No determination has been made regarding the extent of the contamination, if any, nor has any range of financial liability been determined. State, local, and federal laws and regulations require that Snohomish County perform certain maintenance and monitoring functions at the closed Cathcart Landfill site for a minimum of twenty years after closure or until the site is stabilized. The landfill was closed in 1992; therefore, we consider landfill capacity 100% used to date with zero years remaining landfill life. The 2007 post-closure plan update resulted in increased estimates in annual maintenance and monitoring costs as well as extended the date that required monitoring will cease. In 2011, the plan was adjusted to more currently reflect estimated interest income and expenses. The restricted landfill post-closure investment account established for the purpose of paying the liability was decreased to \$11,284,047 at December 31, 2011. The current portion of the post closure liability is \$939,533. It is anticipated that future inflation costs will be financed in part from earnings on the investment account. The actual cost of post-closure care may be further adjusted in the future due to inflation or deflation, changes in technology, or changes in applicable laws and regulations.

Landfill Post-Closure Estimates				
Year	Beginning Balance	Interest Income	Annual Expense	Ending Balance
2011	\$ 12,012,996	\$ 263,085	\$ 992,034	\$ 11,284,047
2012	11,284,047	247,121	1,016,735	10,514,433
2013	10,514,433	230,266	1,042,052	9,702,647
2014	9,702,647	212,488	1,067,999	8,847,136
2015	8,847,136	193,752	1,094,592	7,946,296
2016	7,946,296	174,024	1,121,847	6,998,472
2017	6,998,472	153,267	1,149,781	6,001,958
2018	6,001,958	131,443	1,178,411	4,954,989
2019	4,954,989	108,514	1,207,753	3,855,750
2020	3,855,750	84,441	1,237,827	2,702,365
2021	2,702,365	59,182	1,268,648	1,492,898
2022	1,492,898	32,694	1,300,238	225,355
Interest Rate		2.19%		
Annual Expense Inflation Rate		2.49%		

Litigation

The County is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements include actuarial accruals for loss contingencies that may result from these proceedings.

The following case involves claims for significant damages against the County. Currently, the County is unable to provide an opinion as to the ultimate outcome of each case or the amount of damages that may be found.

- Plaintiffs filed a complaint seeking injunctive and declaratory relief, based on allegations related to the construction and mitigation of the Brightwater Wastewater Treatment Facility. Plaintiffs allege that King County improperly funded mitigation projects (within Snohomish County) in the amount of \$70 million, and passed these costs along to rate-payers. Snohomish County prevailed on their Motion for Summary Judgment in regard to the \$70 million. Plaintiffs have stated they may appeal after all issues have been resolved.

While the outcome of the above noted proceedings cannot be predicted with certainty, the County feels that any settlement or judgment not covered by insurance would not have a materially adverse effect on the financial condition of the County.

Note 5 Reconciliation of Government-Wide and Fund Financial Statements

5.A Explanation of Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Total fund balances for the governmental funds balance sheet differs from net assets of governmental activities as reported in the statement of net assets due to the accounting methods used to prepare these statements. The governmental funds balance sheet is presented on a modified accrual basis and the statement of net assets is presented on a full accrual basis. In addition, net internal service fund activity is included in government activities on the statement of net assets. Details of the differences between these two presentations are as follows:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the County as a whole.

Costs of Capital Assets	\$ 1,399,484,336
Accumulated Depreciation	(477,758,609)
Capital Assets, Net	<u>921,725,727</u>
Investment in Joint Venture	<u>7,106,327</u>
Total Capital Assets Added	<u>\$ 928,832,054</u>

Long-Term Debt Transactions

Long-term liabilities and related deferred charges applicable to the County's governmental debt activities are not due and payable in the current period, and accordingly, are not reported at the fund level. All debt liabilities (both current and long-term) are reported in the statement of net assets.

Unamortized Bond Expenses, Premiums, and Discounts	\$ 197,206
Interest Payable on Long-Term Debt (Accrued Liabilities)	(2,429,885)
Current Portion of Long-Term Debt	(13,559,300)
Noncurrent Portion of Long-Term Debt	(251,455,466)
Total Long-Term Debt	<u>\$ (267,247,445)</u>

Internal Service Funds

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County.

Internal Service Funds Total Current Assets	\$ 30,390,938
Internal Service Funds Total Non-Current Assets, Net	<u>42,133,749</u>
Internal Service Funds Total Assets	72,524,687
Internal Service Funds Total Current Liabilities	(13,698,920)
Internal Service Funds Total Non-Current Liabilities	<u>(18,101,187)</u>
Internal Service Funds Total Liabilities	(31,800,107)
Internal Service Funds Net Assets	<u>\$ 40,724,580</u>

Other Assets and Liabilities Related to Full Accrual Adjustments

Offsets to full accrual adjustments to the governmental funds:

Compensated Absences Payable	(15,872,656)
Offset to Deferred Revenue for Property Taxes	6,579,743
Interest and Penalties Receivable Property Tax	13,262,948
Accounts Receivable	44,415,417
Allowance for Bad Debts	(36,116,929)
Total	<u>\$ 12,268,523</u>

5.B Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

Details of the differences between these two presentations are as follows:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. In addition, assets donated or contributed to the County's governmental activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

Capital Related Expenditures	\$ 37,066,596
Depreciation Expense	(55,751,894)
Subtotal	(18,685,298)
Contributions and Donations (Capital Donations)	28,292,522
Gain/Loss on Capital Assets	(500,310)
Equity Adjustment in Joint Venture	(1,735,522)
Subtotal	26,056,690
Increase (Decrease) in Net Assets	<u>\$ 7,371,392</u>

Internal Service Funds Revenues and Expenses

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County.

Internal Service Funds Total Operating Revenues	\$ 98,738,260
Internal Service Funds Total Operating Expenses	(96,629,626)
Internal Service Funds Total Non-Operating Revenue/Expenses	695,997
Internal Service Funds Net Transfers & Contributions	(333,019)
Internal Service Funds Net Income (Loss)	<u>\$ 2,471,612</u>

Other Full Accrual Adjustments

Some revenues and expenses reported in the statement of activities do not represent a change in current financial resources and, therefore, are not reported as revenues and expenditures in the governmental funds.

Adjustments to equity relating to long-term assets and liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures or revenues in governmental funds.

Reclassify Deferred Revenue	(69,427)
Penalties and interest on property taxes	572,938
Adjust Liability for Compensated Absences	(364,944)
Current portion of other governmental 800 MHz debt	(406,569)
Court fines	(6,144,744)
Allowance for uncollectible court fines	5,027,366
Other full accrual adjustments	(53,615)
Total Increase (Decrease) to Net Assets	<u>\$ (1,438,995)</u>

Note 6 Pollution Remediation Obligations

The Roads Division of the County's Public Works Department currently has three adjacent parcels of land that may have pollution remediation impacts. At this time, it is unknown what, if any, remediation efforts the Washington State Department of Ecology (DOE) may require. It is estimated that DOE will review the sites during 2012, and determine a required course of action to remediate the sites. There is currently no estimate nor means to estimate the range of possible costs until DOE's review is complete.

Note 7 Related Party Transactions

Snohomish County entered into an interlocal agreement with Snohomish County Emergency Radio Systems (SERS) for accounting services including preparation of financial statements. Pursuant to this agreement, SERS pays the County an annual fee of \$48,000. The County also received reimbursements for various minor miscellaneous expenses.

Snohomish County entered into an interlocal agreement with Snohomish County Public Facilities District (PFD) for accounting services including preparation of financial statements. Pursuant to this agreement, the PFD pays the County an annual fee of \$24,000. The County also received reimbursements for various minor miscellaneous expenses.

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
<u>School Breakfast Program:</u>			
Indirect: Through Office of Superintendent of Public Instruction			
National School Breakfast Program 10-11	10.553	31-002-9790	12,258
National School Breakfast Program 11-12	10.553	31-002-9790	11,720
Total CFDA 10.553 School Breakfast Program			23,978
<u>National School Lunch Program:</u>			
Indirect: Through Office of Superintendent of Public Instruction			
National Lunch Program 10-11	10.555	31-002-9790	22,500
National Lunch Program 11-12	10.555	31-002-9790	21,046
Total CFDA 10.555 National School Lunch Program			43,546
<u>Child and Adult Food Program:</u>			
Indirect: Through Office of Superintendent of Public Instruction			
11-12 Child and Adult Care Food Program	10.558	31-03-1405	535
Child and Adult Care Food Program	10.558	31-03-1405	1,383
Total CFDA 10.558 Child and Adult Food Program			1,918
<u>Senior Farmers Market Nutrition Program:</u>			
Indirect: Through WA State Treasurer			
Seniors Farmers Market Nutrition Program	10.576	1069-94641	18,194
Total CFDA 10.576 Senior Farmers Market Nutrition Program			18,194
<u>Schools and Roads Grants to States:</u>			
Indirect: Through WA State Treasurer			
Federal Forest	10.665	None Assigned	885,500
Total CFDA 10.665 Schools and Roads Grants to States			885,500
<u>Farm and Ranch Lands Protection Program</u>			
Indirect: Through Natural Resources Conservation Service			
Farm and Ranch Lands Protection Program	10.913	73-0546-9-006	410,000
Total CFDA 10.913 Farm and Ranch Lands Protection Program			410,000
TOTAL U. S. DEPARTMENT OF AGRICULTURE			1,383,136
U. S. DEPARTMENT OF COMMERCE			
<u>Coastal Zone Management Administration Awards:</u>			
Indirect: Through Marine Resources Committee Organization			
Marine Resources Committee Administration	11.419	G1000048	74,084
MRC Port Susan Marine Stewardship	11.419	G1000149	25,219
Marine Resources Advisory Committee	11.419	G1200008	27,500
Total CFDA 11.419 Coastal Zone Management Administration Awards			126,803
<u>Pacific Coast Salmon Recovery/Pacific Salmon Treaty Program:</u>			
Indirect: Through Wa State Recreation and Conservation Office			
Skykomish Braided Reach Restoration Ph II	11.438	07-1709R	153,587
Stillaguamish Knotweed Control	11.438	08-1571R-Fed	28,990
Pilchuck Creek Low Flow Access and Projects	11.438	08-1617N	53,084
Middle Pilchuck River Reach Assessment	11.438	09-1282N	110,270
Nearshore Sediment Nourishment Feasibility Study	11.438	09-1268N	89,107
Lead Entity Snohomish County	11.438	09-1514N-Fed	18,197
Lead Entity Stillaguamish	11.438	09-1622-N-Fed	10,463
Clearwater School/Commons North Creek Restoration	11.438	09-1574R(Fed)	23,413
Lower Skykomish River Restoration Project	11.438	10-1338R	3,354
Stillaguamish Co-Lead Entity (Snohomish Co)	11.438	11-1476P(Fed)	13,698
Snohomish Basin Lead Entity	11.438	11-1478P(Fed)	21,403
Total CFDA 11.438 Pacific Coast Salmon Recovery/Pacific Salmon Treaty Program			525,566
TOTAL U. S. DEPARTMENT OF COMMERCE			652,369
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Community Development Block Grants/Entitlement Grants:</u>			
Direct:			
Community Development Block Grant Entitlement	14.218	B-09-UC-53-0003	393,711
Community Development Block Grant Entitlement-Pass Thru	14.218	B-09-UC-53-0003	850,859
Community Development Block Grant Entitlement	14.218	B-10-UC-53-0003	309,619
Community Development Block Grant Entitlement-Pass Thru	14.218	B-10-UC-53-0003	800,738
Indirect: Through WA State Dept of Community, Trade, and Econ. Development			
11-12 City of Everett CDBG Wx	14.218	2011 Everett CDBG	409
Total CFDA 14.218 Community Development Block Grants/Entitlement Grants			2,355,336
<u>Community Development Block Grants/State's Program:</u>			
Indirect: Through WA State Dept of Community, Trade, and Econ. Development			
Neighborhood Stabilization Program	14.228	08-F6401-018	25,262
Neighborhood Stabilization Program	14.228	11-67400-003	6,727

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
Neighborhood Stabilization Program-Pass Thru	14.228	11-67400-003	1,050,000
Total CFDA 14.228 Community Development Block Grants/State's Program			<u>1,081,989</u>
<u>Emergency Shelter Grants Program:</u>			
Indirect: <i>Through WA State Dept of Community, Trade, and Econ. Development</i>			
Emergency Shelter and Homelessness Program	14.231	10-46000-228	65,102
Emergency Shelter and Homelessness Program-Pass Thru	14.231	10-46000-228	253,534
Direct:			
HUD - Emergency Shelter and Homelessness Program-Pass Thru	14.231	S-10-UC-53-0004	69,866
HUD - Emergency Shelter and Homelessness Program	14.231	E-11-UC-53-0004	2,395
HUD - Emergency Shelter and Homelessness Program-Pass Thru	14.231	E-11-UC-53-0004	61,416
Total CFDA 14.231 Emergency Shelter Grants Program			<u>452,313</u>
<u>Supportive Housing Program:</u>			
Direct:			
Supportive Housing Program	14.235	WA01B70-4001	1,027
Pass-Through Supportive Housing Program	14.235	WA01B70-4001	35,053
Supportive Housing Program	14.235	WA0162B0T040800	567
Pass-Through Supportive Housing Program	14.235	WA0162B0T040800	68,237
Supportive Housing Program	14.235	WA0163B0T041003	238
Pass-Through Supportive Housing Program	14.235	WA0163B0T041003	5,835
Supportive Housing Program	14.235	WA0163B0T040802	839
Pass-Through Supportive Housing Program	14.235	WA0163B0T040802	63,023
Supportive Housing Program	14.235	WA0164B0T041003	562
Pass-Through Supportive Housing Program	14.235	WA0164B0T041003	14,282
Pass-Through Supportive Housing Program	14.235	WA0164B0T040802	3,783
Supportive Housing Program	14.235	WA0165B0T041003	1,082
Pass-Through Supportive Housing Program	14.235	WA0165B0T041003	124,278
Supportive Housing Program	14.235	WA0165B0T040802	1,084
Pass-Through Supportive Housing Program	14.235	WA0165B0T040802	46,854
Supportive Housing Program	14.235	WA0166B0T041003	457
Pass-Through Supportive Housing Program	14.235	WA0166B0T041003	15,021
Supportive Housing Program	14.235	WA0166B0T040802	735
Pass-Through Supportive Housing Program	14.235	WA0166B0T040802	77,924
Supportive Housing Program	14.235	WA0167B0T041003	2,338
Pass-Through Supportive Housing Program	14.235	WA0167B0T041003	47,779
Supportive Housing Program	14.235	WA0167B0T040802	1,680
Pass-Through Supportive Housing Program	14.235	WA0167B0T040802	51,715
Supportive Housing Program	14.235	WA0170B0T041003	808
Pass-Through Supportive Housing Program	14.235	WA0170B0T041003	14,552
Supportive Housing Program	14.235	WA0170B0T040802	687
Pass-Through Supportive Housing Program	14.235	WA0170B0T040802	16,760
Supportive Housing Program	14.235	WA0172B0T041003	678
Pass-Through Supportive Housing Program	14.235	WA0172B0T041003	42,328
Supportive Housing Program	14.235	WA0172B0T040802	1,051
Pass-Through Supportive Housing Program	14.235	WA0172B0T040802	138,342
Supportive Housing Program	14.235	WA0174B0T041003	549
Pass-Through Supportive Housing Program	14.235	WA0174B0T041003	46,742
Supportive Housing Program	14.235	WA0174B0T040802	1,775
Pass-Through Supportive Housing Program	14.235	WA0174B0T040802	35,709
Supportive Housing Program	14.235	WA0177B0T041003	1,813
Pass-Through Supportive Housing Program	14.235	WA0177B0T041003	58,828
Pass-Through Supportive Housing Program	14.235	WA0177B0T040802	28,227
Supportive Housing Program	14.235	WA0178B0T041003	1,038
Pass-Through Supportive Housing Program	14.235	WA0178B0T041003	22,319
Supportive Housing Program	14.235	WA0178B0T040802	517
Pass-Through Supportive Housing Program	14.235	WA0178B0T040802	23,850
Supportive Housing Program	14.235	WA0182B0T041003	1,547
Pass-Through Supportive Housing Program	14.235	WA0182B0T041003	39,955
Supportive Housing Program	14.235	WA0182B0T040802	604
Pass-Through Supportive Housing Program	14.235	WA0182B0T040802	33,684
Supportive Housing Program	14.235	WA0210B0T041002	992
Pass-Through Supportive Housing Program	14.235	WA0210B0T041002	69,306
Supportive Housing Program	14.235	WA0210B0T040901	1,851
Pass-Through Supportive Housing Program	14.235	WA0210B0T040901	37,288
Supportive Housing Program	14.235	WA0211B0T041002	685
Pass-Through Supportive Housing Program	14.235	WA0211B0T041002	98,158
Supportive Housing Program	14.235	WA0211B0T040901	1,802
Pass-Through Supportive Housing Program	14.235	WA0211B0T040901	48,519
Supportive Housing Program	14.235	WA0219B0T040900	790
Pass-Through Supportive Housing Program	14.235	WA0219B0T040900	60,095
Supportive Housing Program	14.235	WA0225B0T041001	729
Pass-Through Supportive Housing Program	14.235	WA0225B0T041001	6,300
Supportive Housing Program	14.235	WA0233B0T041000	76
Pass-Through Supportive Housing Program	14.235	WA0233B0T041000	232
Supportive Housing Program	14.235	WA0234B0T041000	517
Pass-Through Supportive Housing Program	14.235	WA0234B0T041000	604
Total CFDA 14.235 Supportive Housing Program			<u>1,404,700</u>

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
<u>Home Investment Partnership Program:</u>			
Direct:			
Pass-Through Home Program and ADDI	14.239	M-05-DC-53-0201	412,191
Pass-Through Home Program and ADDI	14.239	M-06-DC-53-0201	1,016
Pass-Through Home Program and ADDI	14.239	M-07-DC-53-0201	94,398
Pass-Through Home Program and ADDI	14.239	M-08-DC-53-0201	394,802
Pass-Through Home Program	14.239	M-09-DC-53-0201	961,702
Home Program	14.239	M-10-DC-53-0201	93,407
Pass-Through Home Program	14.239	M-10-DC-53-0201	264,542
Home Program	14.239	M-11-DC-53-0201	179,513
Pass-Through Home Program	14.239	M-11-DC-53-0201	43,287
Total CFDA 14.239 Home Investment Partnership Program			2,444,858
<u>Economic Development Initiative-Special Project</u>			
Direct:			
Dawson's Place	14.251	14.251	974,000
Total CFDA 14.251 Economic Development Initiative-Special Project			974,000
<u>Community Development Block Grant ARRA Entitlement</u>			
Direct:			
ARRA-CDBG	14.253	B-09-UY-53-0003	11,643
Pass-Through ARRA-CDBG	14.253	B-09-UY-53-0003	39,735
Total CFDA 14.253 Community Development Block Grant ARRA Entitlement			51,378
<u>Homelessness Prevention and Rapid Re-Housing Program</u>			
Direct:			
ARRA -Homelessness Prevention	14.257	S09-UY-53-0004	682,188
Total CFDA 14.257 Homelessness Prevention and Rapid Re-Housing Program			682,188
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			9,446,762
<u>DEPARTMENT OF THE INTERIOR</u>			
<u>Service Training and Technical Assistance</u>			
Direct:			
North Fork Stilly Riparian Restoration	15.649	13320-7-J049	12,377
Total CFDA 15.649 Service Training and Technical Assistance			12,377
TOTAL DEPARTMENT OF THE INTERIOR			12,377
<u>U. S. DEPARTMENT OF JUSTICE</u>			
<u>Department of Justice Marijuana Eradication</u>			
Indirect: <i>Through The Washington State Patrol</i>			
WSP Eradication Agreement	16.000	C110864FED	24,247
Total CFDA 16.000 Department of Justice Marijuana Eradication			24,247
<u>Juvenile Accountability Block Grants:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Juvenile Accountability Incentive Block Grant	16.523	0663-98449-07	21,516
Juvenile Accountability Incentive Block Grant	16.523	0663-98449-08	9,045
Total CFDA 16.523 Juvenile Accountability Block Grants			30,561
<u>Juvenile Justice and Delinquency Prevention/Allocation to States:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
10-11 Juvenile Justice Advisory Committee	16.540	None Assigned	4,982
Total CFDA 16.540 Juvenile Justice and Delinquency Prevention/Allocation to States			4,982
<u>Department of Justice National Institute of Justice</u>			
Direct:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2009-DJ-BX-K167	139,031
Total CFDA 16.560 Department of Justice National Institute of Justice			139,031
<u>Drug Court Discretionary Grant Program</u>			
Direct:			
R3 Juvenile Drug Court Expansion-OJJDP	16.585	2010-DC-BX-0129	40,741
Snohomish County Adult DTC Enhancement Project-2011	16.585	2011-DC-BX-0019	6,582
Total CFDA 16.585 Drug Court Discretionary Grant Program			47,323
<u>Violence Against Women Formula Grant:</u>			
Indirect: <i>Through Washington State Department of Commerce</i>			
Stop Grant	16.588	DV STOP EPD	4,192
Stop Grant	16.588	F10-31103-080	32,846
Indirect: <i>Through Administrative Office of the Courts</i>			
Office On Violence Against Women Stop Grant	16.588	IAA10473	10,107
Total CFDA 16.588 Violence Against Women Formula Grant			47,145
<u>State Criminal Alien Assistance Program</u>			
Direct:			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0645	92,777
Total CFDA 16.606 State Criminal Alien Assistance Program			92,777

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
<u>Bulletproof Vest Partnership Program</u>			
Direct:			
Bulletproof Vest Partnership Program	16.607	2009	1,988
Bulletproof Vest Partnership Program	16.607	2010	22,517
Bulletproof Vest Partnership Program	16.607	2011	7,164
Total CFDA 16.607 Bulletproof Vest Partnership Program			31,669
<u>Public Safety Partnership and Community Policing Grants:</u>			
Indirect: <i>Through Washington State Patrol</i>			
Washington State Meth Initiative	16.710	WSM10104	15,687
Direct:			
COPS Technology	16.710	2009-CK-WX-0383	599
Total CFDA 16.710 Public Safety Partnership and Community Policing Grants			16,286
<u>Edward Byrne Memorial Justice Assistance Grant Program</u>			
Direct:			
Sheriff JAG	16.738	2009-DJ-BX-0817	54,461
Indirect: <i>Through Washington State Department of Commerce</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.738	F09-34721-520	4,174
Gang Enforcement Program	16.738	F10-34021-045	110,000
Justice Assistance Grant 2010-2011	16.738	M10-34021-015	127,811
Justice Assistance Grant 2011-2012	16.738	M11-34021-015	85,257
Total CFDA 16.738 Edward Byrne Memorial Justice Assistance Grant Program			381,703
<u>ARRA- Edward Byrne Memorial Competitive Grant Program</u>			
Direct:			
ARRA-Comprehensive DTC Sustainability Project 2009	16.808	2009-SC-B9-0146	1,514,381
Total CFDA 16.808 ARRA- Edward Byrne Memorial Competitive Grant Program			1,514,381
TOTAL U. S. DEPARTMENT OF JUSTICE			2,330,105
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Airport Improvement Program:</u>			
Direct:			
Federal Aviation Administration - Airport Improvement Program	20.106	3-53-0028-44	75,002
Federal Aviation Administration - Airport Improvement Program	20.106	3-53-0028-47	794,382
Federal Aviation Administration - Airport Improvement Program	20.106	3-53-0028-49	85,904
Federal Aviation Administration - Airport Improvement Program	20.106	3-53-0028-50	436,649
Total CFDA 20.106 Airport Improvement Program			1,391,937
<u>Highway Planning and Construction:</u>			
Indirect: <i>Through Wa State Department of Transportation</i>			
Granite Falls Bridge 102 Rehab	20.205	BHM-X310(006)	1,208,013
Sauk River Bridge No. 540	20.205	BROS-2031(110)	137,214
Swamp Creek Bridge No. 546	20.205	BROS-2031(106)	136,161
Pilchuck River Bridge #581	20.205	BROS-2031(109)	24,325
Low Cost Run Off Road Safety Improvements	20.205	HRRR-000S(228)	5,026
SR 9 Corridor Operations Analysis	20.205	STPUL-0009(056)	126
Countywide ITS-Phase 2	20.205	CM-2031(108)	140,000
TDM Strategies	20.205	CM-9931(010)	136,706
Mountain Loop Hwy MP 23	20.205	ER-1101(013)	279,722
Mountain Loop Hwy-Waldheim Slide	20.205	ER-1101(014)	1,081,385
3500 Pioneer Hwy	20.205	ER-1101(019)	2,756
Index Galena Road MP6.4 to MP6.9	20.205	ER-0701(063)	543,793
Mountain Loop Hwy@ Blue Bridge #538	20.205	ER-0701(064)	3,177
Index Galena Rd MP 10.8 to 10.9	20.205	ER-0701(081)	489,020
Mountain Loop Hwy@ Blue Bridge #538-West Pier	20.205	ER-0701(082)	93,565
Mountain Loop MP 13.26	20.205	ER-0902(429)	1,927
Howard Creek Bridge #496	20.205	BRS-V310(002)	1,156
Marten Creek Bridge #562 Replacement	20.205	BRS-X310(008)	316,429
Swamp Creek Bridge No. 504	20.205	BRM-2563(001)	81,962
Intersection Safety - Signal Modifications	20.205	HSIP-000S(294)	9,560
Rural Road Safety - Methyl Methacrylate	20.205	HSIP-000S(296)	11,361
35TH/36TH Avenue W	20.205	STPUL-9931 (009)	142,657
ARRA-Harbour Pointe Blvd St Reconstruction	20.205	ARRA-2772(001)	191
ARRA-84th St Overlay	20.205	ARRA-H310(001)	515
Total CFDA 20.205 Highway Planning and Construction			4,846,747
<u>State and Community Highway Safety</u>			
Indirect: <i>Through Wa State Traffic Commission</i>			
DUI & Target Zero	20.600	None Assigned	5,032
2009-2011 DUI Countermeasure Program	20.600	11ST-012	8,754
2011-2013 DUI Countermeasure Program	20.600	2011 WTSC	16,390
WSTSC Impaired Driving	20.600	None Assigned	1,845
WSTSC Speed Emphasis	20.600	None Assigned	6,471
Total CFDA 20.600 State and Community Highway Safety			38,492

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
<u>Alcohol Impaired Driving Countermeasures Incentive Grants</u>			
Indirect: <i>Through Wa State Traffic Commission</i>			
2009-2011 DUI Countermeasure Program	20.601	11ST-12 MOU	6,211
Target Zero	20.601	WTSC #53-D	80,000
WTSC DUI Emphasis	20.601	None Assigned	8,662
Total CFDA 20.601 Alcohol Impaired Driving Countermeasures Incentive Grants			94,873
<u>Occupant Protection Incentive Grants</u>			
Indirect: <i>Through Wa State Traffic Commission</i>			
WTSC Seatbelt Emphasis	20.602	None Assigned	3,835
Total CFDA 20.602 Occupant Protection Incentive Grants			3,835
<u>Safety Belt Performance Grants</u>			
Indirect: <i>Through Wa State Traffic Commission</i>			
Target Zero/DUI	20.609	None Assigned	30,677
Total CFDA 20.609 Safety Belt Performance Grants			30,677
TOTAL U. S. DEPARTMENT OF TRANSPORTATION			6,406,561
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
<u>West Coast Estuaries Initiative</u>			
Indirect: <i>Environmental Protection Agency</i>			
Transfer of Development Rights Program	66.119	2010-05	33,093
Total CFDA 66.119 West Coast Estuaries Initiative			33,093
<u>Puget Sound Watershed Management Assistance</u>			
Direct			
Snohomish Basin Watershed Characterization and Protection	66.120	PO-00J09701	19,465
Total CFDA 66.120 Puget Sound Watershed Management Assistance			19,465
<u>National Estuary Program</u>			
Indirect: <i>WA State Recreation and Conservation Office</i>			
Lead Entity Snohomish County	66.456	09-1514N Fed	13,259
Lead Entity Stillaguamish	66.456	09-1622P Fed	6,670
Lead Entity Snohomish County	66.456	11-1476 P (NEP)	7,521
Snohomish Basin Lead Entity	66.456	11-1478P (NEP)	11,565
Total CFDA 66.456 National Estuary Program			39,015
TOTAL ENVIRONMENTAL PROTECTION AGENCY			91,573
<u>U. S. DEPARTMENT OF ENERGY</u>			
<u>Weatherization Assistance for Low-Income Persons:</u>			
Indirect: <i>Through WA State Dept of Community, Trade, and Econ. Development</i>			
2009 DOE Weatherization	81.042	F09-43103-422	145,483
ARRA-2009-2011 DOE	81.042	F09-431AR-422	1,253,367
Total CFDA 81.042 Weatherization Assistance for Low-Income Persons			1,398,850
<u>ARRA-Conservation Research and Development</u>			
Indirect: <i>Through Puget Sound Air Pollution Ctrl</i>			
ARRA Clean Cities	81.086	IA-2010-4	458,914
Total CFDA 81.086 ARRA-Conservation Research and Development			458,914
<u>ARRA-Energy Efficiency and Conservation Block Grant Program</u>			
Direct:			
ARRA-EECBG Block Grant	81.128	DE-EE0000850	1,174,108
Indirect: <i>Through City of Everett</i>			
ARRA-SR 99/Evergreen Way Land Use	81.128	F1052110-006	7,500
Total CFDA 81.128 ARRA-Energy Efficiency and Conservation Block Grant Program			1,181,608
<u>2007 BPA Weatherization Program:</u>			
Indirect: <i>Through WA State Dept of Community, Trade, and Econ. Development</i>			
09-11 BPA Weatherization Program	81.999	F10-43104-422	38,665
Total CFDA 81.999 2007 BPA Weatherization Program			38,665
TOTAL U. S. DEPARTMENT OF ENERGY			3,078,037
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Medical Reserve Corps Small Grant Program:</u>			
Indirect: <i>National Association of County and City Health Officials</i>			
Medical Reserve Corps	93.008	MRC -11-174	51
Indirect: <i>Tulalip Tribes</i>			
Medical Reserve Corps	93.008	TT-MRC-10 1161	2,539
Total CFDA 93.008 Medical Reserve Corps Small Grant Program			2,590

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
<u>Special Programs for the Aging Title VII, Chapter 3/Programs for Prevention of Elder Abuse, Neglect, and Exploitation:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Older Americans Act-Elder Abuse	93.041	1169-18394	6,360
Total CFDA 93.041 Special Programs for the Aging Title VII, Chapter 3/Programs for Prevention of Elder Abuse, Neglect, and Exploitation			6,360
<u>Special Programs for the Aging Title III Part D/Disease Prevention and Health Promotion Services:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Pass-Through Older Americans Act - Title IIID	93.043	1169-18394	31,924
Total CFDA 93.043 Special Programs for the Aging Title III Part D/Disease Prevention and Health Promotion Services			31,924
<u>Special Programs for the Aging Title III Part B/Grants for Supportive Services and Senior Centers:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Older Americans Act-Title IIIB	93.044	1169-18394	299,901
Pass-Through Older Americans Act - Title IIIB	93.044	1169-18394	614,301
Total CFDA 93.044 Special Programs for the Aging Title III Part B/Grants for Supportive Services and Senior Centers			914,202
<u>Special Programs for the Aging Title III Part C/Nutrition Services:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Older Americans Act-Title 3C-1	93.045	1169-18394	41,000
Pass-Through Older Americans Act-Title 3C-1	93.045	1169-18394	368,997
Older Americans Act-Title 3C-2	93.045	1169-18394	30,452
Pass-Through Older Americans Act-Title 3C-2	93.045	1169-18394	274,068
Total CFDA 93.045 Special Programs for the Aging Title III Part C/Nutrition Services			714,517
<u>National Family Caregiver Support Title III Part E:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Older Americans Act-Title 3E	93.052	1169-18394	17,655
Pass-Through Older Americans Act-Title 3E	93.052	1169-18394	158,892
Total CFDA 93.052 National Family Caregiver Support Title III Part E			176,547
<u>Nutrition Services Incentive Program:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Nutrition Services Incentive Program-Pass Thru	93.053	1169-18394	156,544
Total CFDA 93.053 Nutrition Services Incentive Program			156,544
<u>Medicare Enrollment Assistance Program:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Pass-Through Medicare Enrollment Assistance Program	93.071	1069-94641	3,317
Total CFDA 93.071 Medicare Enrollment Assistance Program			3,317
<u>Substance Abuse and Mental Health Services-Projects of Regional and National Significance</u>			
Direct			
R3 Juvenile Drug Court Enhancement - CSAT	93.243	IH79T1020924-01	30,824
Total CFDA 93.243 Substance Abuse and Mental Health Services-Projects of Regional and National Significance			30,824
<u>Substance Abuse and Mental Health Services-Access to Recovery:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
10-11 DSHS DBHR Access to Recovery Program	93.275	1063-12901	130,029
Pass-Through 10-11 DSHS DBHR Access to Recovery Program	93.275	1063-12901	295,312
Total CFDA 93.275 Substance Abuse and Mental Health Services-Access to Recovery			425,341
<u>Drug Free Communities Support Program Grants:</u>			
Direct:			
Health and Safety Network	93.276	5H79SP016256-09	18,033
Health and Safety Network	93.276	5H79SP016256-07	68,207
Total CFDA 93.276 Drug Free Communities Support Program Grants			86,240
<u>Centers for Disease Control and Prevention</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Hazardous Algae Bloom	93.283	N17407	9,806
Total CFDA 93.283 Centers for Disease Control and Prevention			9,806
<u>Affordable Care Act - Medicare Improvements for Patients and Providers</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Pass-Through ACA-MIPPA	93.518	1069-16795	9,334
Total CFDA 93.518 Affordable Care Act - Medicare Improvements for Patients and Providers			9,334
<u>Child Support Enforcement:</u>			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Title IV-D (Clerk)	93.563	75-1501-0-1-609	675,697
Family Support Federal Share	93.563	2110-80559	1,984,233
Child Support Enforcement 2011	93.563	0763-15105-01	176,984
Total CFDA 93.563 Child Support Enforcement			2,836,914
<u>Low-Income Home Energy Assistance:</u>			
Indirect: <i>Through WA State Dept of Community, Trade, and Econ. Development</i>			
10-11 LIHEAP-EAP	93.568	11-32106-081	2,848,013

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
2010-2011 LIHEAP WX	93.568	F11-43101-422	375,432
2012 LIHEAP EAP	93.568	12-32106-081	636,317
Total CFDA 93.568 Low-Income Home Energy Assistance			3,859,762
Community Services Block Grant:			
Indirect: <i>Through WA State Dept of Community, Trade, and Econ. Development</i>			
2010-2011 Community Services Block Grant	93.569	F10-32100-027	64,792
2011-2012 Community Services Block Grant	93.569	F11-32100-026	91,968
Pass-Through 2011-12 Community Services Block Grant	93.569	F11-32100-026	92,895
Total CFDA 93.569 Community Services Block Grant			249,655
Head Start			
Direct:			
11-12 Early Head Start	93.600	10CH018101	249,008
Total CFDA 93.600 Head Start			249,008
Voting Access for Individuals with Disabilities Grants to States:			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Election Assistance for Individuals with Disabilities	93.617	G12/018	5,788
Total CFDA 93.617 Voting Access for Individuals with Disabilities Grants to States			5,788
ARRA Early Head Start:			
Direct:			
ARRA-Early Head Start	93.709	10SA0181/02	962,782
Total CFDA 93.709 ARRA Early Head Start			962,782
Medical Assistance Program:			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
Title XIX Matched by SCSA-Federal	93.778	1169-29494	65,155
Pass-Through Title XIX Matched by Senior Citizens Service Act	93.778	1169-29494	62,498
Title XIX Matched by SCSA-Federal	93.778	1069-94641	56,064
Pass-Through 09-11 DSHS DASA Community Services Work Order	93.778	1069-94641	62,500
Pass-Through 11-13 DASA Community Services Work Order	93.778	0963-68063	230,690
Title XIX Matched by SCSA-Federal	93.778	1163-27326	268,567
Title XIX Chore-Federal	93.778	1169-29494	1,223,145
Title XIX Chore-Federal	93.778	1069-94641	1,195,602
Indirect: <i>Through South King County Multi-Services Center</i>			
2011 Regional Long Term Care Ombudsman Program	93.778	None Assigned	65,687
11-12 Regional Long Term Care Ombudsman Program	93.778	None Assigned	54,815
Total CFDA 93.778 Medical Assistance Program			3,284,723
Block Grants for Community Mental Health Services:			
Indirect: <i>Through North Sound Mental Health Administration</i>			
Pass-Through CMH Federal Block Grant	93.958	NSMHA-Snohomish-FBG-10-11	14,617
Total CFDA 93.958 Block Grants for Community Mental Health Services			14,617
Block Grants for Prevention and Treatment of Substance Abuse:			
Indirect: <i>Through WA State Dept of Social and Health Services (DSHS)</i>			
09-11 DSHS DASA Community Services Work Order	93.959	0963-68063	77,362
Pass-Through 09-11 DSHS DASA Community Services Work Order	93.959	0963-68063	660,254
11-13 DSHS DASA Community Services Work Order	93.959	1163-27326	67,631
Pass-Through 11-13 DSHS DASA Community Services Work Order	93.959	1163-27326	175,012
Total CFDA 93.959 Block Grants for Prevention and Treatment of Substance Abuse			980,259
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			15,011,054
DEPARTMENT OF HOMELAND SECURITY			
Non-Profit Security Program:			
Indirect: <i>Through Seattle Police Department</i>			
UASI-SPD	97.008	None Assigned	7,202
Total CFDA 97.008 Non-Profit Security Program			7,202
Home Elevation Grants:			
Indirect: <i>Through Wa St Military Department</i>			
French Slough Home Elevation Grants	97.017	E08-289	2,159
Total CFDA 97.017 Home Elevation Grants			2,159
Flood Mitigation Grants:			
Indirect: <i>Through Wa St Military Department</i>			
Snohomish Co FY2009 FMA Home Elevations	97.029	E11-103	1,878
Total CFDA 97.029 Flood Mitigation Grants			1,878
Disaster Grants- Public Assistance:			
Indirect: <i>Through WA ST Military Department</i>			
2003 Flood Event	97.036	E04-739 1499-DR-WA	592,456
FEMA 2006 Event	97.036	E07-773P2	258,349
2007 Flood- Public Works Projects	97.036	E08-801 1734-DR-WA	162,659
2009 Flood Event	97.036	D09-105R 1817-DR-WA	509,867
Total CFDA 97.036 Disaster Grants- Public Assistance			1,523,331

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Other Identification Number	Current Year Expenditures
<u>Hazard Mitigation Grants:</u>			
Indirect: <i>Through WA ST Military Department</i>			
Stillaguamish River Historic Home Elevation 2004	97.039	E11-209(E06-145/E10-265)	47,156
Snohomish County Acquisition Project (Cashman)	97.039	E11-199(FED)	218,844
Snohomish County Acquisition Project (Wish Sct Mdy Jrgn)	97.039	E11-286	9,917
Total CFDA 97.039 Hazard Mitigation Grants			275,917
<u>Emergency Management Performance Grants:</u>			
Indirect: <i>Through WA ST Military Department</i>			
Emergency Management Performance Grant (EMPG) '10	97.042	E10-270/E11-263	75,772
Emergency Management Performance Grant (EMPG) '11	97.042	E12-107	126,439
Total CFDA 97.042 Emergency Management Performance Grants			202,211
<u>Pre-Disaster Mitigation</u>			
Indirect: <i>Through WA ST Military Department</i>			
Natural Hazards Mitigation Plan	97.047	E10-033	15,677
Total CFDA 97.047 Pre-Disaster Mitigation			15,677
<u>Emergency Operations Centers</u>			
Indirect: <i>Through WA ST Military Department</i>			
Emergency Operation Center	97.052	E10-201	921,971
Total CFDA 97.052 Emergency Operations Centers			921,971
<u>Homeland Security Grant Program:</u>			
Indirect: <i>Through WA ST Military Department</i>			
Urban Area Security Initiative-08	97.067	E09-124	70,186
Pass-Through Urban Area Security Initiative-08	97.067	E09-124	513,989
Urban Area Security Initiative-09	97.067	E10-296	525,681
Pass-Through Urban Area Security Initiative-09	97.067	E10-296	16,500
Urban Area Security Initiative-10	97.067	E11-149	542,419
Pass-Through Urban Area Security Initiative-10	97.067	E11-149	11,584
State Homeland Security Grant Pgm-08	97.067	E09-181	103,281
Pass-Through State Homeland Security Grant Pgm-08	97.067	E09-181	233,181
State Homeland Security Grant Pgm-09	97.067	E10-206	276,858
Pass-Through State Homeland Security Grant Pgm-09	97.067	E10-206	482,751
State Homeland Security Grant Pgm-10	97.067	E11-093	777
Pass-Through State Homeland Security Grant Pgm-10	97.067	E11-093	369,794
State Homeland Security Grant-Exercise-09	97.067	E11-219	4,765
Urban Area Security Initiative-10 Equipment	97.067	E11-751	124,484
Citizen Corps Program (CCP) '09	97.067	K691	14,204
Pass-Through Citizen Corps Program (CCP) '09	97.067	K691	11,959
Citizen Corps Program (CCP) '10	97.067	K855	1,378
Pass-Through Citizen Corps Program (CCP) '10	97.067	K855	457
Total CFDA 97.067 Homeland Security Grant Program			3,304,248
TOTAL DEPARTMENT OF HOMELAND SECURITY			6,254,594
<u>U. S. EXECUTIVE OFFICE OF THE PRESIDENT</u>			
<u>High Intensity Drug Trafficking Areas:</u>			
Indirect: <i>Through ESD #105</i>			
2011-2012 HIDTA	7.999	9009000067	215
ESD-105 HIDTA Community Coalition Project	7.999	9009000079	32,593
Pass-Through ESD-105 HIDTA Community Coalition Project	7.999	9009000079	1,407
Pass-Through 2010 HITDA	7.999	9009000069	32,326
Pass-Through 11-12 HIDTA	7.999	9000000057	40,000
Direct:			
HIDTA 2010	7.999	G10NW0001A	295,354
HIDTA 2011	7.999	G11NW0001A	501,009
Total CFDA 07.999 High Intensity Drug Trafficking Areas Program			902,904
TOTAL U. S. EXECUTIVE OFFICE OF THE PRESIDENT			902,904
TOTAL EXPENDITURE OF FEDERAL ASSISTANCE			45,569,472

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Federal Awards is prepared on the same basis of accounting as the County's financial statements. The county uses the modified accrual basis for its governmental and fiduciary fund types and the accrual basis of accounting for the proprietary fund types.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Actual program costs, including the County's portion, may be more than shown.

NOTE 3 - AMOUNTS AWARDED TO SUBRECIPIENTS

The amounts reported as Pass-Through above are federal awards to subrecipients.

NOTE 4 - Federal Emergency Management Agency

Expenditures are recognized in the year that the project worksheets are approved.

NOTE 5 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor
Chief of Staff
Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Performance Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
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