



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### Thurston County

**For the period January 1, 2015 through December 31, 2015**

**Published July 5, 2016**

**Report No. 1017013**





## Washington State Auditor's Office

July 5, 2016

Board of Commissioners  
Thurston County  
Olympia, Washington

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

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Thurston County January 1, 2015 through December 31, 2015

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

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

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

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

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Thurston County January 1, 2015 through December 31, 2015

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

<b>Audit Period:</b> 1/1/2014 – 12/31/2014	<b>Report Ref. No:</b> 1014573	<b>Finding Ref. No:</b> 2014-001	<b>CFDA Number(s):</b> 14.218
<b>Federal Program Name and Granting Agency:</b> Community Development Block Grants/Entitlement Grants, Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The County’s internal controls were not adequate to ensure compliance with Community Development Block Grant reporting requirements.			
<b>Background:</b> During 2014, the County passed through \$304,809 in grant funds provided by the U.S. Department of Housing and Urban Development to the Town of Bucoda.  Subaward Reporting under the Transparency Act  The Federal Funding Accountability and Transparency Act of 2006 (FFATA) requires grantees to report subawards to recipients for amounts of \$25,000 or more. They must report each subaward by the end of the month following the month in which it was granted. The County did not report the one subaward made during the audit period.  Financial Reporting  The U.S. Department of Housing and Urban Development requires the completion of a financial report, the Federal Financial Report (SF-425) every three months after the effective date of the grant agreement. The County did not prepare or submit the quarterly reports for fiscal year 2014. These reports are an important factor in funding and other program related decisions made by the granting agency.  We found the County did not have sufficient internal controls in place to ensure all required reports were filed. We consider this control deficiency to be a material weakness.  We recommended the County establish internal controls to ensure all required reports are prepared and submitted to the grantor in a timely manner.			

<b>Status of Corrective Action: (check one)</b>			
<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<b>Corrective Action Taken:</b> <i>The County's Public Health department is now aware of the reporting requirements and it now completes the filing of these reports on a timely basis.</i>			

<b>Audit Period:</b> 1/1/2014 – 12/31/2014	<b>Report Ref. No:</b> 1014573	<b>Finding Ref. No:</b> 2014-002	<b>CFDA Number(s):</b> 14.239
<b>Federal Program Name and Granting Agency:</b> Home Investment Partnership Program, Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The County's internal controls were not adequate to ensure compliance with Home Investment Partnership Program reporting requirements.			
<b>Background:</b> During 2014, the County expended \$825,967 and passed through \$200,000 in grant funds provided by the U.S. Department of Housing and Urban Development to the Housing Authority of Thurston County.			
<u>Reporting</u>  The Federal Funding Accountability and Transparency Act of 2006 (FFATA) requires grantees to report subawards to recipients for amounts of \$25,000 or more. They must report each subaward by the end of the month following the month in which it was granted. During our audit, we found the County did not have sufficient internal controls in place to ensure the fiscal year 2014 FFATA reports were filed. The County did not report the one subaward made during the audit period.  These reports are an important factor in funding and other program related decisions made by the granting agency.  We consider this control deficiency to be a material weakness in internal controls.  We recommended the County establish internal controls to ensure all required reports are prepared and submitted to the grantor in a timely manner.			
<b>Status of Corrective Action: (check one)</b>			
<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<b>Corrective Action Taken:</b> <i>The County's Public Health department is now aware of the reporting requirements and it now completes the filing of these reports on a timely basis.</i>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Thurston County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Thurston County  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 23, 2016. As discussed in Note 17 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable



possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

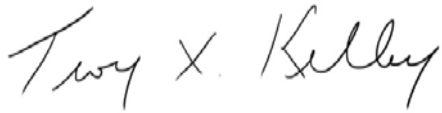
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

## PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 23, 2016

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

**Thurston County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Thurston County  
Olympia, Washington

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

We have audited the compliance of Thurston County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

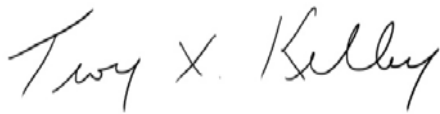
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 23, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Thurston County January 1, 2015 through December 31, 2015

Board of Commissioners  
Thurston County  
Olympia, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 18.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Medic One, Treatment Sales Tax, Public Health and Social Services and Roads and Transportation funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 17 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 38, information on postemployment benefits other than pensions on page 121 and pension plan information on pages 122 through 131 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

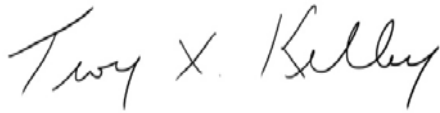
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not



to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 23, 2016

## FINANCIAL SECTION

### **Thurston County January 1, 2015 through December 31, 2015**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Medic One – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Treatment Sales Tax – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (GAAP Basis) and Actual – Public Health and Social Services – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2015

Statement of Net Position – Proprietary Funds – 2015

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

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities – 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

## **REQUIRED SUPPLEMENTARY INFORMATION**

Retiree Medical Benefits – Schedule of Funding Progress – 2015

Schedules of Proportionate Share of the Net Pension Liability – By Plan – 2015

Schedules of Employer Contributions – By Plan – 2015

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

Thurston County's discussion and analysis provides a narrative overview and analysis of the county's financial activities for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the county's financial statements and notes to the financial statements, which follow this discussion.

## FINANCIAL HIGHLIGHTS

- The county fully implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, during 2015. This implementation resulted in some dramatic changes to accounts this year, chiefly a \$45.6 million and a \$6.2 million Cumulative Effect of Change in Accounting Principle in the Governmental Activities and Business-Type Activities, respectively. This adjustment was required by GASB 68 so as to record the effect of a new Net Pension Liability as of the start of 2015. The effects of this new standard are discussed in this analysis.
- In 2015, the overall financial health of Thurston County's Governmental Activities improved over 2014. During 2015, there was an increase in Net Position of nearly \$10.6 million. However, on the face of the statements there is a reduction of Net Position of \$35.5 million primarily due to the implementation of GASB 68 at the start of the year. The increase during 2015 happened mainly in the General, Roads, and Public Health Funds. Reasons for these increases are discussed later in this analysis.
- The overall financial health of Thurston County's Business-Type Activities significantly improved during 2015. However, just like the Governmental Activities Net Position described in the preceding paragraph, the ending Net Position actually decreased compared to 2014 by \$2.9 million due to GASB 68. Had it not been for this new Standard, the Net Position would've increased by \$3.3 million. Most of this is attributed to increases of \$3.6 million in the Net Position of the Solid Waste and Storm Water Major Enterprise Funds.
- For 2015, total Net Position of the county (governmental and business-type, combined) is comprised of the following:
  1. Net Investment in Capital Assets, of \$428.5 million. This includes property, infrastructure, and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of the county's capital assets.
  2. Restricted net position of \$70.1 million represents the portion restricted by constraints imposed from outside the county such as debt covenants, grants, and laws.
  3. Unrestricted net position of \$54 million represents the portion not restricted by outside constraints.
- Total Fund Balance for the General Fund was \$15.1 million at December 31, 2015 compared to \$11.8 million at the end of 2014. Of this balance, \$1.7 million is not available for appropriation as the county has reported this amount as non-spendable. Total ending Fund Balance represents 17.8% of 2015 General Fund total expenditures compared to 14.1% in 2014. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- The county's General Fund total revenues increased by \$4.1 million, or 5%, compared to 2014. Expenditures increased by \$1 million, or 1.2% over the same time period. Details of factors contributing to these figures are discussed later within this discussion and analysis.

- Due to a continued conscious effort on the part of elected officials, directors and managers of General Fund offices/departments to contain costs, actual 2015 expenditures were \$2.7 million, or 3% under the final 2015 adopted budget level.
- The county's Roads fund revenue decreased in 2015 by \$6.9 million compared to 2014. This was offset with an expenditure reduction of \$7.2 million. The reason for these reductions is less road construction activity in 2015.
- The fund balance of the county's Public Health fund increased by \$8.1 million mainly due to revenues exceeding expenditures by \$5.3 million. Details of factors contributing to these figures are discussed later within this discussion and analysis.
- The county's Solid Waste Major Enterprise Fund had another good year of activity as the funds' Net Position increased by \$2.1 million, or 6.8%, looking only at 2015 activity. However, this was offset by a \$2.1 million GASB 68 Cumulative Effect of Change in Accounting Principle.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Thurston County's basic financial statements. Thurston County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Thurston County's finances in a manner similar to a private sector business. Thurston County reports two Government-wide financial statements: the statement of net position and the statement of activities.

The **statement of net position** presents information on all of Thurston County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues related to uncollected taxes and expenses related to earned but unused vacation leave and sick leave. This statement separates program income (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users can identify the extent to which each program relies on taxes for funding.

The government-wide financial statements distinguish functions of Thurston County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities including but not limited to: services provided to the public such as law enforcement and public safety; road construction and maintenance; recreation and open space preservation; public health and social services; and general administration. Business-type activities of Thurston County include solid waste, land use and permitting, and sewer and water management.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thurston County, like other state and local governments, uses

fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county can be divided into one of three categories: governmental, proprietary, or fiduciary.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information is useful in evaluating a government's near-term financing requirements in comparison to available near-term resources.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances present separate columns for financial data for the following funds: General, Roads, Medic One, Treatment Sales Tax, Public Health and Social Services, and Other Governmental, which are considered major funds for financial reporting purposes. The Other Governmental Fund aggregates data from all of the remaining non-major governmental funds into a single, combined presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements, following the notes to the financial statements. For 2015, the Treatment Sales Tax Fund was a newly added major fund.

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

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

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

**Internal service** funds are used to report activities that provide services to the county's other programs and activities on a cost reimbursement basis. The county internal service funds include:

risk management, benefits administration, central services (facilities maintenance, construction and information technology support) unemployment compensation and equipment rental and replacement. The revenues and expenses of internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements.

**Fiduciary funds** are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Thurston County's own programs. The accounting used for fiduciary funds is like that for proprietary funds.

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

This section details a funding progress schedule of retiree medical benefit information per GASB 54 as well as newly added schedules required per the implementation of GASB 68 including a schedule of employer contributions and a schedule of proportionate share of the Net Pension Liability for each of the five retirement plans in which the county participates.

### **Statistical Section**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Analysis of Net Position**

Over time, Net Position serves as a useful indicator of a government's financial position. As indicated in the condensed financial information on the following pages, which was derived from the government-wide Statement of Net Position, the county's combined net position (governmental and business-type activities) was \$552.5 million at the end of 2015. This reflects a net decrease of \$38.4 million, or 6.5%, from 2014.

Of the county's total Net Position, \$428.5 million, or 77.6%, is invested in capital assets net of related debt. These assets provide services to county citizens and are not available for future spending purposes. However, resources needed to repay debt must be provided by other sources since capital assets cannot be readily liquidated to pay these liabilities. Of the county's total Net Position, \$70.1 million, or 12.7%, are subject to external spending restrictions. External restrictions include those provided by state law or by contractual agreement with outside entities, primarily state and federal agencies. The remaining \$54 million, or 9.7%, which is down from last year's \$29 million, is unrestricted and represents the amount that is not restricted by outside sources. GASB 68 is the main contributor for this decrease.



Thurston County reported \$753.5 million of total assets as of December 31, 2015, compared to \$741.7 million for 2014. This represents an increase of \$11.8 million, or 1.6%. The main driver for this increase is in the Cash and Pooled Investments account. That balance is \$197.6 million at the end of 2015 (26.2% of total assets) which represents an increase of \$23.8 million over prior year. Significant cash increases due to more revenue collections in the Public Health and Solid Waste funds are the main reasons for this increase. Capital Assets, which can fluctuate significantly from year-to-year depending on timing of construction activity, decreased by \$9.8 million over 2014 mainly due to decreased construction activity and normal annual depreciation. The 2015 balance was \$507.2 million, or 67.3%, of total assets.

The county reported a Total Deferred Outflow of Resources of \$7 million in 2015, which was an increase of \$6.2 million mainly due to the implementation GASB 68 related balances.

Thurston County's total liabilities increased significantly in 2015 compared to 2014, by \$47.1 million, or 31.1%. The increase was mainly due to the implementation of GASB 68 that added a new Long-Term Liability titled Net Pension Liability. This amount was \$49.2 million at the end of 2015. The county's largest liability balance is its Limited G.O. Bonds Payable which was \$77.4 million at the end of 2015. During 2015, the county issued \$13.8 million of General Obligation refunding bonds resulting in a \$1.5 million economic gain and \$1.6 million in reduced debt service payments over the duration of the bonds. The 2014 ending Bonds Payable balance was \$84.8 million. The reduction in 2015 compared to 2014 was mainly due to annual debt service payments.

The county reported a Total Deferred Inflow of Resources of \$9.3 million in 2015 due to the implementation GASB 68 related balances.

The condensed financial information that follows is derived from the Government-Wide Statement of Net Position and reflects how the county's net position in 2015 compares with 2014:

### Thurston County Net Position

Account	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets	\$ 187,799,606	\$ 170,354,464	\$ 58,505,209	\$ 54,432,910	\$ 246,304,815	\$ 224,787,374
Capital Assets	473,366,122	481,055,642	33,833,598	35,892,052	507,199,720	516,947,694
<b>Total Assets</b>	<b>661,165,728</b>	<b>651,410,106</b>	<b>92,338,807</b>	<b>90,324,962</b>	<b>753,504,535</b>	<b>741,735,068</b>
<b>Total Deferred Outflow of Resources</b>	<b>6,346,927</b>	<b>584,205</b>	<b>686,866</b>	<b>184,381</b>	<b>7,033,793</b>	<b>768,586</b>
Current Liabilities	20,050,349	18,404,582	2,945,032	2,822,103	22,995,381	21,226,685
Long Term Liabilities	146,920,124	105,941,217	28,818,513	24,388,469	175,738,637	130,329,686
<b>Total Liabilities</b>	<b>166,970,473</b>	<b>124,345,799</b>	<b>31,763,545</b>	<b>27,210,572</b>	<b>198,734,018</b>	<b>151,556,371</b>
<b>Total Deferred Inflow of Resources</b>	<b>8,409,091</b>	<b>-</b>	<b>863,990</b>	<b>-</b>	<b>9,273,081</b>	<b>-</b>
Net Investment in Capital Assets	399,574,658	402,742,302	28,885,135	29,842,737	428,459,793	432,585,039
Restricted	68,052,131	72,910,583	2,030,134	2,458,875	70,082,265	75,369,458
Unrestricted	24,506,302	51,995,627	29,482,869	30,997,159	53,989,171	82,992,786
<b>Total Net Position</b>	<b>\$ 492,133,091</b>	<b>\$ 527,648,512</b>	<b>\$ 60,398,138</b>	<b>\$ 63,298,771</b>	<b>\$ 552,531,229</b>	<b>\$ 590,947,283</b>



**Governmental activities** – During 2015, the total net position for Governmental activities realized an increase of \$10.6 million due to activity during the year. However, GASB 68 offset this increase with a \$45.6 million Cumulative Effect of Change in Accounting Principle. Speaking to just 2015 activity, the increase was mainly due to collections in the county's Public Health Fund for its Regional Support Network sponsored by the Washington State Department of Social and Health Services. \$399.6 million in total net position was invested in capital assets. The \$3.1 million decrease in capital assets is primarily due to annual depreciation charges. \$68.1 million in net position is restricted. Finally, \$24.5 million in unrestricted net position decreased by \$27.5 million from the prior year. The implementation of GASB 68, once again, is the main reason for this change. Almost all unrestricted assets are assigned for certain purposes and activities but are essentially available for any future spending purposes based on actions and decisions by Thurston County's Board of County Commissioners.

**Business-type activities** – During 2015, the Business-type activity accounts remained fairly constant compared to prior year balances. Overall, the Net Position amount did decrease by \$2.9 million, to \$60.4 million. The decrease was due to a Cumulative Effect of Change in Accounting Principle of \$6.2 million because of GASB 68. Net Invested in Capital Assets was \$28.9 million. Restricted Net Position and Unrestricted Net Position were \$2 million and \$29.5 million respectively. The latter category of net position is available for future spending in the Business-Type funds.

### **Analysis of the Statement of Activities**

The following chart presents key elements in the Statement of Activities. In 2015, total county primary government revenues stayed constant compared to 2014, with total collections at \$198.3 million. Within this balance there were increases in charges for services in Public Health and decreases in intergovernmental revenues in the Roads fund that basically offset each other. Beginning in 2014, the Affordable Care Act allowed more people to become eligible for Medicaid. As a result, the county's Public Health fund began to receipt in substantially more revenues than past years with this trend continuing into 2015. The Roads fund had less grant revenue when compared to last year which was directly related to the level of construction activity. Total County expenses increased by \$3.3 million, or 1.8%, from 2014 to 2015. The origin of this increase, is spread out in several areas with the largest being Public Health and Public Safety.

## Thurston County's Statement of Activities

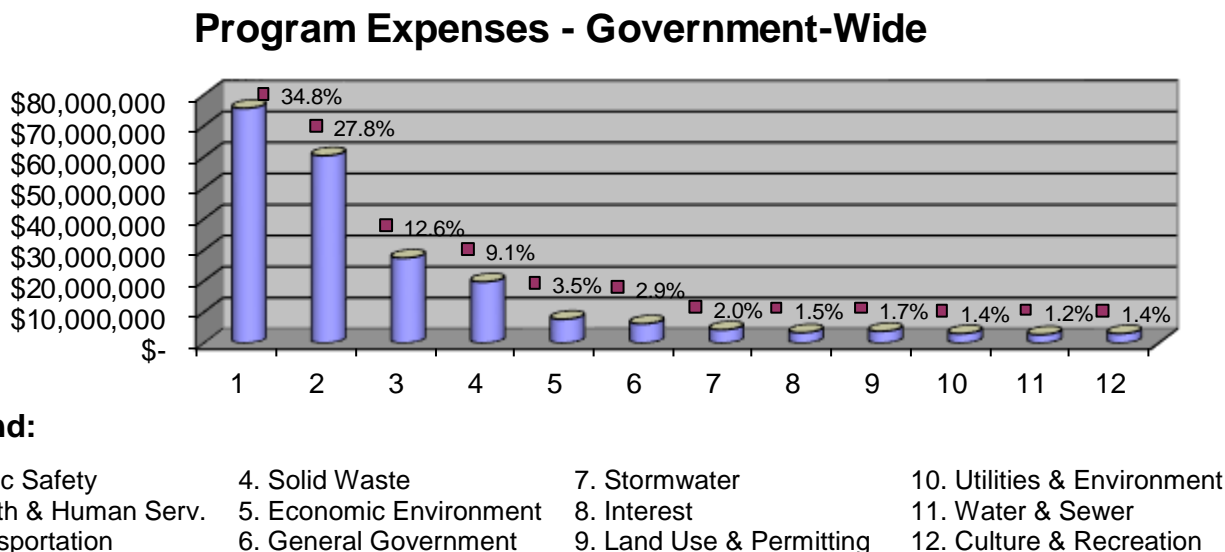
Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Program Revenues:</b>						
Charges for Services	\$ 58,182,383	\$ 50,549,316	\$ 32,350,635	\$ 31,823,551	\$ 90,533,018	\$ 82,372,867
Operating Grants & Contrib.	22,961,809	27,569,926	212,105	274,228	23,173,914	27,844,154
Capital Grants & Contrib.	7,670,813	15,512,833	70,814	373,572	7,741,627	15,886,405
<b>General Revenues:</b>						
Taxes	105,845,907	102,096,192	-	-	105,845,907	102,096,192
Interest and Invest. Earnings	3,607,124	2,845,520	162,576	57,142	3,769,700	2,902,662
Other General Revenues	76,988	241,004	46,682	111,759	123,670	352,763
<b>Total Revenues</b>	<b>198,345,024</b>	<b>198,814,791</b>	<b>32,842,812</b>	<b>32,640,252</b>	<b>231,187,836</b>	<b>231,455,043</b>
<b>Program Expenses: (Net)</b>						
General Government	6,206,303	6,412,715	-	-	6,206,303	6,412,715
Culture and Recreation	3,043,221	2,543,965	-	-	3,043,221	2,543,965
Economic Environment	7,682,967	8,629,235	-	-	7,682,967	8,629,235
Health and Human Services	60,371,465	58,831,809	-	-	60,371,465	58,831,809
Utilities and Environment	3,051,684	2,253,126	-	-	3,051,684	2,253,126
Public Safety	75,640,134	73,990,662	-	-	75,640,134	73,990,662
Transportation	27,397,558	27,421,298	-	-	27,397,558	27,421,298
Interest	3,360,462	3,440,826	-	-	3,360,462	3,440,826
Solid Waste	-	-	19,728,997	18,349,420	19,728,997	18,349,420
Water	-	-	884,264	817,388	884,264	817,388
Sewer	-	-	1,826,903	1,705,619	1,826,903	1,705,619
Stormwater	-	-	4,283,950	4,232,321	4,283,950	4,232,321
Land Use & Permitting	-	-	3,795,031	3,456,285	3,795,031	3,456,285
<b>Total Expenses</b>	<b>186,753,794</b>	<b>183,523,636</b>	<b>30,519,145</b>	<b>28,561,033</b>	<b>217,272,939</b>	<b>212,084,669</b>
<b>Excess (Deficiency) of Revenues over (under) Expenses before Transfers</b>						
Transfers	11,591,230	15,291,155	2,323,667	4,079,219	13,914,897	19,370,374
Transfers	(995,845)	(1,073,817)	995,845	1,073,817	-	-
<b>Change in Net Position</b>	<b>10,595,385</b>	<b>14,217,338</b>	<b>3,319,512</b>	<b>5,153,036</b>	<b>13,914,897</b>	<b>19,370,374</b>
Ending Net Position January 1	527,648,512	513,431,174	63,298,771	58,145,735	590,947,283	571,576,909
Adjustments	(46,110,806)	-	(6,220,145)	-	(52,330,951)	-
<b>Restated Net Position January 1</b>	<b>481,537,706</b>	<b>513,431,174</b>	<b>57,078,626</b>	<b>58,145,735</b>	<b>538,616,332</b>	<b>571,576,909</b>
<b>Ending Net Position</b>	<b>\$ 492,133,091</b>	<b>\$ 527,648,512</b>	<b>\$ 60,398,138</b>	<b>\$ 63,298,771</b>	<b>\$ 552,531,229</b>	<b>\$ 590,947,283</b>

In 2015 Governmental activities provided \$198.3 million in revenues (85.8% of total revenues), while business-type activities provided \$32.8 million (14.2% of total revenues). The two largest governmental revenues are taxes at \$105.8 million, or 53.4%, of total governmental revenues and charges for services at \$58.2 million, or 29.3%, of total governmental revenues. The remaining 17.3% of governmental revenues include operating grants, capital grants, interest and investment earnings and other general revenues.

In 2015, charges for services were \$32.4 million, or 98.8%, of total business-type revenues. Within this category, Solid Waste fund revenues were \$21.9 million, or 67.6%.

Total governmental expenses increased by \$3.3 million. The largest increase was \$1.6 million in Health and Human Services which was previously discussed and an increase in Public Safety staffing for Corrections. The governmental and business-type expense distribution of \$186.8 million, or 86%, and \$30.5 million, or 14%, closely resembles the distribution from the prior year.

The following graph illustrates the distribution of expenses by program for both governmental and business type activities.



## FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

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

### Governmental Funds Analysis

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

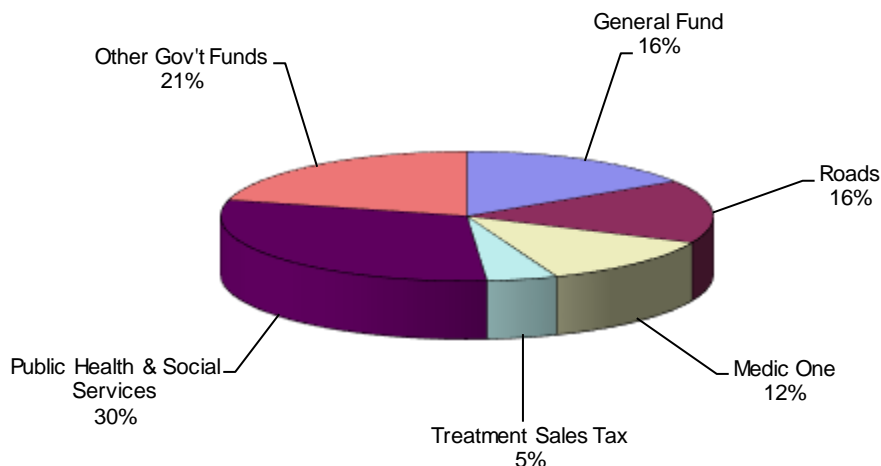
As of December 31, 2015, the county's governmental funds reported combined total ending fund balances of \$119.1 million. This represents an increase of \$11.9 million, or 11.1%, compared with the prior year. This was due mainly to an increase in the fund balance of the county's General, Roads, and Public Health Fund.

In 2015, total assets in governmental funds increased by \$14.5 million to \$140.4 million. The main account that increased was Cash and this is directly related to increased Public Health revenues as described above.

Total liabilities for governmental funds increased by \$2.6 million, mainly in the Public Health Fund with more accruals for vendor payments being reported in 2015 vs. 2014.

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

### Total Assets - Governmental Funds

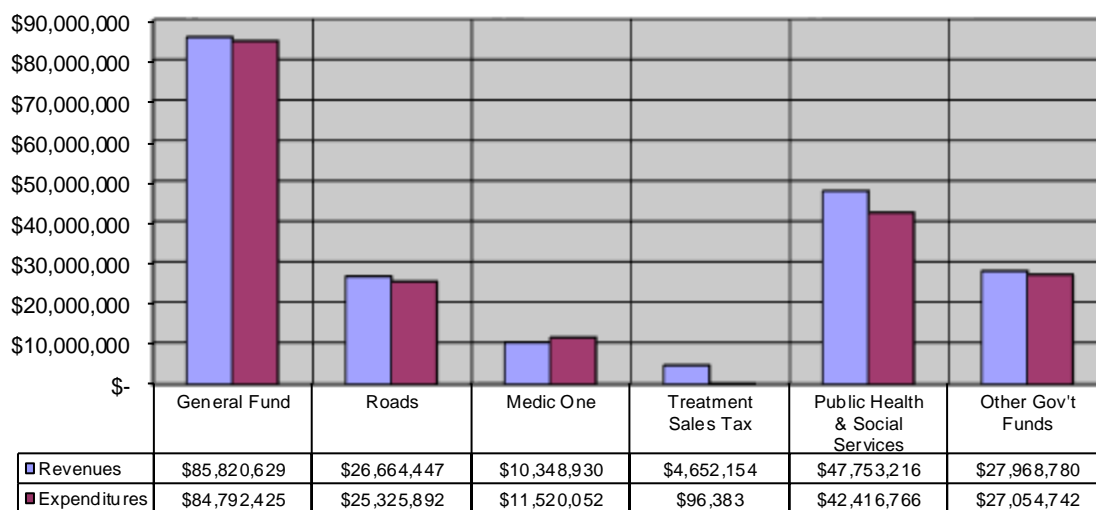


Governmental Fund revenues in 2015 were constant vs. 2014 with increases in the General Fund being offset with decreases in the Roads fund.

Governmental expenditures in 2015 were lower than 2014 by \$2.9 million. To account for this decrease, smaller increases in most major funds were offset with a \$7.2 million decrease in the Roads fund.

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

### Governmental Fund Revenues and Expenditures



In 2015, the General Fund, Public Health & Social Services Fund, and the Roads Fund accounted for 78.9% of total revenues and 79.8% of total expenditures.

For 2015 the county is reporting the following as major governmental funds: General, Roads, Medic One, Treatment Sales Tax, Public Health and Social Services, and Other Governmental.

The following are highlights related to each major fund in 2015:

The **General Fund** is the chief operating fund of the county. The General Fund's total ending fund balance was \$15.1 million at the end of 2015, compared to \$11.8 million at the end of 2014 for an increase of \$3.3 million, or 28%. Total Unassigned fund balance was \$13.2 million compared to \$9.9 million at the end of 2014. Contributing factors to this increase was an increase in property tax and sales tax revenue (\$2.1 million over 2014 levels) as well as an increase of almost \$1 million in grant revenue.

General Fund total assets were \$22.4 million and total liabilities were \$7.3 million at the end of 2015. Compared to 2014, assets increased by \$2.7 million, or 13.7%, whereas liabilities remained constant. The main increase in assets was more tax and other revenue collections described in the preceding paragraph. Additionally, the fund's year end receivable accruals increased by \$1.8 million over 2014 due to the timing of departmental billing activity.

General Fund revenues increased by \$4.1 million, or 5%, from 2014 to 2015 due to factors previously described above. General Fund expenditures increased by \$1 million, or 1.2%. This increase was mainly due to staffing increases in the Public Safety function.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. Total assets, primarily cash, increased by \$1.1 million. Liabilities decreased by \$1.5 million, or 46.9%. This decrease was mainly the result of recording fewer year-end liability accruals than the prior year.

Compared to 2014, revenues in the Roads fund decreased by \$6.9 million, or 20.5%, and expenditures decreased by \$7.2 million, or 22.2% in 2015. In both instances it was due to a decrease in capital outlay and receipts of grant revenues that fund this activity.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2014, Medic One's total assets and total liabilities remained constant compared to 2014 with a slight decrease in fund balance of \$1.1 million.

The **Treatment Sales Tax** fund uses 1/10 of 1% sales tax proceeds to provide for the operation of new or expanded chemical dependency or mental health treatment programs and services. This is a new major fund in 2015. It was reported as a non-major fund in the county's combining statements in prior years. It is a major fund this year because of a large increase in year-end liability accruals due to the timing of these payments at year-end. This fund's revenue and expenditure balances remained constant compared to 2014. Because of the year-end accrual issue just described, this fund's total assets (Cash) and total liabilities (Due to Other Funds) increased over prior year by \$2.1 million and \$1.9 million respectively. If activity remains constant in 2016, the county expects this fund to return to the non-major category as management has developed a plan to address the timing of year-end accruals.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Total assets increased in 2015 by \$10.3 million whereas total liabilities increased by a more modest \$2.2 million. The increase in assets was primarily in Cash and Pooled Investments as there were more Medicaid revenues collected compared to the prior year. Liabilities increased due to timing of year-end vendor accrual payments.

2015 revenues and expenditures remained very consistent compared to 2014. Revenues in this fund also jumped up from 2013 to 2014, as previously described. 2015's pattern tracked the 2014 pattern very closely.

Looking into the future, some of the balances of this fund could experience a dramatic reduction. On September 15, 2015, the Board of County Commissioners of Thurston County passed resolution #15183 authorizing an Interlocal Agreement with Mason County, a neighboring county, which establishes the Thurston Mason Behavioral Health Organization (TMBHO). The purpose of the agreement is to establish a Behavioral Health Organization (BHO) to carry out the responsibilities of Washington State Law, Revised Code of Washington 71.24.300. This law became effective April 1, 2016. The forming of this new BHO will take the Regional Support Network activity out of the county's Public Health Fund and taking with it a significant portion of this fund's \$39.1 million 2015 cash balance. This situation has been disclosed as a Subsequent Event Note.

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

### **Proprietary Funds Net Position Analysis**

Thurston County's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities and are therefore presented in the same accounting format. Internal service funds, although proprietary, are not Business-Type Funds and are therefore excluded in the following section.

## Thurston County Enterprise Net Position

Assets	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds
Cash & Pooled Investments	\$ 25,631,045	\$ 1,939,616	\$ 7,745,390	\$ 3,231,090	\$ 38,547,141
Other Current Assets	1,681,216	412,910	432,087	442,152	2,968,365
Restricted Assets:					
Cash and Pooled Investments	-	34,806	-	123,833	158,639
Total Current Assets	27,312,261	2,387,332	8,177,477	3,797,075	41,674,145
Long-Term Assets:					
Receivables and Deff Chrgs.	-	402,288	-	493,940	896,228
Capital Assets	9,266,493	14,103,859	7,056,561	3,406,685	33,833,598
Restrict Assets: Cash and Pooled Investments	15,340,290	-	-	-	15,340,290
Total Long Term Assets	24,606,783	14,506,147	7,056,561	3,900,625	50,070,116
<b>Total Assets</b>	<b>51,919,044</b>	<b>16,893,479</b>	<b>15,234,038</b>	<b>7,697,700</b>	<b>91,744,261</b>
<b>Total Deferred Outflow of Resources</b>	<b>202,141</b>	<b>129,016</b>	<b>153,659</b>	<b>202,050</b>	<b>686,866</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable/ Due To's	1,850,912	113,076	279,595	295,929	2,539,512
Restricted Laibilities - Debt	-	880,000	-	81,018	961,018
<b>Total Current Liabilities</b>	<b>1,850,912</b>	<b>993,076</b>	<b>279,595</b>	<b>376,947</b>	<b>3,500,530</b>
Long-Term Liabilities:					
Limited G.O. Bonds Payable	-	3,546,432	-	347,977	3,894,409
Comp Abs & OPEB Payable	981,084	125,734	678,152	947,580	2,732,550
Intergov. Loans & Contracts Payable	12,876	51,651	4,899	524,532	593,958
Accumulated Landfill Closure Costs	16,037,605	-	-	-	16,037,605
Net Pension Liability	1,909,797	289,527	1,451,741	1,908,926	5,559,991
Total Long Term Liabilities	18,941,362	4,013,344	2,134,792	3,729,015	28,818,513
<b>Total Liabilities</b>	<b>20,792,274</b>	<b>5,006,420</b>	<b>2,414,387</b>	<b>4,105,962</b>	<b>32,319,043</b>
<b>Total Deferred Inflow of Resources</b>	<b>296,771</b>	<b>44,991</b>	<b>225,592</b>	<b>296,636</b>	<b>863,990</b>
<b>Net Position</b>					
Net Investment in Capital Assets	9,250,124	9,620,611	7,048,505	2,965,895	28,885,135
Restricted For:					
Postclosure, Net Of Related Liability	941,229	-	-	-	941,229
Debt Service	-	596,214	-	492,691	1,088,905
Unrestricted (Deficit)	20,840,787	1,754,259	5,699,213	38,566	28,332,825
<b>Total Net Position</b>	<b>\$ 31,032,140</b>	<b>\$ 11,971,084</b>	<b>\$ 12,747,718</b>	<b>\$ 3,497,152</b>	<b>\$ 59,248,094</b>

The Solid Waste, Grand Mound, and Storm & Surface Water Utility Funds are the major enterprise funds for Thurston County in 2015.

The **Solid Waste Fund** provides solid waste disposal and reduction services to the citizens of Thurston County. The **Grand Mound Fund** provides water and waste water services to residents of Grand Mound in southern Thurston County. The **Storm & Surface Water Fund** accounts for assessments levied to minimize

the harmful effects of storm water run-off and to construct and improve storm water run-off facilities within the utility's boundaries. These funds comprise 91.6% of enterprise assets and 87.3% of enterprise liabilities. Within these three funds, the account that changed the most was Cash and Pooled Investments in the Solid Waste fund. This account increased by \$3.6 million compared to prior year and was primarily due to an increase in rates dating back to 2011. Because of this increase, the fund has been experiencing annual increases in Net Position.

The combined net position for enterprise funds was \$59.2 million in 2015, of which \$55.7 million, or 94.1%, resided in the three major funds noted above. Of the total enterprise funds' net position, \$28.9 million, or 48.8%, is invested in capital assets net or related debt, whereas \$28.3 million, or 47.8%, is unrestricted. Unrestricted net position decreased by \$1.3 million from 2014 mainly due to the netting effect of a \$6.2 million decrease because of GASB 68 and an increase of Cash of \$3.6 million in Solid Waste. Total liabilities for all enterprise funds were \$32.3 million which is an increase of \$4.6 million from 2014 and is mainly due to the addition of Net Pension Liability of \$5.6 million.



## Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2015.

### Thurston County Washington Enterprise Funds Revenues and Expenses

	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds
<b>Revenues:</b>					
<i>Operating:</i>					
Charges for Services	\$ 21,856,236	\$ 1,344,162	\$ 5,907,170	\$ 4,056,650	\$ 33,164,218
Miscellaneous	4,085	19,020	-	23,577	46,682
<i>Non-Operating:</i>					
Interest Revenue	-	48,831	91,315	22,430	162,576
Operating & Capital Grant Proceeds	194,217	-	6,938	10,950	212,105
Other Non-Operating Revenues	1,650	192	-	728	2,570
<b>Total Revenues</b>	<b>22,056,188</b>	<b>1,412,205</b>	<b>6,005,423</b>	<b>4,114,335</b>	<b>33,588,151</b>
<b>Expenses:</b>					
<i>Operating:</i>					
Salaries and Benefits	2,568,672	407,759	2,160,479	2,914,436	8,051,346
Other Supplies and Expenses	165,332	55,555	86,542	125,893	433,322
Contractual Services	2,797,564	293,188	417,963	252,506	3,761,221
Longhaul Contract	12,080,805	-	-	-	12,080,805
Interfund Services and Charges	1,198,040	213,841	1,356,153	1,168,066	3,936,100
Depreciation/Amortization	1,068,997	616,332	477,583	221,387	2,384,299
<i>Non-Operating:</i>					
External & Internal Tax Payments	10,347	21,622	78,609	1,010	111,588
Interest Expense & Fiscal Charges	1,784	219,694	(176)	27,776	249,078
Other Including Capital Asset Gain/Loss	44,959	12,229	(557)	(10,377)	46,254
<b>Total Expenses</b>	<b>19,936,500</b>	<b>1,840,220</b>	<b>4,576,596</b>	<b>4,700,697</b>	<b>31,054,013</b>
Income (Loss) before contrib. and trans.	2,119,688	(428,015)	1,428,827	(586,362)	2,534,138
Capital Contributions	3,704	(38)	28,231	38,917	70,814
Transfers In (Out)	16,412	125,804	6,240	847,389	995,845
<b>Change in Net Position</b>	<b>2,139,804</b>	<b>(302,249)</b>	<b>1,463,298</b>	<b>299,944</b>	<b>3,600,797</b>
Net Position as of January 1	31,028,889	12,597,238	12,908,530	5,332,785	61,867,442
Cumulative Effect of Change in Accounting Principle	(2,136,553)	(323,905)	(1,624,110)	(2,135,577)	(6,220,145)
<b>Net Position as of January 1-Restated</b>	<b>28,892,336</b>	<b>12,273,333</b>	<b>11,284,420</b>	<b>3,197,208</b>	<b>55,647,297</b>
<b>Net Position as of December 31</b>	<b>\$ 31,032,140</b>	<b>\$ 11,971,084</b>	<b>\$ 12,747,718</b>	<b>\$ 3,497,152</b>	<b>\$ 59,248,094</b>

For all enterprise funds, total operating revenues from charges for services in 2015 are \$33.2 million and comprise 98.8% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds stayed very constant compared to the prior year and increased by just \$1.3 million. Please note that operating revenues and expenses are not segregated within the accompanying summarized table whereas they are segregated within the fund financial statements.

The **Solid Waste Fund** has provided waste disposal and reduction services through a solid waste transfer facility since 1999 at the Hawk's Prairie Solid Waste and Recovery Center. Solid waste was disposed at a landfill at this site prior to that time. Maintenance of the closed landfill is fully funded through post closure

reserves generated from landfill revenues prior to closure. Solid Waste Fund operating revenues comprise 66% of total enterprise operating revenues and 65% of total enterprise expenses.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 4.2% of total enterprise operating revenues and 5.2% of total enterprise operating expenses. In 2015 both revenues and expenses remained fairly constant over prior year.

The **Storm & Surface Water Fund** has been collecting assessments from landowners to mitigate the effects of storm water run-off from construction and development since 1985. Operating revenues and expenses remained constant in 2015 compared to 2014. Revenues comprise 17.8% of total enterprise revenues and 14.7% of total enterprise expenses.

### **General Fund Budgetary Highlights**

Thurston County adopts an annual budget in December of the preceding year. Adjustments are made to the budget throughout the year. The following table shows changes between the original and final budget as of December 31, 2015. A positive variance is reported if final budget revenues exceed original budget revenues whereas a negative variance is reported if final budget revenues are less than original budgeted revenues. The reverse is shown for expenditures. A negative variance is reported if final budget expenditures exceed original budget expenditures and a positive variance is shown if the final budget expenditures are less than original budgeted expenditures. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department.

**Thurston County  
General Fund Changes in Budget**

	Original Budget	Final Budget	Variance Pos (Neg)
<b>Revenues:</b>			
Taxes	\$ 54,572,620	\$ 54,572,620	\$ -
Licenses & Permits	1,934,450	1,934,450	-
Intergovernmental	8,568,643	8,605,757	37,114
Charges for Services	12,727,477	12,929,001	201,524
Fines & Forfeitures	2,733,235	2,717,235	(16,000)
Miscellaneous	2,895,274	2,992,927	97,653
<b>Total General Revenues</b>	<b>83,431,699</b>	<b>83,751,990</b>	<b>320,291</b>
Other Financing Sources	5,362,462	5,236,420	(126,042)
<b>Total Revenues</b>	<b>88,794,161</b>	<b>88,988,410</b>	<b>194,249</b>
<b>Expenditures by Department:</b>			
Assessor's Office	3,450,848	3,450,848	-
Auditor's Office	4,762,149	4,783,999	(21,850)
Assigned Counsel	3,896,069	4,399,731	(503,662)
Clerk's Office	3,164,451	3,232,196	(67,745)
Commissioner's Office	1,958,108	1,958,108	-
Coroner's Office	1,000,631	1,011,359	(10,728)
Corrections	17,866,311	17,983,053	(116,742)
District Court	3,600,803	3,600,803	-
Emergency Management	1,420,746	1,533,475	(112,729)
Human Resources	1,639,707	1,639,707	-
Juvenile Probation	7,162,372	7,142,372	20,000
Non-Departmental	4,988,083	4,926,773	61,310
Planning	1,975,119	1,811,582	163,537
Prosecuting Attorney	7,966,449	8,148,638	(182,189)
State Examiner	115,000	115,000	-
Sheriff	16,188,013	16,345,608	(157,595)
Superior Court	5,745,590	5,545,590	200,000
Treasurer's Office	1,173,498	1,178,498	(5,000)
WSU Extension	346,784	356,784	(10,000)
<b>General Fund Expenditures</b>	<b>88,420,731</b>	<b>89,164,124</b>	<b>(743,393)</b>
Fair	528,208	538,208	(10,000)
Prisoner Concession	375,046	297,046	78,000
<b>Reported General Fund Expenditures</b>	<b>89,323,985</b>	<b>89,999,378</b>	<b>(675,393)</b>
Net Changes in Fund Balances	(529,824)	(1,010,968)	(481,144)
Fund Balances as of January 1	9,210,342	10,143,272	932,930
<b>Fund Balances as of December 31</b>	<b>\$ 8,680,518</b>	<b>\$ 9,132,304</b>	<b>\$ 451,786</b>

The county's original and final budgets were very similar with just a \$200,000 increase in budgeted revenues and a \$675,000 increase in budgeted expenditures.

The final budget ending fund balance was \$9.1 million, an increase of \$1.6 million over 2014.

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

The table on the following page summarizes differences between budget and actual revenues and expenditures in the General Fund for 2015. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2015 show actual total revenues (including other financing sources) at \$90.7 million, which is \$1.7 million, or 1.9%, above the final budget. Actual expenditures were \$87.4 million, which is \$2.6 million or 3% under budget.

In regards to revenues, the largest variance between budget and actual was in the Miscellaneous category, receiving just under \$700,000 more than planned. All offices/departments had a positive expenditure variance in 2015, meaning no office or department over-spent its budget authority. The largest budget under-expenditure by a department was in the county's Non-Departmental department with a \$437,000 under-expenditure.

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

	<b>Final Budget</b>	<b>Actuals</b>	<b>Variance Pos (Neg)</b>
<b>Revenues:</b>			
Taxes	\$ 54,572,620	\$ 54,957,316	\$ 384,696
Licenses & Permits	1,934,450	2,147,157	212,707
Intergovernmental	8,605,757	9,132,565	526,808
Charges for Services	12,929,001	13,058,779	129,778
Fines & Forfeitures	2,717,235	2,838,244	121,009
Miscellaneous	2,992,927	3,686,568	693,641
<b>Total General Revenues</b>	<b>83,751,990</b>	<b>85,820,629</b>	<b>2,068,639</b>
Total Other Financing Sources	5,236,420	4,846,331	(390,089)
<b>Total Revenues</b>	<b>88,988,410</b>	<b>90,666,960</b>	<b>1,678,550</b>
<b>Expenditures by Department:</b>			
Assessor's Office	3,450,848	3,448,746	2,102
Auditor's Office	4,783,999	4,685,901	98,098
Assigned Counsel	4,399,731	4,366,573	33,158
Clerk's Office	3,232,196	2,985,115	247,081
Commissioner's Office	1,958,108	1,899,047	59,061
Coroner's Office	1,011,359	1,006,591	4,768
Corrections	17,983,053	17,932,060	50,993
District Court	3,600,803	3,432,399	168,404
Emergency Management	1,533,475	1,308,949	224,526
Human Resources	1,639,707	1,409,281	230,426
Juvenile Probation	7,142,372	6,758,313	384,059
Non-Departmental	4,926,773	4,490,086	436,687
Planning	1,811,582	1,567,202	244,380
Prosecuting Attorney	8,148,638	7,991,360	157,278
State Examiner	115,000	109,292	5,708
Sheriff	16,345,608	16,167,997	177,611
Superior Court	5,545,590	5,482,810	62,780
Treasurer's Office	1,178,498	1,154,951	23,547
WSU Extension	356,784	312,614	44,170
<b>General Fund Expenditures</b>	<b>89,164,124</b>	<b>86,509,287</b>	<b>2,654,837</b>
Fair	538,208	516,639	21,569
Prisoner Concession	297,046	296,914	132
Recreation Services	-	63,198	(63,198)
<b>Reported General Fund Expenditures</b>	<b>89,999,378</b>	<b>87,386,038</b>	<b>2,613,340</b>
Net Changes in Fund Balances	(1,010,968)	3,280,922	4,291,890
Fund Balances as of January 1	10,143,272	11,805,244	1,661,972
<b>Fund Balances as of December 31</b>	<b>\$ 9,132,304</b>	<b>\$ 15,086,166</b>	<b>\$ 5,953,862</b>

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Capital assets include land, construction in progress, buildings, improvements, machinery and equipment intangible assets, and infrastructure. Thurston County's total governmental and business-type capital asset balance was \$507.2 million at year end. Of this total, \$288.4 million (56.9%) are non-depreciable assets and \$218.8 million (43.1%) are depreciable. Capital assets comprise 67.3% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section.

Total non-depreciable assets increased by \$1.1 million in 2015, while depreciable assets decreased by \$10.9 million. The reason for the decrease in depreciable assets is mainly the annual depreciation charges.

At year-end the county had \$1.9 million in commitments for capital expenditures related to a Public Health Triage building being constructed adjacent to the county's Accountability and Restitution Center.

### **Long-Term Debt**

Total general obligation debt outstanding at year end was \$77.4 million (\$73 million in governmental activities and \$4.4 million in Business-type activities). This total represents a decrease of \$7.4 million over 2014. During 2015 the county issued \$13.8 million of refunding bonds. \$5.5 million refunded a 2004 G.O Bond and \$8.3 million refunded a 2005 G.O Bond issue. The refunding bonds resulted in an economic gain of \$1.5 million and a \$1.6 million reduction in debt service over the duration of the original issue.

At the end of 2015, the county has the capacity to issue \$345 million in debt without a vote and a remaining capacity of \$279 million under limitation of indebtedness statute. See financial statement note VIII for more information on debt issues outstanding and the reasons for their issuance.

### **REQUESTS FOR INFORMATION**

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

**Statement of Net Position**  
**December 31, 2015**  
**Page 1 of 2**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash & Pooled Investments	\$ 159,087,070	\$ 38,547,141	\$ 197,634,211
Receivables:			
Taxes Receivable	1,928,937	-	1,928,937
Special Assessment Receivables	55,016	402,726	457,742
Accrued Interest & Penalties	2,739,645	50,712	2,790,357
Customer Account Receivables	13,392,483	1,597,759	14,990,242
Internal Balances	(1,095,827)	1,095,827	-
Due from Other Government Units	5,615,243	412,615	6,027,858
Inventory	885,735	-	885,735
Prepayments	149,573	3,272	152,845
Restricted Assets:			
Cash & Pooled Investments	-	158,639	158,639
Total Current Assets	182,757,875	42,268,691	225,026,566
<b>Long-Term Assets:</b>			
Community Loans Receivable	-	178,568	178,568
Special Assessment Receivables	16,001	717,660	733,661
Investment in Joint Ventures, Net	1,790,231	-	1,790,231
Net Pension Asset	3,235,499	-	3,235,499
Capital Assets:			
Non-Depreciable	285,689,278	2,700,219	288,389,497
Depreciable, Net	187,676,844	31,133,379	218,810,223
Restricted Assets: Cash and Pooled Investments	-	15,340,290	15,340,290
Total Noncurrent Assets	478,407,853	50,070,116	528,477,969
<b>Total Assets</b>	<b>661,165,728</b>	<b>92,338,807</b>	<b>753,504,535</b>
<b>Deferred Outflow of Resources:</b>			
Loss on Refunding	187,896	98,371	286,267
Pensions	6,159,031	588,495	6,747,526
<b>Total Deferred Outflow of Resources</b>	<b>6,346,927</b>	<b>686,866</b>	<b>7,033,793</b>

See accompanying notes to financial statements

**Statement of Net Position**  
**December 31, 2015**  
**Page 2 of 2**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	11,985,585	1,836,637	13,822,222
Notes/Leases Payable	164,998	72,039	237,037
Due to Other Government Units	1,302,792	-	1,302,792
Compensated Absences	331,487	35,844	367,331
Claims & Judgments Payable	445,887	-	445,887
Limited G.O. Bonds Payable	5,803,297	880,000	6,683,297
Special Assess. Debt - Gov. Commitment	-	81,018	81,018
Unearned Revenue	16,303	39,494	55,797
Total Current Liabilities	20,050,349	2,945,032	22,995,381
<b>Long-Term Liabilities:</b>			
Limited G.O. Bonds Payable	67,187,051	3,546,432	70,733,483
Special Assess. Debt - Gov. Commitment	-	347,977	347,977
Compensated Absences	6,304,837	681,763	6,986,600
Other Post Employment Benefits Payable	24,306,022	2,050,787	26,356,809
Claims & Judgments Payable	4,123,409	-	4,123,409
Notes/Leases Payable	1,378,670	593,958	1,972,628
Accumulated Landfill Closure Costs	-	16,037,605	16,037,605
Net Pension Liability	43,620,135	5,559,991	49,180,126
Total Noncurrent Liabilities	146,920,124	28,818,513	175,738,637
<b>Total Liabilities</b>	<b>166,970,473</b>	<b>31,763,545</b>	<b>198,734,018</b>
<b>Deferred Inflow of Resources:</b>			
Gain on Refunding	534,843	-	534,843
Pensions	7,874,248	863,990	8,738,238
<b>Total Deferred Inflow of Resources</b>	<b>8,409,091</b>	<b>863,990</b>	<b>9,273,081</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	399,574,658	28,885,135	428,459,793
<b>Restricted For:</b>			
Culture & Recreation	760,479	-	760,479
Economic Environment	816,502	-	816,502
General Government	11,392,095	-	11,392,095
Health and Human Services	14,716,965	-	14,716,965
Internal Service	24,806,548	-	24,806,548
Public Safety	4,216,776	-	4,216,776
Utilities & Environment	4,798,767	-	4,798,767
Transportation	6,543,999	-	6,543,999
Debt Service	-	1,088,905	1,088,905
Landfill Postclosure	-	941,229	941,229
Unrestricted (Deficit)	24,506,302	29,482,869	53,989,171
<b>Total Net Position</b>	<b>\$ 492,133,091</b>	<b>\$ 60,398,138</b>	<b>\$ 552,531,229</b>

See accompanying notes to financial statements



**Statement Of Activities**  
**For The Year Ended December 31, 2015**  
**Page 1 of 2**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants And Contributions	Capital Grants & Contributions
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 15,205,281	\$ (8,998,978)	\$ 8,509,885	\$ 2,010,022	\$ -
Culture & Recreation	2,965,808	77,413	1,609,040	71,170	-
Economic Environment	7,403,287	279,680	1,958,378	3,827,595	180,797
Health & Human Services	59,464,780	906,685	36,882,490	9,531,862	-
Public Safety	71,416,096	4,224,038	6,312,075	6,702,407	1,036,602
Transportation	25,427,871	1,969,687	2,219,001	335,093	6,453,414
Utilities & Environment	2,890,021	161,663	691,514	483,660	-
Interest and Fiscal Charges	3,360,462	-	-	-	-
Total Governmental Activities	188,133,606	(1,379,812)	58,182,383	22,961,809	7,670,813
Business-Type Activities:					
Solid Waste	19,368,991	360,006	21,856,236	194,217	3,704
Water	808,590	75,674	656,943	3,641	12,960
Sewer	1,675,555	151,348	1,342,202	7,309	25,919
Stormwater	3,931,154	352,796	5,142,857	6,938	28,231
Land Use & Permitting	3,355,043	439,988	3,352,397	-	-
Total Business-Type Activities	29,139,333	1,379,812	32,350,635	212,105	70,814
Total Primary Government	\$ 217,272,939	\$ -	\$ 90,533,018	\$ 23,173,914	\$ 7,741,627

See accompanying notes to financial statements

**Statement Of Activities**  
**For The Year Ended December 31, 2015**  
**Page 2 of 2**

Functions/Programs	Net (Expense) Revenue and Changes In Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>			
<i>Governmental Activities:</i>			
General Government	\$ 4,313,604	\$ -	\$ 4,313,604
Culture & Recreation	(1,363,011)	-	(1,363,011)
Economic Environment	(1,716,197)	-	(1,716,197)
Health & Human Services	(13,957,113)	-	(13,957,113)
Public Safety	(61,589,050)	-	(61,589,050)
Transportation	(18,390,050)	-	(18,390,050)
Utilities & Environment	(1,876,510)	-	(1,876,510)
Interest and Fiscal Charges	(3,360,462)	-	(3,360,462)
<b>Total Governmental Activities</b>	<b>(97,938,789)</b>	<b>-</b>	<b>(97,938,789)</b>
<i>Business-Type Activities:</i>			
Solid Waste	-	2,325,160	2,325,160
Water	-	(210,720)	(210,720)
Sewer	-	(451,473)	(451,473)
Stormwater	-	894,076	894,076
Land Use & Permitting	-	(442,634)	(442,634)
<b>Total Business-Type Activities</b>	<b>-</b>	<b>2,114,409</b>	<b>2,114,409</b>
<b>Total Primary Government</b>	<b>(97,938,789)</b>	<b>2,114,409</b>	<b>(95,824,380)</b>
<b>General Revenues:</b>			
<i>Taxes:</i>			
Property Taxes	67,844,733	-	67,844,733
Sales Taxes	32,798,272	-	32,798,272
Business & Harvest Taxes	920,529	-	920,529
Excise Taxes	4,282,373	-	4,282,373
<i>Other General Revenues:</i>			
Interest & Investment Earnings	3,607,124	162,576	3,769,700
Miscellaneous	76,988	46,682	123,670
Transfers In/(Out)	(995,845)	995,845	-
<b>Total General Revenues and Transfers</b>	<b>108,534,174</b>	<b>1,205,103</b>	<b>109,739,277</b>
<b>Change in Net Position</b>	<b>10,595,385</b>	<b>3,319,512</b>	<b>13,914,897</b>
Net Position as of January 1	527,648,512	63,298,771	590,947,283
Cumulative Effect of Change in Accounting Principle	(45,624,812)	(6,220,145)	(51,844,957)
Prior Period Adjustment	(485,994)	-	(485,994)
Net Position as of January 1 - Restated	481,537,706	57,078,626	538,616,332
<b>Net Position as of December 31</b>	<b>\$ 492,133,091</b>	<b>\$ 60,398,138</b>	<b>\$ 552,531,229</b>

See accompanying notes to financial statements

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	General	Roads	Medic	Treatment	Public	Other	Total
ASSETS	Fund		One	Sales Tax	Health & Social Services	Governmental Funds	Governmental Funds
<b>Assets:</b>							
Cash & Pooled Investments	\$ 11,016,757	\$ 20,781,369	\$ 16,995,563	\$ 6,363,985	\$ 39,119,503	\$ 27,339,719	\$ 121,616,896
<i>Receivables:</i>							
Taxes Receivable	1,035,392	574,758	260,711	-	17,236	40,840	1,928,937
Special Assessment Receivables	-	-	-	-	13,620	41,396	55,016
Accrued Interest & Penalties	2,543,254	3,373	23,939	-	53,422	100,048	2,724,036
Customer Account Receivables	3,103,188	1,056	-	-	-	395,546	3,499,790
Due from Other Funds	2,199,398	113,278	-	125,959	1,786,644	123,664	4,348,943
Due from Other Government Units	2,487,880	87,181	-	-	1,520,491	1,448,050	5,543,602
Inventory	-	543,026	-	-	-	-	543,026
Prepayments	43,227	1,776	75,280	-	-	403	120,686
<b>Total Assets</b>	<b>\$ 22,429,096</b>	<b>\$ 22,105,817</b>	<b>\$ 17,355,493</b>	<b>\$ 6,489,944</b>	<b>\$ 42,510,916</b>	<b>\$ 29,489,666</b>	<b>\$ 140,380,932</b>
<b>LIABILITIES</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 3,597,091	\$ 742,377	\$ 612,497	\$ 24,228	\$ 5,211,715	\$ 695,656	\$ 10,883,564
Due to Other Funds	300,628	387,081	413	3,180,568	151,860	659,914	4,680,464
Due to Other Government Units	24,104	-	777,482	-	501,206	-	1,302,792
Unearned Revenues	3,421,107	577,258	260,711	-	29,956	171,095	4,460,127
<b>Total Liabilities</b>	<b>7,342,930</b>	<b>1,706,716</b>	<b>1,651,103</b>	<b>3,204,796</b>	<b>5,894,737</b>	<b>1,526,665</b>	<b>21,326,947</b>
<b>FUND BALANCES</b>							
Nonspendable	1,746,267	544,802	75,280	-	-	403	2,366,752
Restricted	92,244	4,322,361	7,168,311	3,284,313	4,264,341	24,114,013	43,245,583
Committed	-	-	-	-	-	76,142	76,142
Assigned	-	15,531,938	8,460,799	835	32,351,838	3,772,443	60,117,853
Unassigned	13,247,655	-	-	-	-	-	13,247,655
<b>Total Fund Balance</b>	<b>15,086,166</b>	<b>20,399,101</b>	<b>15,704,390</b>	<b>3,285,148</b>	<b>36,616,179</b>	<b>27,963,001</b>	<b>119,053,985</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 22,429,096</b>	<b>\$ 22,105,817</b>	<b>\$ 17,355,493</b>	<b>\$ 6,489,944</b>	<b>\$ 42,510,916</b>	<b>\$ 29,489,666</b>	<b>\$ 140,380,932</b>

See accompanying notes to financial statements

**Reconciliation of The Balance Sheet of Governmental Funds  
To The Statement of Net Position  
December 31, 2015**

	<b>Governmental Funds</b>
<b>Fund balance as shown in the Governmental Funds Balance Sheet</b>	<b>\$ 119,053,985</b>
The cost of capital assets and joint ventures, which is expended and not recognized in governmental funds, is deferred to future periods in the statement of net position	431,607,189
Debt, which is not reported in governmental funds, is reported in the statement of net position	(72,470,916)
Assets, liabilities and resulting net position of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net position	66,292,612
Deferred inflows and outflows of resources include deferred gains and losses on refunding, which is not reported in governmental funds, is reported in the statement of net position	(346,947)
Long term special assessment receivables and unamortized debt discount on long term debt, which is not reported in governmental funds, is reported in the statement of net position	16,001
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position	14,166,836
Compensated absences, other post employment benefits and pensions, which are not reported in governmental funds, are reported as accrued liabilities in the statement of net position	(65,035,625)
Interfund balances, which are reported in governmental and proprietary funds, are eliminated in the statement of net position (except for a residual amount outstanding between governmental and enterprise activities)	(1,150,044)
<b>Net position for governmental funds as shown in statement of net position</b>	<b>\$ 492,133,091</b>

See accompanying notes to financial statements

**Statement of Revenues, Expenditures and Changes In Fund Balances**  
**Governmental Funds**  
**For The Year Ended December 31, 2015**

	General Fund	Roads	Medic One	Treatment Sales Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 54,957,316	\$ 18,214,551	\$ 10,086,235	\$ 4,652,154	\$ 850,504	\$ 16,973,677	\$ 105,734,437
Licenses & Permits	2,147,157	581,806	-	-	689,635	-	3,418,598
Intergovernmental	9,132,565	7,064,380	86,086	-	9,383,352	4,532,353	30,198,736
Charges for Services	13,058,779	716,896	52,937	-	35,998,537	5,359,314	55,186,463
Fines & Forfeits	2,838,244	-	-	-	-	16,700	2,854,944
Miscellaneous Revenue	3,686,568	86,814	123,672	-	831,188	1,086,736	5,814,978
<b>Total Revenues</b>	<b>85,820,629</b>	<b>26,664,447</b>	<b>10,348,930</b>	<b>4,652,154</b>	<b>47,753,216</b>	<b>27,968,780</b>	<b>203,208,156</b>
<b>Expenditures:</b>							
<i>Current:</i>							
General Government	13,346,123	-	-	-	-	645,284	13,991,407
Culture & Recreation	825,950	984,712	-	-	6,562	765,316	2,582,540
Economic Environment	1,795,185	-	-	-	212,606	5,568,955	7,576,746
Health & Human Services	-	-	11,507,903	-	41,695,478	7,475,670	60,679,051
Public Safety	67,768,093	-	-	96,383	-	1,392,689	69,257,165
Transportation	169,961	19,633,952	-	-	-	-	19,803,913
Utilities & Environment	649,161	-	-	-	-	2,479,300	3,128,461
Capital Outlay	127,817	4,602,685	7,235	-	485,642	101,911	5,325,290
<i>Debt Service:</i>							
Principal	91,345	41,929	3,483	-	15,814	5,367,423	5,519,994
Interest & Fiscal Charges	18,790	62,614	1,431	-	664	3,258,194	3,341,693
<b>Total Expenditures</b>	<b>84,792,425</b>	<b>25,325,892</b>	<b>11,520,052</b>	<b>96,383</b>	<b>42,416,766</b>	<b>27,054,742</b>	<b>191,206,260</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,028,204</b>	<b>1,338,555</b>	<b>(1,171,122)</b>	<b>4,555,771</b>	<b>5,336,450</b>	<b>914,038</b>	<b>12,001,896</b>
<b>Other Financing Sources (Uses)</b>							
Capital Lease Financing	101,531	15,510	-	-	-	-	117,041
Sale of Capital Assets	359,293	439,822	102,261	-	6,894	16,037	924,307
Issuance of Refunding Bonds	-	-	-	-	-	10,463,228	10,463,228
Bond Premium on Refunding Bonds	-	-	-	-	-	1,171,772	1,171,772
Payment on Bond Refunding	-	-	-	-	-	(11,635,000)	(11,635,000)
Transfers In	4,385,507	1,821,511	216	-	2,753,944	8,357,026	17,318,204
Transfers Out	(2,593,613)	(1,016,447)	-	(4,397,714)	-	(10,485,632)	(18,493,406)
<b>Total Other Financing Sources (Uses)</b>	<b>2,252,718</b>	<b>1,260,396</b>	<b>102,477</b>	<b>(4,397,714)</b>	<b>2,760,838</b>	<b>(2,112,569)</b>	<b>(133,854)</b>
Net Changes In Fund Balances	3,280,922	2,598,951	(1,068,645)	158,057	8,097,288	(1,198,531)	11,868,042
Fund Balances as of January 1	11,805,244	17,800,150	16,773,035	3,127,091	28,518,891	29,161,532	107,185,943
<b>Fund Balances as of December 31</b>	<b>\$ 15,086,166</b>	<b>\$ 20,399,101</b>	<b>\$ 15,704,390</b>	<b>\$ 3,285,148</b>	<b>\$ 36,616,179</b>	<b>\$ 27,963,001</b>	<b>\$ 119,053,985</b>

See accompanying notes to financial statements

**Reconciliation of The Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To The Statement of Activities  
For The Year Ended December 31, 2015**

		<b>Governmental Funds</b>
<b>Change in fund balance as shown in the Governmental Funds</b>		
<b>Statement of Revenues, Expenditures and Changes in Fund Balances</b>		\$ 11,868,042
<b>Capital Assets:</b>		
Capital outlays, which are reported as expenditures in governmental funds, are capitalized and deferred to future periods and therefore not reported in the statement of activities	5,325,290	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(11,978,676)	
Gain (Loss) on the sale and disposition of governmental capital assets, which is not reported in governmental funds, is reported in the statement of activities	<u>(1,067,273)</u>	(7,720,659)
<b>Long-Term Debt:</b>		
Bond and capital lease principal payments (which are reported as expenditures in governmental funds), are not reported as expenditures in the statement of activities (however, they are reported as reductions in the amount owed in the statement of net position)	5,555,571	
Costs related to debt, such as premiums, discounts, and other similar items, are reported as expenditures in governmental funds when debt is issued. They are deferred in the statement of net position and expensed over the life of the bond issue in the statement of activities	(18,769)	
Long-term bond and capital lease financing proceeds (which are reported as "other financing sources" in governmental funds), are not recognized or reported in the statement of activities (however, they are reported as an increase in the amount owed in the statement of net position for new debt).	<u>(117,041)</u>	5,419,761
<b>Interfund Transactions:</b>		
Profit or (loss) from internal service funds, which is reported separately in proprietary fund statements, is credited or charged to governmental expenses in the statement of activities	2,035,590	
Other interfund transactions, which are reported in governmental funds, are eliminated in the statement of activities, except for a residual amount outstanding between governmental and business activities	(1,098,527)	
Unbilled internal service costs from the County's cost allocation plan, which is not allocated to service users in governmental fund statements, is allocated to service users in the statement of activities, resulting in a residual amount outstanding between governmental and business activities	<u>1,379,812</u>	2,316,875
<b>Other:</b>		
Long term (non-available) revenues, which are deferred in governmental funds, are reported as revenues (or as a debit adjustment) in the statement of activities	(652,037)	
Compensated absences, other post employment benefits and pensions, which are not reported in governmental funds, are reported as an expense in the statement of activities	<u>(636,597)</u>	<u>(1,288,634)</u>
<b>Change in net position for governmental funds as shown in the</b>		
<b>Statement of Activities</b>		<u><u>\$ 10,595,385</u></u>

See accompanying notes to financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
**Page 1 of 7**

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Revenues By Funding Source</b>				
<b>General Revenues:</b>				
Taxes	\$ 54,572,620	\$ 54,572,620	\$ 54,957,316	\$ 384,696
Licenses & Permits	1,934,450	1,934,450	2,147,157	212,707
Intergovernmental	8,568,643	8,605,757	9,132,565	526,808
Charges for Services	12,727,477	12,929,001	13,058,779	129,778
Fines & Forfeits	2,733,235	2,717,235	2,838,244	121,009
Miscellaneous Revenue	2,895,274	2,992,927	3,686,568	693,641
<b>Total General Revenues</b>	<b>83,431,699</b>	<b>83,751,990</b>	<b>85,820,629</b>	<b>2,068,639</b>
<b>Other Financing Sources:</b>				
Capital Lease Financing	-	107,639	101,531	(6,108)
Other Finance Sources - Capital Asset Sales	200,700	200,700	359,293	158,593
Transfers In	5,161,762	4,928,081	4,385,507	(542,574)
<b>Total Other Financing Sources</b>	<b>5,362,462</b>	<b>5,236,420</b>	<b>4,846,331</b>	<b>(390,089)</b>
<b>Total Revenues</b>	<b>\$ 88,794,161</b>	<b>\$ 88,988,410</b>	<b>\$ 90,666,960</b>	<b>\$ 1,678,550</b>

See accompanying notes to financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
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	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Expenditures by Department</b>				
<b>Assessor's Office:</b>				
General Government	\$ 3,450,848	\$ 3,450,848	\$ 3,448,746	\$ 2,102
<b>Total Assessor's Office</b>	<b>3,450,848</b>	<b>3,450,848</b>	<b>3,448,746</b>	<b>2,102</b>
<b>Auditor's Office:</b>				
General Government	4,748,774	4,748,774	4,644,931	103,843
Capital Outlay	2,000	23,850	32,661	(8,811)
Debt Service:				
Principal	7,107	7,107	6,619	488
Interest and Fiscal Charges	4,268	4,268	1,690	2,578
<b>Total Auditor's Office</b>	<b>4,762,149</b>	<b>4,783,999</b>	<b>4,685,901</b>	<b>98,098</b>
<b>Assigned Counsel:</b>				
Public Safety	3,892,853	4,396,275	4,364,280	31,995
Debt Service:				
Principal	3,015	3,135	2,293	842
Interest and Fiscal Charges	201	321	-	321
<b>Total Assigned Counsel</b>	<b>3,896,069</b>	<b>4,399,731</b>	<b>4,366,573</b>	<b>33,158</b>
<b>Clerk's Office:</b>				
Public Safety	3,126,451	3,126,451	2,904,901	221,550
Capital Outlay	-	67,745	67,873	(128)
Debt Service:				
Principal	27,000	27,000	10,012	16,988
Interest and Fiscal Charges	11,000	11,000	2,329	8,671
<b>Total Clerk's Office</b>	<b>3,164,451</b>	<b>3,232,196</b>	<b>2,985,115</b>	<b>247,081</b>

See accompanying notes to financial statements



**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
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	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Commissioner's Office:</b>				
General Government	1,765,257	1,765,257	1,723,189	42,068
Transportation	186,916	186,916	169,923	16,993
Debt Service:				
Principal	5,020	5,020	5,020	-
Interest and Fiscal Charges	915	915	915	-
<b>Total Commissioner's Office</b>	<b>1,958,108</b>	<b>1,958,108</b>	<b>1,899,047</b>	<b>59,061</b>
<b>Coroner's Office:</b>				
Public Safety	995,691	1,000,501	995,916	4,585
Capital Outlay	-	5,918	5,632	286
Debt Service:				
Principal	2,890	2,890	2,999	(109)
Interest and Fiscal Charges	2,050	2,050	2,044	6
<b>Total Coroner's Office</b>	<b>1,000,631</b>	<b>1,011,359</b>	<b>1,006,591</b>	<b>4,768</b>
<b>Corrections:</b>				
Public Safety	17,854,931	17,951,188	17,900,568	50,620
Capital Outlay	-	13,044	13,044	-
Debt Service:				
Principal	10,110	16,730	16,815	(85)
Interest and Fiscal Charges	1,270	2,091	1,633	458
<b>Total Corrections</b>	<b>17,866,311</b>	<b>17,983,053</b>	<b>17,932,060</b>	<b>50,993</b>
<b>District Court</b>				
Public Safety	3,597,952	3,597,952	3,432,399	165,553
Debt Service:				
Principal	2,686	2,686	-	2,686
Interest and Fiscal Charges	165	165	-	165
<b>Total District Court</b>	<b>3,600,803</b>	<b>3,600,803</b>	<b>3,432,399</b>	<b>168,404</b>

See accompanying notes to financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
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	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Emergency Management:</b>				
Public Safety	1,412,246	1,490,206	1,269,952	220,254
Capital Outlay	6,500	6,500	-	6,500
Transfers Out	2,000	36,769	38,997	(2,228)
<b>Emergency Management</b>	<b>1,420,746</b>	<b>1,533,475</b>	<b>1,308,949</b>	<b>224,526</b>
<b>Human Resources:</b>				
General Government	1,496,162	1,496,162	1,279,436	216,726
Public Safety	131,031	131,031	120,326	10,705
Capital Outlay	-	-	3,427	(3,427)
Debt Service:				
Principal	9,858	9,858	4,680	5,178
Interest and Fiscal Charges	2,656	2,656	1,412	1,244
<b>Total Human Resources</b>	<b>1,639,707</b>	<b>1,639,707</b>	<b>1,409,281</b>	<b>230,426</b>
<b>Juvenile Probation:</b>				
Public Safety	7,162,372	7,142,372	6,754,672	387,700
Debt Service:				
Principal	-	-	2,922	(2,922)
Interest and Fiscal Charges	-	-	719	(719)
<b>Total Juvenile Probation</b>	<b>7,162,372</b>	<b>7,142,372</b>	<b>6,758,313</b>	<b>384,059</b>

See accompanying notes to financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
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	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Non-Departmental:</b>				
General Government	1,088,615	1,156,615	985,578	171,037
Public Safety	317,137	217,137	135,908	81,229
Utilities & Environment	648,808	648,808	649,161	(353)
Transportation	6,014	6,014	38	5,976
Economic Environment	276,500	276,500	227,983	48,517
Transfers Out	2,651,009	2,621,699	2,491,418	130,281
<b>Total Non-Departmental</b>	<b>4,988,083</b>	<b>4,926,773</b>	<b>4,490,086</b>	<b>436,687</b>
<b>Planning:</b>				
Economic Environment	1,975,119	1,811,582	1,567,202	244,380
<b>Total Planning</b>	<b>1,975,119</b>	<b>1,811,582</b>	<b>1,567,202</b>	<b>244,380</b>
<b>Prosecuting Attorney:</b>				
Public Safety	7,880,188	8,062,377	7,966,561	95,816
Capital Outlay	60,461	60,461	-	60,461
Debt Service:				
Principal	20,400	20,400	20,789	(389)
Interest and Fiscal Charges	5,400	5,400	4,010	1,390
<b>Total Prosecuting Attorney</b>	<b>7,966,449</b>	<b>8,148,638</b>	<b>7,991,360</b>	<b>157,278</b>
<b>State Examiner:</b>				
General Government	115,000	115,000	109,292	5,708
<b>Total State Examiner</b>	<b>115,000</b>	<b>115,000</b>	<b>109,292</b>	<b>5,708</b>

See accompanying notes to financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
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	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Sheriff:</b>				
Public Safety	16,171,067	16,323,662	16,150,866	172,796
Capital Outlay	5,000	10,000	5,180	4,820
Principal	9,079	9,079	10,427	(1,348)
Interest and Fiscal Charges	2,867	2,867	1,524	1,343
<b>Total Sheriff</b>	16,188,013	16,345,608	16,167,997	177,611
<b>Superior Court:</b>				
Public Safety	5,737,667	5,537,667	5,474,830	62,837
Debt Service:				
Principal	5,300	5,300	6,311	(1,011)
Interest and Fiscal Charges	2,623	2,623	1,669	954
<b>Total Superior Court</b>	5,745,590	5,545,590	5,482,810	62,780
<b>Treasurer's Office</b>				
General Government	1,173,498	1,178,498	1,154,951	23,547
<b>Total Treasurer's Office</b>	1,173,498	1,178,498	1,154,951	23,547
<b>WSU Extension</b>				
Culture and Recreation	343,752	353,752	309,311	44,441
Debt Service:				
Principal	1,417	1,417	2,458	(1,041)
Interest and Fiscal Charges	1,615	1,615	845	770
<b>Total WSU Extension</b>	346,784	356,784	312,614	44,170
<b>Total General Fund Expenditures</b>	88,420,731	89,164,124	86,509,287	2,654,837

See accompanying notes to financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**  
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**Reconciliation of Budgetary Perspective Differences Due to GASB 54:**

	<b>Original 2015 Budget</b>	<b>Final 2015 Budget</b>	<b>Actual 2015</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Fair:</b>				
Culture and Recreation	528,208	538,208	516,639	21,569
<b>Total Fair</b>	528,208	538,208	516,639	21,569
<b>Prisoner Concession:</b>				
Public Safety	375,046	297,046	296,914	132
<b>Total Prisoner Concession</b>	375,046	297,046	296,914	132
<b>Recreation Services:</b>				
Transfers Out	-	-	63,198	(63,198)
<b>Total Recreation Services</b>	-	-	63,198	(63,198)
<b>Total GASB 54 Expenditures</b>	903,254	835,254	876,751	(41,497)
<b>Total Reported General Fund Expenditures</b>	89,323,985	89,999,378	87,386,038	2,613,340
Net Changes in Fund Balances	(529,824)	(1,010,968)	3,280,922	4,291,890
Fund Balances as of January 1	9,210,342	10,143,272	11,805,244	1,661,972
Fund Balances as of December 31	\$ 8,680,518	\$ 9,132,304	\$ 15,086,166	\$ 5,953,862

See accompanying notes to financial statements

**Medic One**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 10,011,211	\$ 10,011,211	\$ 10,086,235	\$ 75,024
Intergovernmental	59,320	59,320	86,086	26,766
Charges for Services	24,030	24,030	52,937	28,907
Miscellaneous Revenue	304,370	304,370	123,672	(180,698)
<b>Total Revenues</b>	<b>10,398,931</b>	<b>10,398,931</b>	<b>10,348,930</b>	<b>(50,001)</b>
<b>Expenditures:</b>				
<i>Current:</i>				
Health & Human Services	11,998,676	11,998,676	11,507,903	490,773
Capital Outlay	785,225	785,225	7,235	777,990
<i>Debt Service:</i>				
Principal	3,483	3,483	3,483	-
Interest & Fiscal Charges	1,431	1,431	1,431	-
<b>Total Expenditures</b>	<b>12,788,815</b>	<b>12,788,815</b>	<b>11,520,052</b>	<b>1,268,763</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,389,884)</b>	<b>(2,389,884)</b>	<b>(1,171,122)</b>	<b>1,218,762</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing				
Sale of Capital Assets	33,000	33,000	102,261	69,261
Transfers In	6,716	6,716	216	(6,500)
Transfers Out	(6,500)	(6,500)	-	6,500
<b>Total Other Financing Sources (Uses)</b>	<b>33,216</b>	<b>33,216</b>	<b>102,477</b>	<b>69,261</b>
Net Changes In Fund Balances	(2,356,668)	(2,356,668)	(1,068,645)	1,288,023
Fund Balances as of January 1	14,650,902	16,773,035	16,773,035	-
<b>Fund Balances as of December 31</b>	<b>\$ 12,294,234</b>	<b>\$ 14,416,367</b>	<b>\$ 15,704,390</b>	<b>\$ 1,288,023</b>

See accompanying notes to financial statements

**Treatment Sales Tax**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 4,015,565	\$ 4,015,565	\$ 4,652,154	\$ 636,589
<b>Total Revenues</b>	4,015,565	4,015,565	4,652,154	636,589
<b>Expenditures:</b>				
<i>Current:</i>				
Public Safety	103,640	103,640	96,383	7,257
<b>Total Expenditures</b>	103,640	103,640	96,383	7,257
<b>Excess (Deficiency) of Revenues     Over Expenditures</b>	3,911,925	3,911,925	4,555,771	643,846
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(4,918,877)	(4,787,156)	(4,397,714)	389,442
<b>Total Other Financing Sources (Uses)</b>	(4,918,877)	(4,787,156)	(4,397,714)	389,442
Net Changes In Fund Balances	(1,006,952)	(875,231)	158,057	1,033,288
Fund Balances as of January 1	2,086,035	3,127,091	3,127,091	-
<b>Fund Balances as of December 31</b>	<b>\$ 1,079,083</b>	<b>\$ 2,251,860</b>	<b>\$ 3,285,148</b>	<b>\$ 1,033,288</b>

See accompanying notes to financial statements

**Public Health & Social Services**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 870,472	\$ 870,472	\$ 850,504	\$ (19,968)
Licenses & Permits	625,310	625,310	689,635	64,325
Intergovernmental	14,132,197	17,643,210	9,383,352	(8,259,858)
Charges for Services	25,435,604	34,900,628	35,998,537	1,097,909
Miscellaneous Revenue	618,387	618,387	831,188	212,801
<b>Total Revenues</b>	<b>41,681,970</b>	<b>54,658,007</b>	<b>47,753,216</b>	<b>(6,904,791)</b>
<b>Expenditures:</b>				
<i>Current:</i>				
Culture & Recreation	7,322	7,322	6,562	760
Economic Environment	242,507	242,507	212,606	29,901
Health & Human Services	46,296,389	58,090,310	41,695,478	16,394,832
Capital Outlay	70,000	1,390,000	485,642	904,358
<i>Debt Service:</i>				
Principal	14,675	14,675	15,814	(1,139)
Interest & Fiscal Charges	1,549	1,549	664	885
<b>Total Expenditures</b>	<b>46,632,442</b>	<b>59,746,363</b>	<b>42,416,766</b>	<b>17,329,597</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,950,472)</b>	<b>(5,088,356)</b>	<b>5,336,450</b>	<b>10,424,806</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	11,250	11,250	6,894	(4,356)
Transfers In	2,701,582	2,823,542	2,753,944	(69,598)
Transfers Out	(30,600)	(30,600)	-	30,600
<b>Total Other Financing Sources (Uses)</b>	<b>2,682,232</b>	<b>2,804,192</b>	<b>2,760,838</b>	<b>(43,354)</b>
Net Changes In Fund Balances	(2,268,240)	(2,284,164)	8,097,288	10,381,452
Fund Balances as of January 1	16,946,875	28,608,514	28,518,891	(89,623)
<b>Fund Balances as of December 31</b>	<b>\$ 14,678,635</b>	<b>\$ 26,324,350</b>	<b>\$ 36,616,179</b>	<b>\$ 10,291,829</b>

See accompanying notes to financial statements



**Roads and Transportation**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2015**

	<b>Original 2015 Budget</b>	<b>Final 2015 Budget</b>	<b>Actual 2015</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 18,032,405	\$ 18,032,405	\$ 18,214,551	\$ 182,146
Licenses & Permits	473,000	473,000	581,806	108,806
Intergovernmental	7,477,051	8,077,051	7,064,380	(1,012,671)
Charges for Services	1,251,598	1,270,598	716,896	(553,702)
Miscellaneous Revenue	85,600	85,600	86,814	1,214
<b>Total Revenues</b>	<b>27,319,654</b>	<b>27,938,654</b>	<b>26,664,447</b>	<b>(1,274,207)</b>
<b>Expenditures:</b>				
<i>Current:</i>				
Culture & Recreation	779,343	779,343	984,712	(205,369)
Transportation	21,713,796	21,713,796	19,633,952	2,079,844
Capital Outlay	6,424,757	7,342,359	4,602,685	2,739,674
<i>Debt Service:</i>				
Principal	44,243	44,243	41,929	2,314
Interest & Fiscal Charges	62,007	62,007	62,614	(607)
<b>Total Expenditures</b>	<b>29,024,146</b>	<b>29,941,748</b>	<b>25,325,892</b>	<b>4,615,856</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,704,492)</b>	<b>(2,003,094)</b>	<b>1,338,555</b>	<b>3,341,649</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	15,510	15,510	-
Sale of Capital Assets	170,000	170,000	439,822	269,822
Transfers In	1,793,805	2,100,555	1,821,511	(279,044)
Transfers Out	(2,008,046)	(2,390,551)	(1,016,447)	1,374,104
<b>Total Other Financing Sources (Uses)</b>	<b>(44,241)</b>	<b>(104,486)</b>	<b>1,260,396</b>	<b>1,364,882</b>
<b>Net Changes In Fund Balances</b>	<b>(1,748,733)</b>	<b>(2,107,580)</b>	<b>2,598,951</b>	<b>4,706,531</b>
<b>Fund Balances as of January 1</b>	<b>6,608,385</b>	<b>19,068,462</b>	<b>17,800,150</b>	<b>(1,268,312)</b>
<b>Fund Balances as of December 31</b>	<b>\$ 4,859,652</b>	<b>\$ 16,960,882</b>	<b>\$ 20,399,101</b>	<b>\$ 3,438,219</b>

See accompanying notes to financial statements

**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2015**  
**Page 1 of 2**

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash & Pooled Investments	\$ 25,631,045	\$ 1,939,616	\$ 7,745,390	\$ 3,231,090	\$ 38,547,141	\$ 37,470,174
<i>Receivables:</i>						
Special Assessment Receivables	-	125,332	225,434	51,960	402,726	-
Accrued Interest & Penalties	-	34,988	10,276	5,448	50,712	15,609
Customer Account Receivables	1,269,665	214,086	-	114,008	1,597,759	169,681
Due From Other Funds	19,660	28,383	195,215	258,023	501,281	650,395
Due From Other Government Units	391,242	10,121	330	10,922	412,615	71,641
Inventory	-	-	-	-	-	342,709
Prepayments	649	-	832	1,791	3,272	28,887
<i>Restricted Assets:</i>						
Cash and Pooled Investments	-	34,806	-	123,833	158,639	-
Total Current Assets	27,312,261	2,387,332	8,177,477	3,797,075	41,674,145	38,749,096
<b>Noncurrent Assets:</b>						
Community Loans Receivable	-	-	-	178,568	178,568	-
Special Assessment Receivables	-	402,288	-	315,372	717,660	-
<i>Capital Assets:</i>						
Non-Depreciable	1,517,766	834,998	316,555	30,900	2,700,219	6,319,986
Depreciable, Net	7,748,727	13,268,861	6,740,006	3,375,785	31,133,379	37,229,178
<i>Restricted Assets: Cash and Pooled Investments</i>	15,340,290	-	-	-	15,340,290	-
Total Noncurrent Assets	24,606,783	14,506,147	7,056,561	3,900,625	50,070,116	43,549,164
<b>Total Assets</b>	51,919,044	16,893,479	15,234,038	7,697,700	91,744,261	82,298,260
<b>Deferred Outflow of Resources:</b>						
Loss on Refunding	-	98,371	-	-	98,371	-
Pensions	202,141	30,645	153,659	202,050	588,495	546,915
<b>Total Deferred Outflow of Resources</b>	202,141	129,016	153,659	202,050	686,866	546,915

See accompanying notes to financial statements

**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2015**  
**Page 2 of 2**

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts Payable	1,405,070	55,927	164,890	210,750	1,836,637	1,102,021
Notes/Leases Payable	3,493	5,165	3,157	60,224	72,039	-
Due To Other Funds	431,167	12,538	102,929	8,864	555,498	264,657
Compensated Absences	11,182	2,911	8,619	13,132	35,844	36,326
Claims and Judgments Payable	-	-	-	-	-	445,887
Unearned Revenue	-	36,535	-	2,959	39,494	-
Lim. Tax G. O. Bond - Current Portion	-	880,000	-	-	880,000	103,500
Spec Assessment Debt - Govern. Commitment	-	-	-	81,018	81,018	-
<b>Total Current Liabilities</b>	<b>1,850,912</b>	<b>993,076</b>	<b>279,595</b>	<b>376,947</b>	<b>3,500,530</b>	<b>1,952,391</b>
<b>Noncurrent Liabilities:</b>						
Limited G.O. Bonds Payable	-	3,546,432	-	-	3,546,432	1,959,600
Special Assess. Debt - Gov. Commitment	-	-	-	347,977	347,977	-
Compensated Absences	212,687	55,367	163,933	249,776	681,763	690,905
Other Post Employment Benefits Payable	768,397	70,367	514,219	697,804	2,050,787	1,856,147
Claims and Judgments Payable	-	-	-	-	-	4,123,409
Notes/Leases Payable	12,876	51,651	4,899	524,532	593,958	-
Accumulated Landfill Closure Costs	16,037,605	-	-	-	16,037,605	-
Net Pension Liability	1,909,797	289,527	1,451,741	1,908,926	5,559,991	5,167,164
<b>Total Noncurrent Liabilities</b>	<b>18,941,362</b>	<b>4,013,344</b>	<b>2,134,792</b>	<b>3,729,015</b>	<b>28,818,513</b>	<b>13,797,225</b>
<b>Total Liabilities</b>	<b>20,792,274</b>	<b>5,006,420</b>	<b>2,414,387</b>	<b>4,105,962</b>	<b>32,319,043</b>	<b>15,749,616</b>
<b>Deferred Inflow of Resources:</b>						
Pensions	296,771	44,991	225,592	296,636	863,990	802,947
<b>NET POSITION</b>						
Net Investment in Capital Assets	9,250,124	9,620,611	7,048,505	2,965,895	28,885,135	41,486,064
<b>Restricted For:</b>						
Postclosure	941,229	-	-	-	941,229	-
Debt Service	-	596,214	-	492,691	1,088,905	-
Unrestricted (Deficit)	20,840,787	1,754,259	5,699,213	38,566	28,332,825	24,806,548
<b>Total Net Position</b>	<b>\$ 31,032,140</b>	<b>\$ 11,971,084</b>	<b>\$ 12,747,718</b>	<b>\$ 3,497,152</b>	<b>\$ 59,248,094</b>	<b>\$ 66,292,612</b>

See accompanying notes to financial statements

**Reconciliation of The Statement of  
Net Position of Proprietary Funds  
To The Statement of Net Position  
*December 31, 2015***

	<b>Business Type Funds</b>
<b>Enterprise net position as shown in the Proprietary Funds Statement of Net Position</b>	\$ 59,248,094
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<u>1,150,044</u>
<b>Net position for business-type funds as shown in Statement of Net Position</b>	<u><u>\$ 60,398,138</u></u>

See accompanying notes to financial statements

**Statement of Revenues, Expenses and Changes In Fund Net Position**  
**Proprietary Funds**  
**For The Year Ended December 31, 2015**

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
<b>Operating Revenues:</b>						
Charges for Services	\$ 21,856,236	\$ 1,344,162	\$ 5,907,170	\$ 4,056,650	\$ 33,164,218	\$ 17,505,870
Equipment Rental	-	-	-	-	-	6,976,539
Miscellaneous	4,085	19,020	-	23,577	46,682	24,104
<b>Total Operating Revenues</b>	<b>21,860,321</b>	<b>1,363,182</b>	<b>5,907,170</b>	<b>4,080,227</b>	<b>33,210,900</b>	<b>24,506,513</b>
<b>Operating Expenses:</b>						
Salaries and Benefits	2,568,672	407,759	2,160,479	2,914,436	8,051,346	7,746,492
Other Supplies and Expenses	165,332	55,555	86,542	125,893	433,322	2,253,129
Contractual Services	2,797,564	293,188	417,963	252,506	3,761,221	6,111,346
Longhaul Contract	12,080,805	-	-	-	12,080,805	-
Interfund Services and Charges	1,198,040	213,841	1,356,153	1,168,066	3,936,100	1,977,110
Depreciation/Amortization	1,068,997	616,332	477,583	221,387	2,384,299	4,162,356
Claims Payments	-	-	-	-	-	1,070,706
<b>Total Operating Expenses</b>	<b>19,879,410</b>	<b>1,586,675</b>	<b>4,498,720</b>	<b>4,682,288</b>	<b>30,647,093</b>	<b>23,321,139</b>
<b>Operating Income (Loss)</b>	<b>1,980,911</b>	<b>(223,493)</b>	<b>1,408,450</b>	<b>(602,061)</b>	<b>2,563,807</b>	<b>1,185,374</b>
<b>Nonoperating Revenue (Expenses):</b>						
Interest Revenue	-	48,831	91,315	22,430	162,576	78,329
Operating Assessment Interest & Penalties	1,650	192	-	728	2,570	-
Operating Grants & Contributions	194,217	-	6,938	10,950	212,105	-
External & Internal Tax Payments	(10,347)	(21,622)	(78,609)	(1,010)	(111,588)	-
Gain/Loss on Disposition of Capital Assets	(44,959)	(12,229)	557	10,377	(46,254)	612,650
Insurance Recoveries	-	-	-	-	-	42,129
Interest Expense & Fiscal Charges	(1,784)	(219,694)	176	(27,776)	(249,078)	(79,157)
<b>Total Nonoperating Revenue (Expense)</b>	<b>138,777</b>	<b>(204,522)</b>	<b>20,377</b>	<b>15,699</b>	<b>(29,669)</b>	<b>653,951</b>
<b>Income Before Contributions and Transfers</b>	<b>2,119,688</b>	<b>(428,015)</b>	<b>1,428,827</b>	<b>(586,362)</b>	<b>2,534,138</b>	<b>1,839,325</b>
Capital Grants & Contributions	3,704	(38)	28,231	38,917	70,814	16,908
Capital Contributions from Gov't Activities	-	-	-	-	-	210,747
Transfers In	16,412	125,804	6,240	847,389	995,845	654,988
Transfers Out	-	-	-	-	-	(475,631)
<b>Change in Net Position</b>	<b>2,139,804</b>	<b>(302,249)</b>	<b>1,463,298</b>	<b>299,944</b>	<b>3,600,797</b>	<b>2,246,337</b>
Net Position as of January 1	31,028,889	12,597,238	12,908,530	5,332,785	61,867,442	69,826,951
Cumulative Effect of Change in Accounting Principle	(2,136,553)	(323,905)	(1,624,110)	(2,135,577)	(6,220,145)	(5,780,676)
Net Position as of January 1 - Restated	28,892,336	12,273,333	11,284,420	3,197,208	55,647,297	64,046,275
<b>Net Position as of December 31</b>	<b>\$ 31,032,140</b>	<b>\$ 11,971,084</b>	<b>\$ 12,747,718</b>	<b>\$ 3,497,152</b>	<b>\$ 59,248,094</b>	<b>\$ 66,292,612</b>

See accompanying notes to financial statements

**Reconciliation of The Statement of Revenues, Expenses and  
Changes In Fund Net Position of Proprietary Funds  
To The Statement of Activities  
For The Year Ended December 31, 2015**

	<b>Business-Type Funds</b>
	<hr/>
<b>Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position</b>	\$ 3,600,797
Internal services, provided primarily by internal service funds, also occurs between other County funds. The net effect of the elimination of these services is reflected in the statement of activities:	
Other interfund transactions	1,098,527
Allocated direct and indirect costs from the County's cost plan	<hr/> (1,379,812)
 <b>Change in net position for business-type funds as shown in the Statement of Activities</b>	 \$ <hr/> <hr/> 3,319,512

See accompanying notes to financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2015**  
**Page 1 of 2**

	<b>Enterprise Funds</b>					<b>Internal</b>
	<b>Solid</b>	<b>Grand</b>	<b>Storm</b>	<b>Other</b>	<b>Total</b>	<b>Service</b>
	<b>Waste</b>	<b>Mound</b>	<b>Water</b>	<b>Enterprise</b>	<b>Enterprise</b>	<b>Funds</b>
				<b>Funds</b>	<b>Funds</b>	
<b>Cash Flows from Operating Activities:</b>						
Cash Received from Customers	\$ 21,538,319	\$ 1,349,841	\$ 6,058,553	\$ 3,794,203	\$ 32,740,916	\$ 23,528,168
Cash Paid for Goods & Services	(16,492,085)	(533,918)	(1,928,094)	(1,481,723)	(20,435,820)	(11,065,793)
Cash Paid to Employees	(2,317,175)	(380,404)	(1,944,564)	(2,559,978)	(7,202,121)	(7,309,999)
Net Cash Provided (Used) by Operating Activities	2,729,059	435,519	2,185,895	(247,498)	5,102,975	5,152,376
<b>Cash Flows from Noncapital</b>						
<b>Financing Activities:</b>						
Transfers In	16,412	125,804	6,240	847,389	995,845	654,988
Transfers Out	-	-	-	-	-	(475,631)
Advances Issued to other Funds	3,221	-	-	-	3,221	-
Advances Received from other Funds	-	-	-	-	-	(3,221)
Grant Proceeds	233,568	-	6,938	28	240,534	-
Tax and Assessment Receipts	1,650	192	58,134	728	60,704	-
Community Loans Issued to Homeowners	-	-	-	20,250	20,250	-
Community Loan Financing Payments	-	-	-	(58,154)	(58,154)	-
Community Loan Financing Proceeds	-	-	-	13,894	13,894	-
Insurance Recoveries	-	-	-	-	-	42,129
Tax Payments	(10,347)	(21,622)	(78,609)	(1,010)	(111,588)	-
Interest Payments	-	-	-	(16,096)	(16,096)	-
Net Cash Provided (Used) by Noncapital						
Financing Activities	244,504	104,374	(7,297)	807,029	1,148,610	218,265
<b>Cash Flows from Capital &amp;</b>						
<b>Related Financing Activities:</b>						
Cash Proceeds from Sale of Capital Assets	-	8,786	-	11,700	20,486	557,773
Capital Asset Purchases	(201,907)	(86,015)	(54,725)	-	(342,647)	(4,272,602)
Bond/Loan Payments	(6,439)	(993,364)	(12,751)	(114,037)	(1,126,591)	(102,000)
Bond/Loan Proceeds	14,360	-	18,793	-	33,153	-
Grant Proceeds	39,351	-	205,706	-	245,057	-
Contributed Capital	-	-	-	38,917	38,917	-
Assessment Receipts	39,351	151,601	-	56,086	247,038	-
Interest Payments	(1,784)	(164,329)	-	(13,618)	(179,731)	(79,157)
Net Cash Provided (Used) by Capital &						
Related Financing Activities	(117,068)	(1,083,321)	157,023	(20,952)	(1,064,318)	(3,895,986)
<b>Cash Flows from Investing Activities:</b>						
Interest Receipts	-	57,086	86,868	20,923	164,877	73,890
Net Cash Provided (Used) by Investing Activities	-	57,086	86,868	20,923	164,877	73,890
<b>Net Increase (Decrease) in Cash &amp;</b>						
<b>Cash Equivalents</b>	2,856,495	(486,342)	2,422,489	559,502	5,352,144	1,548,545
Cash & Cash Equivalents as of January 1	38,114,840	2,460,764	5,322,901	2,795,421	48,693,926	35,921,629
<b>Cash &amp; Cash Equivalents as of December 31</b>	<b>\$ 40,971,335</b>	<b>\$ 1,974,422</b>	<b>\$ 7,745,390</b>	<b>\$ 3,354,923</b>	<b>\$ 54,046,070</b>	<b>\$ 37,470,174</b>

See accompanying notes to financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2015**  
**Page 2 of 2**

	Enterprise Funds					Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Other Enterprise Funds	Total Enterprise Funds	
<b>Reconciliation of Operating Income To Net Cash Provided (Used) by Operating Income:</b>						
Operating Income	\$ 1,980,911	\$ (223,493)	\$ 1,408,450	\$ (602,061)	\$ 2,563,807	\$ 1,185,374
<b>Adjustments to Reconcile Operating Income to</b>						
<b>Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation Expense	1,068,997	616,332	477,583	221,387	2,384,299	4,162,356
<b>(Increase) Decrease in:</b>						
Customer Account Receivables	(79,478)	38,201	-	15,720	(25,557)	182,163
Due from Other Funds	21,728	(18,436)	352,255	(36,854)	318,693	(469,408)
Due from Other Government Units	-	-	-	-	-	23,860
Inventories	-	-	-	-	-	(49,516)
Prepaid Expense	-	-	-	-	-	11,226
<b>Increase (Decrease) in:</b>						
Accounts Payable	55,568	21,864	20,012	74,387	171,831	50,212
Due to Other Funds	206,003	6,802	(87,448)	(9,645)	115,712	171,032
Claims and Judgments	-	-	-	-	-	163,544
Unearned Revenue	-	6,958	-	(760)	6,198	-
Compensated Absences Payable	119,371	7,323	115,479	222,393	464,566	79,013
Net Pension Liability	(132,126)	(20,032)	(100,436)	(132,065)	(384,659)	(357,480)
Accumulated Landfill Closure	(511,915)	-	-	-	(511,915)	-
<b>Total Adjustments</b>	<b>748,148</b>	<b>659,012</b>	<b>777,445</b>	<b>354,563</b>	<b>2,539,168</b>	<b>3,967,002</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,729,059</b>	<b>\$ 435,519</b>	<b>\$ 2,185,895</b>	<b>\$ (247,498)</b>	<b>\$ 5,102,975</b>	<b>\$ 5,152,376</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>						
<b>Disposition of Capital Assets:</b>						
Gain of Disposition	\$ -	\$ -	\$ 557	\$ 11,700	\$ 12,257	\$ 208,518
Loss on Disposition	\$ (44,959)	\$ (12,229)	\$ -	\$ (12,752)	\$ (69,940)	\$ (113,243)
<b>Cumulative Effect of Change in Accounting Principle:</b>						
Pensions (GASB 68)	\$ (2,091,935)	\$ (312,205)	\$ (1,624,110)	\$ (2,135,306)	\$ (6,163,556)	\$ -
Capital Lease Financing Proceeds	\$ 14,360	\$ -	\$ 4,899	\$ -	\$ 19,259	\$ -
Contribution of Capital Assets	\$ 3,704	\$ (38)	\$ -	\$ -	\$ 3,666	\$ 210,747

See accompanying notes to financial statements



**Statement Of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2015**

<b>ASSETS</b>	<b>Investment Trust Fund</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>Assets:</b>			
Cash & Pooled Investments	\$ 416,690,029	\$ 1,756,767	\$ 14,835,540
Cash and Investments in Trust	-	-	439,045
Deposits with Fiscal Agent	-	-	10,000
<b>Receivables:</b>			
Accrued Interest Receivables	687	-	-
Customer Account Receivables	5,244	-	-
<b>Total Assets</b>	<b>416,695,960</b>	<b>1,756,767</b>	<b>15,284,585</b>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Warrant Payable	-	-	13,572,092
Accounts Payable	-	-	206,669
Payroll Payable	-	-	1,056,779
Due to Other Governments	-	-	449,045
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>15,284,585</b>
<b>NET POSITION</b>			
Investments Held in Trust for Pool Participants	416,695,960	-	-
Investments Held in Trust for Other Purposes	-	1,756,767	-
<b>Total Net Position</b>	<b>\$ 416,695,960</b>	<b>\$ 1,756,767</b>	<b>\$ -</b>

See accompanying notes to financial statements

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For The Year Ended December 31, 2015**

	Investment Trust Fund	Private Purpose Trust Fund
<b>Additions:</b>		
<b>Contributions:</b>		
Additions By Participants	\$ 1,032,476,266	\$ 11,799,395
Trust Revenues	195,488	-
Total Contributions	1,032,671,754	11,799,395
<b>Investment Income:</b>		
Net Increase In Fair Value Of Investments	1,859,339	-
Interest, Dividends and Other	3,294,948	261
Total Investment Income	5,154,287	261
Total Additions	1,037,826,041	11,799,656
<b>Deductions:</b>		
Distributions to Participants	1,063,084,150	11,709,622
Trust Administrative Costs	195,488	-
Total Deductions	1,063,279,638	11,709,622
Change in Net Position Held for Individuals, Organizations and Other Governments	(25,453,597)	90,034
Net Position as of January 1 - Restated	442,149,557	1,666,733
Net Position as of December 31	\$ 416,695,960	\$ 1,756,767

See accompanying notes to financial statements

# THURSTON COUNTY

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Thurston County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

#### A. Reporting Entity

The county was incorporated in 1852 and operates under the laws of the state of Washington applicable to counties. As required by the generally accepted accounting principles the financial statements present Thurston County, the primary government. During 2015, the county had no component units for which it was financially accountable. Thurston County is a statute county, which means the organization of the county is prescribed by state statute. The county has a commissioner form of government with a governing body consisting of three county commissioners.

#### Blended Component Unit:

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

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

The TBD is governed by a three member board composed of the three members of the Thurston County Board of County Commissioners. Although it is legally separated from the county, the TBD will be reported as if it was part of the primary government because its sole purpose is to finance transportation improvements. The TBD did not collect any revenues in 2015. As such, there is no financial operations for the TBD to report this year. It is expected that the TBD will begin to collect revenues and transfer them to the county during 2016.

#### B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges

provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary Funds are not included in the government-wide statements.

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

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

The County reports the following major governmental funds:

- *General Fund* - is the County's primary operating fund. It is used to account for all activities of the general government not accounted for in another fund.
- *Roads Special Revenue Fund* – accounts for the design, construction, and maintenance of county roads. Most of the revenues for this fund come from transportation related taxes and grants.
- *Medic One Special Revenue Fund* - accounts for countywide delivery of advanced life support response and transport services. The revenues for this fund come from a portion of the County's property tax levy.
- *Treatment Sales Tax Special Revenue Fund* – uses sales tax proceeds to provide for the operation or delivery of new or expanded chemical dependency or mental health treatment programs and services and for the operation or delivery of new or expanded therapeutic court programs and services. This fund is a newly added major fund for 2015. In prior years it was a Non-Major Special Revenue fund.
- *Public Health and Social Services Special Revenue Fund* - accounts for the following services: mental health, developmental disabilities, substance abuse prevention & treatment, children and family, environmental protection, and personal health. Most of the revenues in this fund come from health related state and federal grants.

The County reports the following major proprietary funds:

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

Additionally, the county reports the following fund types:

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

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

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

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

#### D. Budgetary Information

##### 1. Scope of Budget

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

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

## 2. Amending the Budget

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

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

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

## E. Assets, Liabilities, Fund Balance and Net Position

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

It is the County's policy to invest all temporary cash surpluses. At December 31, 2015, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note IV. This amount is classified on the balance sheet as cash and pooled investments in various funds. The interest on these investments is allocated to the various funds on an average daily balance basis.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the year was approximately \$7,204,800.

The County's cash and cash equivalents are considered to be cash on hand and demand deposits. The county pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested, in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Earnings on cash and cash equivalents accrue to the individual fund owning the cash, with the exception of the following funds, which accrue to the County's General Fund: Law Library, Auditor's Maintenance & Operation, Treatment Sales Tax, Roads Operations, Prisoner's Concession, Solid Waste, Insurance Risk, Central Services, Equipment Rental & Revolving, and Agency Clearing Funds. For the purposes of the statement of cash flows, the county considers all amounts invested in its cash pool to be cash and cash equivalents. All other investments, if applicable, are reported as investments at cost. For more information on the County's investments, see Note IV – Deposits and Investments.

### 2. Receivables (See Note VII – Receivable Balances)

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

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

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

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

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

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

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

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

### 4. Inventories and Prepaid Items

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

The purchase method, where the cost is expended when the item is purchased, is used in governmental funds, except for the Roads special revenue and the Equipment Rental internal service funds, where the perpetual inventory method is used. The perpetual inventory method capitalizes the cost when inventory is purchased and



then expends the cost when the item is consumed. Inventories recorded in the Roads Fund are stated at cost on a moving weighted average basis. Enterprise funds had no reportable material inventories at year end.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

#### 8. Unearned Revenue

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

#### 9. Pensions

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

#### 10. Rebateable Arbitrage

Thurston County has not incurred any rebateable arbitrage as of December 31, 2015. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

#### 11. Net Position

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

unreserved and undesignated. When both restricted and unrestricted resources are available for use, it is the county's policy to use restricted resources, if available, before accessing and using unrestricted resources to finance the county's ongoing operations as reported in the Statements of Net Position and Activities.

## 12. Fund Balance Classification

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

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

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

## 13. Minimum Fund Balance

The County's formal adopted minimum fund balance policy for the General Fund stipulates that the minimum balance should equal one month of average budgeted annual expenditures. The BoCC has the ultimate responsibility of monitoring this balance on a periodic basis. For all other governmental funds, establishment of an appropriate minimum balance is the responsibility of the department managing that fund.

## NOTE II – RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Fund balance in the governmental funds balance sheet is reconciled to net position in the statement of net position. One element of that reconciliation, as detailed below, was for \$431,607,189 because the cost of capital assets, which is expended in governmental funds, is deferred to future periods in the statement of net position:

Governmental Net Book Value - End of Prior Year	\$ 440,024,589
Gains (Losses) and Adjustments on Dispositions of Capital Assets	(1,278,020)
Prior Period Adjustment	(485,994)
Governmental Capital Outlays	5,325,290
Governmental Depreciation & Amortization Expense	<u>(11,978,676)</u>
Governmental Net Book Value - End of Current Year	<u>\$ 431,607,189</u>

Another element of the reconciliation, as detailed below, was for \$72,470,916 because long-term debt, which is not reported in governmental funds, is reported in the statement of net position:

Governmental Debt - End of Prior Year	\$ 78,821,829
Bond/Note Proceeds	11,614,805
Amortization, Deferrals & Debt Issue Costs	(775,148)
Principal Payments	<u>(17,190,570)</u>
Computed Governmental Debt - End of Current Year	<u>\$ 72,470,916</u>

A third element of the reconciliation, as detailed below, was for \$66,292,612 because assets and liabilities of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net position:

Net Position - End of Prior Year	\$ 69,826,951
Net Transfers In/Out	179,357
Contributed Capital	210,747
Cumulative Effect of Change in Accounting Principle	(5,780,676)
Net Profit	<u>1,856,233</u>
Net Position - End of Current Year	<u>\$ 66,292,612</u>

Cash	\$ 37,470,174
Capital Assets	43,549,164
Other Assets	1,278,922
Claims and Judgments Payable	(4,123,409)
Other Liabilities	(11,626,207)
Deferrals	<u>(256,032)</u>
Net Position - End of Current Year	<u>\$ 66,292,612</u>

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

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

## **NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

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

### **B. Excess of Expenditures Over Appropriations**

There was one instance of a budget over-expenditure non-major capital projects fund reported in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual for the year ended December 31, 2015. That fund is titled Tilley Master Plan Fund and the amount of the budget over-expenditure was \$1,268,512. This over-expenditure was authorized by a Board resolution that terminated this fund during the year.

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

## **NOTE IV – DEPOSITS AND INVESTMENTS**

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

### **A. Deposits**

All receipts received by the Treasurer are deposited into qualified bank depositaries as specified by the Washington Public Deposit Protection Commission (PDPC). All deposits, including money market bank accounts and certificates of deposits are entirely covered by federal depositary insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington PDPC. The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. PDPC coverage is of the nature of insurance pursuant to the Governmental Accounting Standards Board Statement No. 3. All deposits held at December 31, 2015 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name. Total undistributed cash deposits at December 31, 2015 were \$670,998.

### **B. Investments**

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

The investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. The Bank of New York Mellon acts as safekeeping agent for the Thurston County Treasurer. During 2015 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

As of December 31, 2015, the County's investment values and maturities for pool and individual fund investments are as follows:

Investment Type	Book Value	Weighted Average Maturity (Years)
<b>Pool Investments:</b>		
State Investment Pool	\$ 78,500,000	0.00
Municipal Bonds	6,280,000	1.06
CD's	5,000,000	0.04
US Treasury & Agency Securities	531,785,000	2.42
Money Market Accounts	23,000,000	0.00
<b>Total Pool Investments</b>	<b>\$ 644,565,000</b>	<b>2.00</b>

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

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

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

The ratings of debt securities as of December 31, 2015 are:

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

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

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

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

## Schedules of Deposits and Investments

### Composition of Cash & Investments December 31, 2015

	Total	Pooled Cash Investments	Non-Pooled Cash & Investments
State Investment Pool	\$ 78,500,000	\$ 78,500,000	\$ -
Municipal Bonds	6,280,000	6,280,000	-
CD's	5,000,000	5,000,000	-
US Treasury & Agency Securities	531,785,000	531,785,000	-
Money Market Accounts	23,000,000	23,000,000	-
<b>Total Investment Pool Investments</b>	<b>644,565,000</b>	<b>644,565,000</b>	-
Deposits With Financial Institutions	670,998	670,998	-
Pool Accruals	(180,996)	(180,996)	-
<b>Total Investment Pool Cash &amp; Investments</b>	<b>645,055,002</b>	<b>645,055,002</b>	-
Fiscal and Petty Cash	58,683	-	58,683
Clerk's Trust Funds	1,756,767	-	1,756,767
<b>Total Reported Cash &amp; Investments</b>	<b>\$ 646,870,452</b>	<b>\$ 645,055,002</b>	<b>\$ 1,815,450</b>

**Reconciliation of Cash & Investments to Statements**  
**December 31, 2015**

	Total	Statements of	
		Fiduciary Net Position	Net Position
Cash & Pooled Investments - County Funds	\$ 213,084,457	\$ -	\$ 213,084,457
Cash & Pooled Investments - Investment Trust Fund	416,690,029	416,690,029	-
Cash & Pooled Investments - Agency Funds	15,274,585	15,274,585	-
Pool Accruals	5,931	5,931	-
<b>Total Investment Pool Cash &amp; Investments</b>	<b>645,055,002</b>	<b>431,970,545</b>	<b>213,084,457</b>
Fiscal and Petty Cash	58,683	10,000	48,683
Private Purpose Trust Funds	1,756,767	1,756,767	-
<b>Total Reported Cash &amp; Investments</b>	<b>\$ 646,870,452</b>	<b>\$ 433,737,312</b>	<b>\$ 213,133,140</b>

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

**Restricted and Unrestricted Cash & Investments**  
**December 31, 2015**

	Total	Restricted	Unrestricted
Cash & Pooled Investments	\$ 646,870,452	\$ 449,236,241	\$ 197,634,211
Investments	-	-	-
<b>Total</b>	<b>\$ 646,870,452</b>	<b>\$ 449,236,241</b>	<b>\$ 197,634,211</b>

**C. Thurston County Investment Pool (TCIP)**

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

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

The TCIP experienced a net decrease in the fair value of the investments during 2015. At 12/31/2015, the market value of investments was \$2,623,755 lower than the amortized cost. These unrealized losses will not be recognized in the various funds as management intends to hold these investments to maturity, unless value is gained by swapping out securities at a premium, recognizing income and reinvesting in a replacement security

that balances out specific categories such as maturities, effective duration or types of investments. During 2015, TCIP sold one investment with a total realized gain of \$15,088.

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

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

A condensed statement of net position and statement of changes in net position for the external portion of the investment trust pool and the Clerk's private purpose trust fund at December 31, 2015 is reported in the following schedule:

**Condensed Statement of Net Position  
December 31, 2015**

	<b>Investment Trust Fund</b>	<b>Private Purpose Trust Fund</b>
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 431,970,545	\$ 1,756,767
<b>Total Assets</b>	<b>431,970,545</b>	<b>1,756,767</b>
Pool Liabilities	(15,274,585)	-
<b>Total Liabilities</b>	<b>(15,274,585)</b>	<b>-</b>
<b>Net Position Held in Trust for Pool Participants</b>	<b>\$ 416,695,960</b>	<b>\$ 1,756,767</b>

**Condensed Statement of Changes in Net Position  
December 31, 2015**

	<b>Investment Trust Fund</b>	<b>Private Purpose Trust Fund</b>
Changes in Net Position Resulting from Operations	\$ 3,294,948	\$ 261
Earnings Distributions to Participants	(3,294,948)	(261)
Changes in Net Position Resulting from Depositor Transactions	(25,453,597)	90,034
Net Position Available	(25,453,597)	90,034
Net Position Beginning of Year	442,149,557	1,666,733
<b>Net Position End of Year</b>	<b>\$ 416,695,960</b>	<b>\$ 1,756,767</b>

**NOTE V – PROPERTY TAXES**

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



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

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

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

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

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

The following identifies the tax rates levied in 2014 for collection in 2015:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.3032	\$ 26,847,393,749	\$ 34,987,947
Medic One	\$ 0.3709	\$ 26,847,393,749	\$ 9,958,158
Roads	\$ 1.5816	\$ 13,317,057,816	\$ 21,062,365

## NOTE VI – CAPITAL ASSETS AND COMMITMENTS

### A. Capital Assets

Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance 01/01/2015	Increases	Decreases & Adjustments	Ending Balance 12/31/2015
<b><u>GOVERNMENTAL TYPE ACTIVITIES</u></b>				
Capital Assets - Non-Depreciable:				
Land	\$258,695,360	\$ 292,733	\$ (97,700)	\$258,890,393
Construction in Progress	23,633,400	2,679,246	(1,885,621)	24,427,025
Intangible Assets	2,917,860	-	(546,000)	2,371,860
Capital Assets - Non-Depreciable	285,246,620	2,971,979	(2,529,321)	285,689,278
Capital Assets - Depreciable:				
Buildings	144,782,440	597,766	(209,052)	145,171,154
Intangible Assets	1,868,772	-	(7,046)	1,861,726
Improvements Other Than Buildings	6,821,367		(894)	6,820,473
Machinery & Equipment	42,436,255	4,227,557	(5,632,266)	41,031,546
Infrastructure	150,130,496	5,135,373	(7,456,450)	147,809,419
Original Cost	346,039,330	9,960,696	(13,305,708)	342,694,318
Less Accumulated Depreciation:				
Buildings	(36,516,693)	(3,903,511)	2,100	(40,418,104)
Improvements Other Than Buildings	(4,281,444)	(440,908)	894	(4,721,458)
Machinery & Equipment	(30,503,515)	(3,505,054)	4,872,167	(29,136,402)
Intangible Assets	(1,724,539)	(38,985)	7,046	(1,756,478)
Infrastructure	(77,204,118)	(8,252,574)	6,471,660	(78,985,032)
Accumulated Depreciation	(150,230,309)	(16,141,032)	11,353,867	(155,017,474)
Capital Assets - Depr, Net	195,809,021	(6,180,336)	(1,951,841)	187,676,844
Total Original Cost	631,285,950	12,932,675	(15,835,029)	628,383,596
Total Accumulated Depreciation	(150,230,309)	(16,141,032)	11,353,867	(155,017,474)
<b>Governmental Capital Assets, Net</b>	<b>\$481,055,641</b>	<b>\$(3,208,357)</b>	<b>\$ (4,481,162)</b>	<b>\$473,366,122</b>

Depreciation expense was charged to functions as follows:

<b>Depreciation Expense was charged to functions as follows:</b>	
General Government	\$ 286,785
Public Safety	2,453,064
Utilities and Environment	928
Transportation	8,602,793
Economic Environment	1,772
Health and Human Services	185,454
Culture and Recreation	447,880
Subtotal	11,978,676
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based upon their usage of the assets.	4,162,356
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 16,141,032</b>

Business Type Activities for the year ended December 31, 2015 was as follows:

	<b>Beginning Balance 01/01/2015</b>	<b>Increases</b>	<b>Decreases &amp; Adjustments</b>	<b>Ending Balance 12/31/2015</b>
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**BUSINESS TYPE ACTIVITIES**

Capital Assets, not being depreciated:				
Land	\$ 1,461,158	\$ -	\$ -	\$ 1,461,158
Construction In Progress	216,457	257,218	(99,222)	374,453
Intangible	372,287	492,321	-	864,608
Total Capital Assets, not being depreciated	2,049,902	749,540	(99,223)	2,700,219
Capital Assets, being depreciated:				
Buildings	24,678,507	40,006	(8,469)	24,710,044
Intangible	1,858,553	-	-	1,858,553
Improvements other than buildings	24,143,173	93,233	(626,336)	23,610,070
Machinery & Equipment	5,650,927	117,924	(487,910)	5,280,941
Infrastructure	15,703,703	10,869	-	15,714,572
Total Capital Assets, being depreciated	72,034,863	262,032	(1,122,715)	71,174,180
Less Accumulated Depreciation For:				
Buildings	(9,699,896)	(752,460)	8,469	(10,443,887)
Improvements other than buildings	(20,151,538)	(452,161)	47,625	(20,556,074)
Machinery & Equipment	(3,960,516)	(369,746)	480,117	(3,850,145)
Intangible - M&E	(432,062)	(143,848)	-	(575,910)
Infrastructure	(3,948,701)	(666,084)	-	(4,614,785)
Total Accumulated Depreciation	(38,192,713)	(2,384,299)	536,211	(40,040,801)
Total Capital Assets being depreciated, net	33,842,150	(2,122,267)	(586,504)	31,133,379
<b>Business Type Activities Capital Assets, net</b>	<b>\$ 35,892,052</b>	<b>\$ (1,372,727)</b>	<b>\$ (685,727)</b>	<b>\$ 33,833,598</b>

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:	
Solid Waste	\$ 1,068,997
Water	232,839
Sewer	578,435
Stormwater	477,583
Land Use & Permitting	26,445
<b>Total</b>	<b>\$ 2,384,299</b>

## B. Construction Commitments

Thurston County has the following active construction commitments as of December 31, 2015:

Project	Spent-to-Date	Remaining Commitment
SS RSN Crisis Services - Triage	306,467	1,882,591
<b>Total</b>	<b>\$ 306,467</b>	<b>\$ 1,882,591</b>

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

## NOTE VII – RECEIVABLE BALANCES

Receivables as of December 31, 2015 for the County's individual major funds, non-major funds and internal service funds are shown in the following table:

	Taxes	Special Assessment	Interest and Penalties	Customer Accounts	Due from other Governments	Community Loans	Total
<b><u>Governmental Activities:</u></b>							
General Fund	\$ 1,035,392	\$ -	\$ 2,543,254	\$ 3,103,188	\$ 2,487,880	\$ -	\$ 9,169,714
Roads	574,758	-	3,373	1,056	87,181	-	666,368
Medic One	260,711	-	23,939	-	-	-	284,650
Public Health and Social Services	17,236	13,620	53,422	-	1,520,491	-	1,604,769
Other Governmental	40,840	41,396	100,048	395,546	1,448,050	-	2,025,880
Internal Service	-	-	15,609	169,681	71,641	-	256,931
<b>Total Governmental Activities</b>	<b>\$ 1,928,937</b>	<b>\$ 55,016</b>	<b>\$ 2,739,645</b>	<b>\$ 3,669,471</b>	<b>\$ 5,615,243</b>	<b>\$ -</b>	<b>\$ 14,008,312</b>
<b><u>Business-Type Activities:</u></b>							
Solid Waste	\$ -	\$ -	\$ -	\$ 1,269,665	\$ 391,242	\$ -	\$ 1,660,907
Grand Mound	-	527,620	34,988	214,086	10,121	-	786,815
Storm Water	-	225,434	10,276	-	330	-	236,040
Other Enterprise Funds	-	367,332	5,448	113,521	11,409	178,568	676,278
<b>Total Business-Type Activities</b>	<b>\$ -</b>	<b>\$ 1,120,386</b>	<b>\$ 50,712</b>	<b>\$ 1,597,272</b>	<b>\$ 413,102</b>	<b>\$ 178,568</b>	<b>\$ 3,360,040</b>

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

<b>Unearned Revenue</b>	
Delinquent property taxes receivable (General Fund)	\$ 1,035,392
Delinquent property taxes receivable (Roads Fund)	574,758
Delinquent property taxes receivable (Medic One)	260,711
Delinquent property taxes receivable (Public Health & Social Services)	17,236
Delinquent property taxes receivable (Other Governmental Funds)	40,840
Delinquent special assessment receivable (Public Health & Social Services)	13,620
Delinquent special assessment receivable (Other Governmental Funds)	41,396
Delinquent accrued interest and penalties receivable (General Fund)	2,385,715
Delinquent accrued interest and penalties receivable (Other Governmental Funds)	87,959
Deferred Revenue-Other (Roads Fund)	2,500
Total unearned revenue for governmental funds	\$ 4,460,127

## **NOTE VIII – LONG-TERM AND OTHER SIGNIFICANT DEBT**

### **A. Disclosures About Each Significant Debt Incurred**

#### **1. General Obligation Bonds**

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

2004 Limited General Obligation Bonds of \$11,000,000 were issued in 2004. The proceeds were used to acquire property and for improvements to various county facilities including: a) acquiring land to construct a jail facility, b) expanding the county/regional park system, c) acquiring a building adjacent to the courthouse to ease overcrowding and relieve existing space problems and d) replacing the County's 20-year old central phone system. The bonds bear an interest rate of 2.5% to 4.50% semi-annually with annual principal installments from \$400,000 to \$800,000 a year. The term of the bonds is 20 years with the final payment due in 2024. In 2015, the County refunded all of these bonds with new 2015 Limited General Obligation Bonds. These 2004 bonds, as of December 31, 2015 were paid off due to a 2015 Limited General Obligation Bond refunding discussed below.

2005 Limited General Obligation Bonds of \$26,135,000 were issued in 2005. The bonds were used as follows: \$15,700,000 was used for a partial advance refunding of \$16,175,000 of outstanding 1997 bonds (which were used to finance the juvenile detention facility, jail improvements and RID #2) and \$7,510,000 was used for an advance refunding of \$7,500,000 of outstanding 1999 bonds. The other portion of the issue amounting to \$2,925,000 was utilized to finance park acquisitions and other capital improvements. The bonds bear an interest rate of 3.0% to 5.0% semi-annually with annual principal installments ranging from \$100,000 to \$3,060,000 a year. The term of the bonds is 20 years with the final payment due in 2025. The balance at December 31, 2015 was \$10,815,000 of which \$3,415,000 was for the Grand Mound Utility. In 2015, the County issued 2015 Limited General Obligation Bonds to partially refund these bonds. They did not refund \$1,875,000 of these 2005 Bonds.

That amount was paid as a final payment on December 1, 2015. These 2005 bonds, as of December 31, 2015 were paid off.

2007 Limited General Obligation Bonds of \$5,000,000 were issued in 2007. The bonds were used to partially fund a second county jail. The term of the bonds is 20 years with the final payment due in 2027. The bonds bear interest rates of 3.75% to 4.0% payable semi-annually with annual principal installments ranging from \$125,000 to \$375,000 a year. The balance at December 31, 2015 was \$3,525,000.

2009 Limited General Obligation Bonds of \$42,765,000 were issued in 2009. The bonds were used to fund construction of the Accountability Restitution Center, communication system upgrades, and other approved capital projects. The term of the bonds is 20 years with the final payment due in 2030. The bonds bear interest rates of 3.0% to 5.0% payable semi-annually with annual principal installments ranging from \$755,000 to \$3,450,000 a year. The balance at December 31, 2015 was \$36,310,000.

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

\$8,775,000 was used for an advance refunding of \$1,800,000 of outstanding 1999 bonds and for a partial advance refunding of \$6,730,000 of outstanding 2002 bonds. The bonds bear an interest rate of 2% to 4% payable semi-annually with annual principal installments ranging from \$555,000 to \$1,505,000. The term of the bonds is 12 years with final payment due in 2022. The advanced refunding portion of the 1999 bonds is serviced by the Grand Mound Debt Service Fund (Enterprise Fund). The Grand Mound Debt Service Fund includes assessments from ULID No. 96-2. The total principal assessment due for 2015 were \$124,298. The amount paid was \$122,022, leaving a delinquent amount in 2015 of \$2,276. The balance at December 31, 2015 was \$5,560,000 of which \$880,000 was for the Grand Mound Utility.

\$18,850,000 of Taxable Build America Bonds were issued to finance construction of the Tilley Road project, communication system upgrades and other building improvements. The bonds bear an interest rate of .75% to 5.4% payable semi-annually with annual principal installments ranging from \$825,000 to \$1,285,000. The Build America Bonds also have an interest subsidy from the Internal Revenue Service to be received in semi-annual installments of 35% of the interest amount, of which a portion was reduced due to sequestration by the federal government beginning in 2013. The term of the bonds is 20 years with final payment due in 2030. The balance at December 31, 2015 was \$14,555,000.

\$2,040,000 of Taxable Qualified Energy Conservation Bonds were issued to finance a portion of the Tilley Road project. The bonds bear an interest rate of 5.5% payable in semi-annual interest payments. Qualified Energy Conservation Bonds also have an interest subsidy from the Internal Revenue Service to be received in semi-annual installments ranging from \$41,746 to \$74,398, of which a portion was reduced due to sequestration by the federal government beginning in 2013. The term of the bonds is 18 years with a single principal payment due in 2029. The balance at December 31, 2015 was \$ 2,040,000. A sinking fund was created in 2011 for future principal payments for the QECB bonds. The cash balance of the sinking fund at December 31, 2015 was \$400,842.

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



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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 5,665,000	\$ 3,152,268	\$ 880,000	\$ 166,829
2017	5,801,266	2,897,438	973,734	135,363
2018	3,762,750	-	1,097,250	9,561
2019	4,012,413	2,531,249	1,212,587	45,617
2020	5,005,000	2,357,636	-	-
2021 - 2025	22,635,000	9,024,456	-	-
2026 - 2030	24,740,000	3,847,493	-	-
<b>Total</b>	<b>\$ 71,621,429</b>	<b>\$ 23,810,540</b>	<b>\$ 4,163,571</b>	<b>\$ 357,370</b>

During 2015, the County's Fiscal Agent changed from Bank of New York Mellon to U.S. Bank effective February 1. The Fiscal Agent is the Bond registrar and paying agent for the County's General Obligation Bonds. The State of Washington issued a Request for proposal to the purpose of obtaining proposals for fiscal agency services and U.S. Bank was the successful bidder. The term of the contract is four years with possibility of renewal for an additional eight years.

## 2. Loans and Contracts Payable

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

The first loan is not to exceed \$300,000 with an interest rate of 5% per annum. Repayment began in 1996. The final payment was made in 2015 so the balance at December 31, 2015 is \$0. The second loan is not to exceed \$200,000 with an interest rate of 0%. The balance at December 31, 2015 is \$19,872. The third loan is not to exceed \$200,000 with an interest rate of 4.3%. Repayment began in 2003. The balance at December 31, 2015 is \$58,230. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2015 is \$7,563. The fifth loan is not to exceed \$150,000 with an interest rate of 1.5%. Repayment began in 2005. The balance as of December 31, 2015 is \$50,994. The sixth loan is not to exceed \$200,000 with an interest rate of 1.5%. Repayment began in 2009. The balance at December 31, 2015 was \$119,842. The seventh loan is not to exceed \$254,695 with an interest rate of 2.2%. Repayment began in 2012. The balance as of December 31, 2015 was \$218,811. The eighth loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment will begin when the draws are substantially complete. The balance as of December 31, 2015 was \$90,234.

Public Works entered into a state revolving fund (DWSRF) loan agreement with the State of Washington Department of Commerce to construct a corrosion control system for the Grand Mound water system in 2006. The term of the loan is for twenty years and the amount financed was \$132,518 with an interest rate of 1%. The balance as of December 31, 2015 was \$56,816.

Public Works entered into a loan agreement with the State of Washington Department of Ecology to construct a sanitary sewer system for Woodland Creek in 2011. The term of the loan is for twenty years and the loan is not to exceed \$1,286,721 with an interest amount of 2.8%. Payments will begin in 2015. The balance as of December 31, 2015 was \$1,256,553.

### 3. Special Assessment Notes Payable

The County has also issued special assessment debt for the construction and replacement of wastewater collection systems within the County. This debt will be repaid from amounts levied against the property owners benefited by this construction. The County must provide the resources to cover a deficiency due to any unpaid or delinquent special assessments until other resources, such as foreclosure proceeds, are received. The special assessment debt outstanding is as follows:

In 2004, the County entered into a state revolving fund (SRF) loan agreement with the State of Washington Department of Ecology to create a new Utility Local Improvement District for Tamoshan/Beverly Beach wastewater plant Improvements in 2002. The original principal amount was \$1,526,507. Repayments began in 2004 and the loan balance as of December 31, 2015 was \$426,259. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2015, the amount of delinquent assessment principal was \$6,070.

In 1997, Olympic View Debt Redemption Fund (Enterprise Fund) has a Public Works Trust Fund loan, which is not to exceed \$110,000 with an interest rate of 5% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years. The original principal amount was \$94,000. The loan is due in 2016 and has a balance at December 31, 2015 of \$2,736. At December 31, 2015, there was a zero balance owing in delinquent assessment principal.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 52,591	\$ 35,022	\$ 127,198	\$ 10,680
2017	54,083	33,530	132,190	19,398
2018	55,616	31,996	136,624	14,889
2019	57,194	30,419	137,832	13,602
2020	58,816	28,797	134,109	11,454
2021 - 2025	320,069	117,994	257,295	20,906
2026 - 2030	368,107	69,956	110,066	7,281
2031 - 2035	290,077	16,568	16,044	266
Total	\$ 1,256,553	\$ 364,282	\$ 1,051,358	\$ 98,476



#### 4. Leases

##### a. Operating Lease Liabilities

The County has lease commitments for leases of buildings and office space that are cancelable and non-cancelable with lease terms primarily from month to month with one that extends to 2020. Operating lease expenditures for the year ended December 31, 2015 were \$512,822. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2016	\$ 349,405
2017	260,353
2018	229,699
2019	202,148
2020	97,832
<b>Total</b>	<b>\$ 1,139,437</b>

##### b. Capital Lease Liabilities

The County has entered into the transactions that are recorded as capital lease purchases to account for copier leases. These long-term contracts incorporate some or all of the benefits and risks of ownership. The leased assets and related obligations are accounted for in the statement of net position. The net capital lease amount shown below reflects the assets continuing to be financed through the capital lease. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through capital lease are as follows:

Asset	Governmental Activities	Business-Type Activities
Machinery & Equipment	\$ 544,579	\$ 151,822
Less: accumulated depreciation	(257,464)	(108,188)
Present Value of Minimum Lease Payments	287,115	43,634
Plus amount representing interest	41,802	7,241
<b>Total Invested in Capital Leases</b>	<b>\$ 328,917</b>	<b>\$ 50,875</b>

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2015 were as follows:

<b>Year Ending December 31</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2016	\$ 132,992	\$ 29,357
2017	99,024	9,598
2018	49,006	6,911
2019	30,665	2,613
2020	17,230	2,396
Total Minimum Lease Payments	328,917	50,875
Less: Interest	(41,802)	(7,241)
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 287,115</b>	<b>\$ 43,634</b>

#### c. Lease Receivables

The County currently leases some of its property to various tenants under long-term cancelable and non-cancelable contracts. The following is an analysis of the County's investment in property under long-term operating leases as of December 31, 2015:

<b>Asset</b>	<b>Governmental Activities</b>
Land	\$ 505,700
Buildings	9,916,505
Less: Accumulated Depreciation	(1,744,082)
<b>Total Invested in Long Term Leases</b>	<b>\$ 8,678,123</b>

The County received \$107,458 of operating lease revenues from these contracts in 2015. Amounts that will be received in future years under these lease agreements are noted below:

<b>Year Ending December 31</b>	<b>Amount</b>
2016	\$ 90,589
2017	90,589
2018	90,589
2019	90,589
2020	37,748
2021 - 2056	127
<b>Total Lease Receivable</b>	<b>\$ 400,231</b>

The \$127 receivable from 2021 through 2056 is a combination of park and ride lease with Intercity Transit located at the Waste and Recovery Center, Quixote Village Panza located 3350 Mottman RD SW Olympia and Homes First! Located at 5505 32<sup>ND</sup> CT SE Olympia.

#### 5. Long-term Compensated Absences

Thurston County has traditional and alternative leave plans. Thurston County employees who chose the traditional leave plan earn 12 days of sick leave and 10.5-24.75 days of vacation leave per year depending upon the employee's length of service. A maximum of 140 days of sick leave may be accrued and a maximum of 45

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

The County reported a liability of \$7,353,930 at December 31, 2015 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$5,909,093 for governmental funds, \$727,234 for internal service funds and \$717,603 for enterprise funds. \$367,331 of this liability is expected to be incurred in 2015. Leave costs are paid from governmental funds that fund the personnel costs for those employees. Vested sick leave is not considered material and is not accrued.

## 6. Other Post-Employment Benefits

Thurston County administers two post-employment benefit programs that provide primarily post-employment medical benefits to retired Thurston County employees. These programs are for retired Law Enforcement Officers and Fire Fighters (LEOFF) under the LEOFF 1 retirement act and for all Thurston County employees through the state managed Public Employees Benefits Board (PEBB). A long term governmental liability of \$3,094,051 was recognized for LEOFF 1 benefits in the statement of net position in 2015. A long term liability of \$23,262,758 was also recognized for PEBB benefits in the financial statements. This liability was allocated between governmental and proprietary funds based on current active full time employees. Consequently, \$24,306,022 was recognized in the statement of net position for governmental and internal service funds and \$2,050,787 was recognized for enterprise funds. Note XII contains detailed information on these two post-employment benefit programs including the computation of the current accrued cost and the associated long term liability.

## B. Changes in Long-Term and Other Significant Debt

The following is a summary of long-term and other significant debt transactions of the County:

### Schedule Of Changes Debt and Other Long-Term Liabilities For The Year Ended December 31, 2015

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

<u>Bonds payable:</u>					
General Obligation Bonds	\$ 78,250,000	\$ 10,511,430	\$ 17,140,000	\$ 71,621,430	\$ 5,665,001
For Issuance Premiums	1,157,732	1,034,535	823,348	1,368,919	138,296
<b>Total Bonds Payable</b>	<b>79,407,732</b>	<b>11,545,965</b>	<b>17,963,348</b>	<b>72,990,349</b>	<b>5,803,297</b>
<u>Notes Payable:</u>					
Loans Payable	1,286,721	-	30,168	1,256,553	52,591
Capital Leases Payable	292,476	117,041	122,402	287,115	112,407
<b>Total Notes Payable</b>	<b>1,579,197</b>	<b>117,041</b>	<b>152,570</b>	<b>1,543,668</b>	<b>164,998</b>
Claims and Judgments Payable	4,405,752	184,758	21,214	4,569,296	445,887
Compensated Absences	6,543,256	424,555	331,487	6,636,324	331,487
Other Post Employment Benefits (OPEB)	20,516,001	3,790,021	-	24,306,022	-
Net Pension Liability	-	43,620,135	-	43,620,135	-
<b>Total Governmental Activities</b>	<b>\$ 112,451,938</b>	<b>\$ 59,682,475</b>	<b>\$ 18,468,619</b>	<b>\$ 153,665,794</b>	<b>\$ 6,745,669</b>

#### Business-type Activities:

<u>Bonds Payable:</u>					
General Obligation Bonds	\$ 5,210,000	\$ 3,283,571	\$ 4,330,000	\$ 4,163,571	\$ 880,000
For Issuance Premiums	204,631	58,230	-	262,861	-
<b>Total Bonds Payable</b>	<b>5,414,631</b>	<b>3,341,801</b>	<b>4,330,000</b>	<b>4,426,432</b>	<b>880,000</b>
<u>Notes Payable:</u>					
Loans Payable	671,788	13,894	63,319	622,363	46,180
Capital Leases Payable	62,690	19,259	38,315	43,634	25,859
<b>Total Notes Payable</b>	<b>734,478</b>	<b>33,153</b>	<b>101,634</b>	<b>665,997</b>	<b>72,039</b>
Special Assessments Payable	510,013	-	81,018	428,995	81,018
Compensated Absences	644,209	101,483	28,086	717,606	35,844
Accumulated Landfill Closure Costs	16,549,520	-	511,915	16,037,605	-
Other Post Employment Benefits (OPEB)	1,659,618	391,169	-	2,050,787	-
Net Pension Liability	-	5,559,991	-	5,559,991	-
<b>Total Business-type Activities</b>	<b>\$ 25,512,469</b>	<b>\$ 9,427,597</b>	<b>\$ 5,052,653</b>	<b>\$ 29,887,413</b>	<b>\$ 1,068,901</b>

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$727,231 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$2,063,100 of general obligation bonds payable and \$1,856,147 of other post-employment benefits payable. Claims and judgments are generally liquidated by the Insurance Risk Management Internal Service Fund and compensated absences are liquidated by the funds incurring the liability. Enterprise segment information is not disclosed since revenue streams are not pledged to support proprietary long-term debt.

Compensated absence liabilities for governmental funds are typically liquidated by the fund in which the employee is being compensated reports his/her time. Additionally, the County liquidates and funds past and future pension and OPEB obligations through employee and employer paid pension and medical benefit obligations. Therefore, only funds with FTEs would fund these types of obligations which would exclude the following reported County Funds: Anti-Profiteering, Auditor Election Reserve, Basin Planning, Superior Court Family Services, Conservation Futures, Law Library, 24/7 Sobriety Program, Detention Facilities Sales Tax Holding, Emergency Management Council, Real Estate Excise Tax, Trial Court Improvement, Treatment Sales Tax, Stadium/Convention/Art Center, Tax Refunds, Tourism Promotion, Historic Preservation, Communications, Debt Service Funds, Capital Project Funds and the Community Loan Program Fund.

#### C. Assets Available for Debt Service

The County is meeting debt service requirements. The County has sufficient assets in a variety of different funds to meet current and future debt service payments. At December 31, 2015, the County had \$980,262 available in reserve in governmental debt service funds to service general obligation and assessment debt. The County's general obligation debt, as noted above, will be funded by cash balances and future revenue streams from the Real Estate Tax and Detention Facility Sales Tax Holding Funds which are reported as non-major funds in the combining financial statements. At December 31, 2015 the County also had \$1,088,905 in net position restricted for business type debt, which primarily include current and long term special assessment receivables that have been assessed on benefitting utility districts.

#### D. Legal Debt Margin

State law limits Thurston County's non-voted debt capacity of 1 ½% and voted debt capacity of 2 ½% of the assessed valuation. The capacity amounts are as follows for 2015:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 418,470,849	\$ 344,665,197
General Government (With 3/5-majority vote)	\$ 697,451,416	\$ 623,645,764

#### E. Contingent Liability for Refunded and Defeased Debt

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

#### Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities As of December 31, 2015

	01/01/15	Increases	Decreases	12/31/15
Refunded & Defeased Bonds Outstanding	\$ 10,535,000	\$ 16,055,826	(1,445,000)	\$ 25,145,826

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

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

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

## NOTE IX – INTERFUND TRANSACTIONS

### A. Interfund Receivables and Payables

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The composition of interfund receivables and payables in the fund financial statements as of December 31, 2015 is shown in the following table.

Due From Other Funds											
Due to Other Funds	General Fund	Roads	Public Health	Treatment Sales Tax	Non-Maj Gov	Internal Service	Solid Waste	Grand Mound	Storm Water	Non-Maj Enter	Total
General Fund		\$ -	\$ 5,820	\$ 63,136	\$ 7,108	\$ 10,414	\$ -	\$ -	\$ -	\$ 214,150	\$ 300,628
Roads	11,301		2,225		89,000	74,483	10,196	9,827	189,699	350	387,081
Medic One	-	-	-	-	-	413	-	-	-	-	413
Public Health	59,441	132		62,823	-	29,156	-	95	-	213	151,860
Treatment Sales Tax	1,811,761	-	1,350,251		18,556	-	-	-	-	-	3,180,568
Non-Major Governmental	224,671	78,972	5,043	-	-	311,313	-	18,461	-	21,454	659,914
Internal Service	29,101	1,334	403	-	9,000	215,355	9,464	-	-	-	264,657
Solid Waste	22,904	15,818	384,834	-	-	7,611		-	-	-	431,167
Grand Mound	34	-	108	-	-	696	-		-	11,700	12,538
Stormwater	38,361	17,022	37,406	-		184	-	-		9,956	102,929
Non-Major Enterprise	1,824	-	554	-	-	770	-	-	5,516	200	8,864
<b>Total Due to/Due from</b>	<b>\$ 2,199,398</b>	<b>\$ 113,278</b>	<b>\$ 1,786,644</b>	<b>\$ 125,959</b>	<b>\$ 123,664</b>	<b>\$ 650,395</b>	<b>\$ 19,660</b>	<b>\$ 28,383</b>	<b>\$ 195,215</b>	<b>\$ 258,023</b>	<b>\$ 5,500,619</b>

### B. Interfund Loans and Advances

Interfund loans and advances are fund transfers, usually interest bearing, which will be repaid in future years. Interfund loans are fund transfers for less than a year that are outstanding at year end and advances are fund transfers for more than one year. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The Solid Waste Fund advanced \$182,082 to the Central Services Department Fund in 2011. There is a five year repayment period starting in 2011. The advance bears

an interest rate of 2.457% with monthly payments of \$3,228 including interest throughout the repayment period. The final payment of \$3,215 will be made in 2016.

### C. Interfund Transfers

Interfund transfers are subsidies and contributions provided by one fund to another fund with no corresponding promise for repayment. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. Transfers out from the General Fund are usually made to subsidize activities in other funds, such as Public Health and Land Use and Permitting that are not fully funded by taxes, grants or program and service fees. Transfers in to the General Fund are primarily from sales tax holding funds for public safety purposes. Transfers out of Detention Facilities Sales Tax and Debt Holding Funds are primarily to fund public safety capital projects in capital project funds and public safety operations in the General Fund. Transfers in to Public Health and Social Services comprise subsidies and support service payments from the General and Treatment Sales Tax Funds. Transfers in to and out of proprietary and non-major governmental funds are primarily for debt service and associated capital projects. Transfers also include transfers of residual fund balances to active ongoing funds from funds that were closed out and terminated during the year.

Interfund transfers occurring between major funds, non-major governmental funds, non-major enterprise funds and internal service funds of the County during the year ended December 31, 2015 are summarized below:

Transfer In												
Transfer Out	General Fund	Roads	Medic One	Treatment Sales Tax	Public Health	Non-Major Govt	Internal Service	Solid Waste	Grand Mound	Storm-water	Non-Major Enterprise	Total
General Fund		\$ -	\$ -	\$ -	\$ 1,203,502	\$ 529,795	\$ 36,997	\$ -	\$ -	\$ -	\$ 823,319	\$ 2,593,613
Roads	-		-	-	-	965,958	50,489	-	-	-	-	1,016,447
Medic One	-	-		-	-	-	-	-	-	-	-	-
Treatment Sales Tax	2,878,825	-	-		1,500,333	18,556	-	-	-	-	-	4,397,714
Public Health	-	-	-	-		-	-	-	-	-	-	-
Non-Major Govt	1,375,617	1,781,515	-	-	39,741	6,832,528	310,042	-	124,735	-	21,454	10,485,632
Internal Service	131,065	39,996	216	-	10,368	10,189	257,460	16,412	1,069	6,240	2,616	475,631
Solid Waste	-	-	-	-	-	-	-		-	-	-	-
Ground Mound	-	-	-	-	-	-	-	-		-	-	-
StormWater	-	-	-	-	-	-	-	-	-		-	-
Non-Major Entr.	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Transfers</b>	<b>\$ 4,385,507</b>	<b>\$ 1,821,511</b>	<b>\$ 216</b>	<b>\$ -</b>	<b>\$ 2,753,944</b>	<b>\$ 8,357,026</b>	<b>\$ 654,988</b>	<b>\$ 16,412</b>	<b>\$ 125,804</b>	<b>\$ 6,240</b>	<b>\$ 847,389</b>	<b>\$ 18,969,037</b>

### NOTE X – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 49,180,128
Pension assets	\$ 3,235,499
Deferred outflows of resources	\$ 6,747,525
Deferred inflows of resources	\$ 8,738,237
Pension expense/expenditures	\$ (3,659,931)



## State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## Public Employees' Retirement System (PERS)

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

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

**Contributions** - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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



The county's actual contributions to the plan were \$115,777 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

*Contributions* - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

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

The county's actual contributions to the plan were \$5,217,536 for the year ended December 31, 2015.

### **Public Safety Employees' Retirement System (PSERS)**

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

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

PSERS membership includes:

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

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol)
- Washington State Counties
- Washington State Cities (except for Seattle, Spokane, and Tacoma)
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

**Contributions** - The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The County's actual contributions to the plan were \$989,980 for the year ended December 31, 2015.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

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

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

*Contributions* - The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The county's actual contributions to the plan were \$401,274 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

## Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and

TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

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

### Sensitivity of NPL

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
PERS 1	\$ 34,461,770	\$ 28,305,295	\$ 23,011,290
PERS 2/3	\$ 59,450,930	\$ 20,331,695	\$ (9,620,437)
PSERS 2	\$ 4,127,107	\$ 543,139	\$ (2,006,299)
LEOFF 1	\$ (375,845)	\$ (587,485)	\$ (767,868)
LEOFF 2	\$ 2,651,814	\$ (2,648,014)	\$ (6,636,335)

## Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the county reported a total net pension liability (liabilities less assets) of \$45,944,630 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,307,680
PERS 1	\$ 26,997,614
PERS 2/3	\$ 20,331,695
PSERS 2	\$ 543,139
LEOFF 1	\$ (587,485)
LEOFF 2	\$ (2,648,014)

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

	Liability (or Asset)
LEOFF 2 – Thurston County's proportionate share	\$ (2,648,014)
LEOFF 2 – Washington State's proportionate share of the net pension liability/(asset) associated with Thurston County	\$ (249,685)
TOTAL	\$ (2,897,699)

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion current year less prior year
PERS 1	0.5712%	0.5411%	-0.0301%
PERS 2/3	0.5871%	0.5690%	-0.0181%
PSERS 2	3.1303%	2.9758%	-0.1545%
LEOFF 1	0.0507%	0.0487%	-0.0020%
LEOFF 2	0.2797%	0.2576%	-0.0221%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed



87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the county's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (2,537,785)
PERS 2/3	\$ (827,069)
PSERS	\$ 17,218
LEOFF 1	\$ (100,962)
LEOFF 2	\$ (211,333)
TOTAL	\$ (3,659,931)

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

At December 31, 2015, the county's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,548,609
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	80,677	-
TOTAL	\$ 80,677	\$ 1,548,609

<b>PERS 2-3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,161,265	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	5,427,600
Changes of assumptions	32,759	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	581,687
Contributions subsequent to the measurement date	2,873,251	-
<b>TOTAL</b>	<b>\$ 5,067,275</b>	<b>\$ 6,009,287</b>

<b>PSERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 508,858	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	269,397
Changes of assumptions	3,363	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	9,431
Contributions subsequent to the measurement date	527,937	-
<b>TOTAL</b>	<b>\$ 1,040,157</b>	<b>\$ 278,828</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	99,179
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 99,179</b>



<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 231,878	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	802,334
Changes of assumptions	6,985	-
Changes in proportion and differences between contributions and proportionate share of contributions	115,682	-
Contributions subsequent to the measurement date	204,872	-
<b>TOTAL</b>	<b>\$ 559,416</b>	<b>\$ 802,334</b>

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

<b>PERS 1</b>		
2016	\$	(387,152)
2017	\$	(387,152)
2018	\$	(387,152)
2019	\$	(387,152)
2020	\$	-
Thereafter	\$	-

<b>PERS 2/3</b>		
2016	\$	(882,683)
2017	\$	(882,683)
2018	\$	(882,683)
2019	\$	(1,167,213)
2020	\$	-
Thereafter	\$	-

PSERS		
2016	\$	16,449
2017	\$	16,449
2018	\$	16,449
2019	\$	16,449
2020	\$	83,798
Thereafter	\$	83,798

LEOFF 1		
2016	\$	(24,795)
2017	\$	(24,795)
2018	\$	(24,795)
2019	\$	(24,795)
2020	\$	-
Thereafter	\$	-

LEOFF 2		
2016	\$	(132,402)
2017	\$	(132,402)
2018	\$	(132,402)
2019	\$	(132,402)
2020	\$	68,182
Thereafter	\$	13,636

## NOTE XI – RISK MANAGEMENT

### A. RISK POOL AND GENERAL LIABILITY INSURANCE

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and

advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2015, Thurston County selected a per-occurrence deductible of \$250,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2014-15, this "corridor" increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2014-15, Thurston County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and

reviews the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool's operations, program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

During 2014-15, the WCRP's assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool's net position decreased slightly from \$19.4 million to \$18.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2015 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

The County has recorded in its financial statements all material liabilities. This includes estimates for expense, defense and/or payment of pending claims and claims incurred but not reported. Furthermore, the County's settlements have not exceeded the County's insurance coverage in each of the past three years. In the opinion of management, the County's insurance policies, including its participation in the Washington Counties Risk Pool, in conjunction with our funded retention are adequate to pay all known or pending liability claims as they come due.

The County paid general claims costs of \$121,407 during 2015. The County's suggested claim reserves, were estimated at \$3,569,296 (Thurston County's proportionate share of the Pool's expected losses based on worker hours) plus reserve funding for catastrophic property loss at least equal to the current minimum deductible of (\$1 million) for this exposure, equates to \$4,569,296. This suggested reserve includes reserves for open claims plus an estimate of incurred but not reported (IBNR) claims. It should be recognized that portions of the estimated additional liability incurred are projections from our claims experience. This loss estimate does not include (IBNR) liabilities for non-covered claims, some employment relations including past wages or benefits, some pollutants, property losses / takings, certain municipal activities, punitive damages, willful civil violations and other loss exposures not currently insured. As estimates, these values fluctuate significantly and are subject to inherent variability and may or may not become payable over the course of several years.

<b>Schedule of Claims and Judgments Payable</b>		
	<b>2015</b>	<b>2014</b>
Beginning claims liability	\$ 4,405,752	\$ 4,085,546
Claims incurred during the year (including IBNRs)*	284,951	710,602
Claims payments	(121,407)	(390,396)
Ending claims liability	\$ 4,569,296	\$ 4,405,752

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

## B. OTHER

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

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

## **NOTE XII – OTHER POST-EMPLOYMENT BENEFITS**

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

### **A. LEOFF**

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

#### **1. Plan Description**

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

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

In 2015, 18 retirees received benefits under this act. As of December 31, 2015, there were no active officers.

#### **2. Funding Policy**

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

#### **3. Annual OPEB Cost and Net OPEB Obligation**

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2015, and two preceding years, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$3,094,051 is reported as a non-current liability on the Statement of Net Position.

	Year Ending 12/31/2013	Year Ending 12/31/2014	Year Ending 12/31/2015
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**Determination of Annual Required Contribution:**

Normal Cost at Year End	\$ 13,300	\$ 18,468	\$ -
Amortization of UAAL*	497,242	719,131	939,407
Annual Required Contribution	\$ 510,542	\$ 737,599	\$ 939,407

**Determination of Net OPEB Obligation:**

Annual Required Contribution	\$ 510,542	\$ 737,599	\$ 939,407
Interest on Prior Year Net OPEB Obligation	84,886	89,721	104,370
Adjustment to ARC	(175,647)	(201,740)	(234,677)
Annual OPEB Cost	419,781	625,580	809,100
Contributions Made	(63,118)	(259,382)	(324,275)
Increase in Net OPEB Obligation	\$ 356,663	\$ 366,198	\$ 484,825

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

Net OPEB Obligation - Beginning of Year	\$ 1,886,365	\$ 2,243,028	\$ 2,609,226
Increase in Net OPEB Obligation	356,663	366,198	484,825
Net OPEB Obligation-end of year (NOO)	\$ 2,243,028	\$ 2,609,226	\$ 3,094,051

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 419,781	\$ 63,118	15.0%	\$ 2,243,028	\$ 102,327	5218.71%
12/31/2014	\$ 625,580	\$ 259,382	41.5%	\$ 2,609,226	\$ 98,584	8110.42%
12/31/2015	\$ 809,100	\$ 324,275	40.1%	\$ 3,094,051	\$ 133,718	7810.99%

#### 4. Funded Status and Funding Progress

As of December 31, 2015 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$10,444,694 and the actuarial value of the assets was \$0 resulting in a UAAL of \$10,444,694.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2015, these costs total \$64,038 with a cost per retiree of \$3,558. Thurston County uses its General Fund to purchase additional long-term care insurance for LEOFF 1 retirees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

## 5. Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

### B. PEBB

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

#### 1. Plan Description

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

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

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

#### 2. Eligibility

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

- PERS 1
  - Age 60 with five years of service
  - Age 55 with twenty-five years of service
  - Any age with thirty years of service
- PERS 2
  - Age 55 with twenty years of service
  - Age 65 with five years of service
- PERS 3
  - Age 55 with ten years of service
  - Age 65 with five years of service
  - In addition, PERS 3 members who terminate and are at least age 55 with twenty or more years of service gain pre-retirement access to PEBB



➤ PSERS 2

- Age 65 with five years of service
- Age 60 with at least ten years of PSERS service
- Age 53 with twenty years of service

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

### 3. Medical Benefits

Upon retirement, members are permitted to receive medical benefits. The table below displays non-Medicare (pre-65) and Medicare (post-65) monthly premiums available for the 2015 calendar year:

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

\* State-Registered Domestic Partner.

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

### 4. Funding Policy

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

### 5. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities. At the suggestion of its actuary, the County modified its amortization period to a rolling 25-year period beginning in 2014. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net obligation.



	Year Ending 12/31/2013	Year Ending 12/31/2014	Year Ending 12/31/2015
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**Determination of Annual Required Contribution:**

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

**Determination of Net OPEB Obligation:**

Annual Required Contribution	\$ 2,830,146	\$ 2,830,146	\$ 4,061,115
Interest on Prior Year Net OPEB Obligation	582,096	682,543	782,656
Adjustment to ARC	(593,624)	(702,437)	(798,155)
Annual OPEB Cost	2,818,618	2,810,252	4,045,616
Contributions Made	(307,437)	(307,437)	(349,251)
Increase in Net OPEB Obligation	\$ 2,511,181	\$ 2,502,815	\$ 3,696,365

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

Net OPEB Obligation - Beginning of Year	\$ 14,552,397	\$ 17,063,578	\$ 19,566,393
Increase in Net OPEB Obligation	2,511,181	2,502,815	3,696,365
Net OPEB Obligation-end of year	\$ 17,063,578	\$ 19,566,393	\$ 23,262,758

\*Unfunded Actuarial Accrued Liability (UAAL)

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 2,818,618	\$ 307,437	10.91%	\$ 17,063,578	\$ 70,046,572	41.45%
12/31/2014	\$ 2,810,252	\$ 307,437	10.94%	\$ 19,566,393	\$ 69,330,722	41.87%
12/31/2015	\$ 4,045,616	\$ 349,251	8.63%	\$ 23,262,758	\$ 70,529,164	60.28%

## 6. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$42.5 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$42.5 million.

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

## 7. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

All demographic assumptions, healthcare assumptions, and methods used match those disclosed in the 2015 PEBB OPEB Report published by the Office of the State Actuary. Specifically, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4 percent discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. The healthcare cost inflation trends, which vary by medical plan and age, start at approximately 8 percent in 2015 and gradually decrease to 5 percent in 2070 and beyond. The inflation rate assumption used in the calculation is 3 percent. The data used for this valuation was identified by department number from the data disclosed in the 2015 OPEB Report. Please see <http://osa.leg.wa.gov/index/index.htm> for more detail.

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

### NOTE XIII – JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

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

Animal Control Services is a joint venture governed by a six-member board of which Thurston County is a member. Each member's contribution is based on a formula factoring population and basic service components. Thurston County's cost is based on their computed share of services in compliance with the interlocal agreement with Animal Control Services. The County contributed \$587,333 as its share of operations in 2015 which is 52.73% of the total contributions from participating agencies. The County's equity interest at December 31, 2015 is therefore \$1,790,231. The financial health of this joint venture remains strong mainly due to a steady stream of revenue received from the Cities of Olympia, Lacey, and Tumwater, and Thurston County. Net Position for Animal Control at the end of 2015 totaled \$3,395,090. Complete financial statements for Animal Control can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

Animal Control	
Total Assets	\$ 4,191,588
Total Deferred Outflows of Resources	65,125
Total Liabilities:	(754,572)
Total Deferred Inflows of Resources	(107,051)
Net Position	\$ 3,395,090
Total Revenues	\$ 1,702,849
Total Expenses	1,630,408
Change in Net Position	72,441
Net Position - Beginning as Previously Reported 1/1/215	3,985,247
Change in Accounting Principle	(662,598)
Net Position - Beginning as restated	3,322,649
Net Position - Ending 12/31/2015	\$ 3,395,090

The Inter-local Drug Control Unit is a joint venture governed by a five member executive committee of which Thurston County is a member. Thurston County did not have a computable equity interest in the Inter-local Drug Control Unit in 2015. The Inter-local Drug Control Unit is funded by grants and seizures of drug funds. Financial

information on the Inter-local Drug Control Unit can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

Olympic Region Clean Air Agency is a jointly-governed organization governed by a nine member board of which Thurston County is a member. Thurston County contributed \$61,828 as its share of operations in 2015. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2015. Complete financial statements for ORCAA can be obtained from its administrative office at 2940 B Limited Lane NW, Olympia, Washington 98502.

Thurston Regional Planning Council is a jointly-governed organization governed by a fifteen-member council of which Thurston County is a member. Thurston County contributed \$200,903 as its share of operations in 2015 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2015. Complete financial statements for TRPC can be obtained from its administrative office at 2424 Heritage Court SE Suite A, Olympia, Washington 98502.

The Chehalis River Flood Control Authority is a jointly-governed organization governed by an eleven-member body of which Thurston County is a member. This Authority was formed for the purpose of study, analysis, and implementation of flood control projects to protect the Chehalis River Basin. In 2015, Thurston County contributed \$8,468 for the Operating and Maintenance of the Early Warning System. We do not have an equity interest in this Authority. More information regarding this Authority can be obtained from the Lewis County Community Development Department, at 2025 NE Kresky Ave., Chehalis, Washington 98532.

Thurston County Regional Health and Human Services Council is a jointly-governed organization formed by an interlocal agreement between Thurston County and the cities of Lacey, Olympia and Tumwater. The council was formed for the purpose of working together, joining resources, and consolidating services necessary to address common gaps in meeting basic health and human services needs within this region. The council is governed by one elected official from each participating jurisdiction. The required annual funding contribution from each jurisdiction shall not be less than one half of one percent of the last full year general sales and use tax collected as of the time each jurisdiction is preparing its budget. Thurston County provides administrative staffing for the Council. During 2015, the county contributed \$58,000 as its share of annual operations.

## **NOTE XIV – CLOSURE AND POST CLOSURE CARE COSTS**

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

Cell No. 1, the last landfill cell used for waste disposal at the Hawke's Prairie landfill site, was closed on April 30, 2000. The County's long haul of waste to a regional landfill in Klickitat County was initiated on May 1, 2000. Post closure costs were funded with operating fees through December 31, 2002. The post closure care period was subsequently initiated on January 1, 2003. The estimated remaining liability for post closure care costs is \$16,037,605 on December 31, 2015.

Thurston County, as required by state and federal laws and regulations, made annual contributions to finance post closure care. The County is in compliance with these requirements, and at December 31, 2015 cash and pooled investments of \$15,340,290 are held for these purposes.

The post closure care cost was based on the amount that would have been paid if all equipment, facilities and services required to monitor and maintain the landfill site were acquired as of December 31, 2000. However, the actual cost of post closure care may be higher due to inflation, changes in technology, or changes in landfill laws

and regulations. It is anticipated that future inflation costs will be financed in part from earnings on the cash and investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that may arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

## NOTE XV – FUND BALANCES, GOVERNMENTAL FUNDS

The following table discloses the specific purposes of restricted, committed, assigned and unrestricted fund balances for all governmental funds as of December 31, 2015.

***Specific Purpose Fund Balance Classifications***  
***Governmental Funds***  
***December 31, 2015***  
***Page 1 of 2***

ASSETS	General Fund	Major Special Revenue				Other Funds
		Roads	Medic One	Treatment Sales Tax	Public Health & Social Services	
Nonspendable:						
Fines & Forfeitures	1,703,040	-	-	-	-	-
Inventory	-	543,026	-	-	-	-
Prepayments	43,227	1,776	75,280	-	-	403
Total Non-Spendable	1,746,267	544,802	75,280	-	-	403
Restricted for:						
Capital Projects	-	-	-	-	-	13,989,675
Conservation Futures	-	-	-	-	-	4,559,895
Economic Development	-	-	-	-	-	18,456
Elections	-	-	-	-	-	-
General Obligation Debt	-	-	-	-	-	3,959
Health and Social Services	-	-	-	-	4,264,341	-
Historic Preservation	-	-	-	-	-	523,286
Housing Services	-	-	-	-	-	714,106
Judicial	-	-	-	-	-	463,545
Law Enforcement	-	-	-	-	-	218,778
Legislative/Admin/Support Services	-	-	-	-	-	286,323
Life Support and Transport Services	-	-	7,168,311	-	-	-
Mental Health	-	-	-	3,284,313	-	-
Noxious Weed Control	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	732,098
Public Safety	-	-	-	-	-	719
Purchases on Order	92,244	-	-	-	-	-
Roads Construction	-	-	-	-	-	2,221,638
Roads Operations	-	4,322,361	-	-	-	-
Special assessments	-	-	-	-	-	248,285
Veteran's Relief	-	-	-	-	-	112,317
Water Management	-	-	-	-	-	20,933
Total Restricted	92,244	4,322,361	7,168,311	3,284,313	4,264,341	24,114,013

**Specific Purpose Fund Balance Classifications**  
**Governmental Funds**  
**December 31, 2015**  
**Page 2 of 2**

ASSETS	General Fund	Major Special Revenue				Other Funds
		Roads	Medic One	Treatment Sales Tax	Public Health & Social Services	
Committed for:						
Elections	-	-	-	-	-	76,142
Total Committed	-	-	-	-	-	76,142
Assigned to:						
Capital Projects	-	-	-	-	-	244,150
Conservation Futures	-	-	-	-	-	445,162
Economic Development	-	-	-	-	-	2,720
Elections	-	-	-	-	-	35,455
General Obligation Debt	-	-	-	-	-	944,211
Health and Social Services	-	-	-	-	32,351,838	-
Historic Preservation	-	-	-	-	-	396,265
Housing Services	-	-	-	-	-	555,968
Judicial	-	-	-	-	-	678,165
Law Enforcement	-	-	-	-	-	32,563
Legislative/Admin/Support Services	-	-	-	-	-	167,750
Life Support and Transport Services	-	-	8,460,799	-	-	-
Mental Health	-	-	-	835	-	-
Noxious Weed Control	-	-	-	-	-	186,212
Parks and Recreation	-	-	-	-	-	-
Public Safety	-	-	-	-	-	1,854
Purchases on Order	-	-	-	-	-	-
Roads Construction	-	-	-	-	-	-
Roads Operations	-	15,531,938	-	-	-	-
Special assessments	-	-	-	-	-	17,554
Veteran's Relief	-	-	-	-	-	54,484
Water Management	-	-	-	-	-	9,930
Total Assigned	-	15,531,938	8,460,799	835	32,351,838	3,772,443
Unassigned	13,247,655	-	-	-	-	-
Total Fund Balance	\$ 15,086,166	\$ 20,399,101	\$ 15,704,390	\$ 3,285,148	\$ 36,616,179	\$ 27,963,001

**NOTE XVI – NET INVESTMENT IN CAPITAL ASSETS**

Net Investment in Capital Assets includes all capitalized assets, less outstanding obligations for current and long term bonds, and notes payable related to capital investments. These amounts are adjusted for unexpended bond proceeds, other borrowings, negative equities, debt incurred to finance capital acquisitions by outside parties, and non-capital financings as noted below.

## Reconciliation of Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Depreciation	\$ 473,366,122	\$ 33,833,598
Less: Total Reported Outstanding Debt	(74,534,016)	(5,521,424)
<b>Net Investment in Capital Assets Before Adjustments</b>	<b>398,832,106</b>	<b>28,312,174</b>
Adjustments: Non-County Agency Debt	722,205	-
Un-Expended Debt Proceeds	20,347	-
Negative Investments in Capital Assets	-	7,414
Non-Capital Debt	-	565,547
<b>Net Investment in Capital Assets</b>	<b>\$ 399,574,658</b>	<b>\$ 28,885,135</b>

## NOTE XVII – OTHER DISCLOSURES

### A. Prior Period Adjustments

The county reported a \$485,994 prior period adjustment related to the retirement, and other similar adjustments, of several of the county's capital assets due to an account clean-up project in 2015.

### B. Cumulative Effect of Change in Accounting Principle

The County reported a Cumulative Effect of Change in Accounting Principle of \$45,624,812 and \$6,220,145 in Governmental Activities and Business-Type Activities respectively. Both of these entries were a result of the county's implementation of GASB 68 – which, among other things, required the recording of a direct charge to Beginning Net Position equal to the beginning balance of the Net Pension Liability to start 2015. See a further description below. The Governmental Activities amount is broken down to \$39,844,136 related to Governmental Funds and \$5,780,676 related to Internal Service Funds.

### C. Fund Changes

The following changes to County funds took place during 2015:

- The Tilley Master Plan Fund, a non-major Capital Projects fund, was closed during 2015 because the capital projects associated with this fund have all been completed.

The following funds were established in 2015 and added to the 2015 financial statements:

- Historic Preservation
- GO Bonds – 2015

### D. Contingencies

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

## E. Accounting and Reporting Changes

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

- GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This standard is preferable because it will improve the decision-usefulness of information in the county's financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. Because of this standard, the beginning Net Position of several funds were changed.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This standard is preferable because it will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the county's accrual-basis financial statements. This benefit will be achieved without the imposition of significant additional costs. Because of this standard, the beginning Net Position of several funds were changed. This standard works in conjunction with GASB 68 just described.

## NOTE XVIII – SUBSEQUENT EVENTS

On September 15, 2015, the Board of County Commissioners of Thurston County passed resolution #15183 that resolved the county to enter into an Interlocal Agreement with Mason County, a neighboring county of Thurston, which established the Thurston Mason Behavioral Health Organization (TMBHO). The purpose of the agreement is to establish a Behavioral Health Organization (BHO) to carry out the responsibilities of a BHO according to Washington State Law, Revised Code of Washington 71.24.300. This law became effective April 1, 2016. The board of the TMBHO is comprised of two Thurston County Commissioners and one Mason County Commissioner. Beginning in 2016, the county set up the TMBHO as one of its Agency Funds at the direction of its outside auditor, the Washington State Auditor's Office. The TMBHO board shall be responsible for reviewing, modifying, approving and adopting budgets and contracts.

Up until April of 2016, the duties of this new organization were performed by the county's Public Health Fund, a Major Special Revenue fund. Because a large portion of this fund's activities was directly associated with the new BHO activities, the balances in many of the county's Public Health fund will change drastically starting in 2016.



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

**LEOFF 1 Retiree Medical Benefits**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ -	\$ 5,340,148	\$ 5,340,148	0%	\$ 102,327	5218.71%
12/31/2014	\$ -	\$ 7,995,574	\$ 7,995,574	0%	\$ 98,584	8110.42%
12/31/2015	\$ -	\$ 10,444,694	\$ 10,444,694	0%	\$ 133,718	7810.99%

**PEBB Retiree Medical Benefits**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ -	\$ 29,032,065	\$ 29,032,065	0%	\$ 70,046,572	41.45%
12/31/2014	\$ -	\$ 29,032,066	\$ 29,032,066	0%	\$ 69,330,722	41.87%
12/31/2015	\$ -	\$ 42,516,605	\$ 42,516,605	0%	\$ 70,529,164	60.28%

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

**Thurston County  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30, 2015  
Last 10 Fiscal Years\***

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.541111%
Employer's proportionate share of the net pension liability	\$28,305,295
Employer's covered employee payroll	\$ 1,230,587
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	4.35%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

Notes to Schedule:

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

**Thurston County**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**PERS 2/3**  
**As of June 30, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.56903%
Employer's proportionate share of the net pension liability	\$20,331,695
Employer's covered employee payroll	\$50,535,914
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	248.56%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

Notes to Schedule:

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

**Thurston County**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**PSERS**  
**As of June 30, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	2.97578%
Employer's proportionate share of the net pension liability (asset)	\$ 543,139
Employer's covered employee payroll	\$ 8,732,083
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1607.71%
Plan fiduciary net position as a percentage of the total pension liability	95.08%

Notes to Schedule:

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

**Thurston County**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**LEOFF 1**  
**As of June 30, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.04875%
Employer's proportionate share of the net pension liability (asset)	\$ (587,485)
Employer's covered employee payroll	\$ 97,578
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(16.61%)
Plan fiduciary net position as a percentage of the total pension liability	127.36%

Notes to Schedule:

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

**Thurston County**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**LEOFF 2**  
**As of June 30, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.25764%
Employer's proportionate share of the net pension liability	\$ (2,648,014)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>(249,685)</u>
<b>TOTAL</b>	<u><b>\$ (2,648,014)</b></u>
Employer's covered employee payroll	\$ 7,505,894
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(283.45%)
Plan fiduciary net position as a percentage of the total pension liability	111.67%

Notes to Schedule:

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

**Thurston County  
Schedule of Employer Contributions  
PERS 1  
As of December 31, 2015  
Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contributions	\$ 115,806
Contributions in relation to the contractually required contributions	<u>115,777</u>
Contribution deficiency (excess)	<u><u>\$ 28</u></u>
Employer's covered employee payroll	\$ 1,136,767
Contributions as a percentage of covered employee payroll	10.18%

Notes to Schedule:

**Thurston County  
Schedule of Employer Contributions  
PERS 2/3  
As of December 31, 2015  
Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contributions	\$ 5,219,050
Contributions in relation to the contractually required contributions	<u>5,217,536</u>
Contribution deficiency (excess)	<u><u>\$ 1,514</u></u>
Employer's covered employee payroll	\$51,167,804
Contributions as a percentage of covered employee payroll	10.20%

Notes to Schedule:



**Thurston County**  
**Schedule of Employer Contributions**  
**PSERS**  
**As of December 31, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contributions	\$ 990,836
Contributions in relation to the contractually required contributions	<u>989,980</u>
Contribution deficiency (excess)	<u><u>\$ 856</u></u>
Employer's covered employee payroll	\$ 8,965,975
Contributions as a percentage of covered employee payroll	11.04%

Notes to Schedule:

**Thurston County**  
**Schedule of Employer Contributions**  
**LEOFF 1**  
**As of December 31, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contributions	\$ 158
Contributions in relation to the contractually required contributions	<u>158</u>
Contribution deficiency (excess)	<u><u>\$ 0</u></u>
Employer's covered employee payroll	\$ 87,795
Contributions as a percentage of covered employee payroll	0.18%

Notes to Schedule:

**Thurston County**  
**Schedule of Employer Contributions**  
**LEOFF 2**  
**As of December 31, 2015**  
**Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contributions	\$ 401,273
Contributions in relation to the contractually required contributions	<u>401,274</u>
Contribution deficiency (excess)	<u><u>\$ (1)</u></u>
Employer's covered employee payroll	\$ 7,672,529
Contributions as a percentage of covered employee payroll	5.23%

Notes to Schedule:

**Thurston County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent for Public Instruction)	School Breakfast Program	10.553	N/A	16,481	-	16,481	-	
	National School Lunch Program	10.555	N/A	25,916	-	25,916	-	
Total Child Nutrition Cluster:				42,397	-	42,397	-	
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	N/A	-	574	574	-	
Total Forest Service Schools and Roads Cluster:				-	574	574	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-53-0007	-	177,758	177,758	137,507	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-53-0007	-	510,212	510,212	371,172	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-53-0007	-	121,851	121,851	121,851	
Total CFDA 14.218:				-	809,821	809,821	630,530	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington Department of Commerce)	Emergency Solutions Grant Program	14.231	14-46107-011	180,797	-	180,797	166,924	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M12-DC-53-0207	-	33,750	33,750	33,750	

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	14.239	Home Investment Partnerships Program	M13-DC-53-0207	-	150,794	150,794	123,514
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.239	Home Investment Partnerships Program	M14-DC-53-0207	-	584,602	584,602	554,968
			<b>Total CFDA 14.239:</b>	-	<b>769,146</b>	<b>769,146</b>	<b>712,232</b>
Fish And Wildlife Service, Department Of The Interior	15.608	Fish and Wildlife Management Assistance	F15AC00452	-	8,761	8,761	-
Fish And Wildlife Service, Department Of The Interior (via Washington Department of Fish and Wildlife)	15.615	Cooperative Endangered Species Conservation Fund	WDFW # 14-02365	27,553	-	27,553	-
Fish And Wildlife Service, Department Of The Interior (via Washington Department of Fish and Wildlife)	15.615	Cooperative Endangered Species Conservation Fund	WDFW # 132232	226,352	-	226,352	-
			<b>Total CFDA 15.615:</b>	<b>253,905</b>	-	<b>253,905</b>	-
Fish And Wildlife Service, Department Of The Interior	15.657	Endangered Species Conservation – Recovery Implementation Funds	F13AP00598	-	110,955	110,955	-
Violence Against Women Office, Department Of Justice	16.021	Justice Systems Response to Families	2014-FJ-AX-003	-	57,877	57,877	-
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	16.575	Crime Victim Assistance	S15-31119-037	43,722	-	43,722	-
Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce)	16.575	Crime Victim Assistance	S16-31119-037	46,082	-	46,082	-
			<b>Total CFDA 16.575:</b>	<b>89,804</b>	-	<b>89,804</b>	-
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	16.588	Violence Against Women Formula Grants	N/A	16,059	-	16,059	-

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Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	16.588	F14-31103-103	47,861	-	47,861	-
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	16.588	F14-31103-032	15,809	-	15,809	-
<b>Total CFDA 16.588:</b>			<b>79,729</b>	<b>-</b>	<b>79,729</b>	<b>-</b>
Bureau Of Justice Assistance, Department Of Justice	16.606	2015 SCAAP	-	25,500	25,500	-
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Washington Department of Social and Health Services)	16.727	1163-27329	3,000	-	3,000	3,000
Bureau Of Justice Assistance, Department Of Justice	16.738	2012-DJ-BX-0467	-	27,672	27,672	-
Bureau Of Justice Assistance, Department Of Justice	16.738	2013-DJ-BX-0216	-	8,663	8,663	-
Bureau Of Justice Assistance, Department Of Justice (via Lacey- Thurston County Narcotics Task Force)	16.738	N/A	68,313	-	68,313	-
Bureau Of Justice Assistance, Department Of Justice (via Lacey- Thurston County Narcotics Task Force)	16.738	M14-31440-011	37,424	-	37,424	-
Bureau Of Justice Assistance, Department Of Justice (via Lacey- Thurston County Narcotics Task Force)	16.738	F15-31440-011	30,889	-	30,889	-
<b>Total CFDA 16.738:</b>			<b>136,626</b>	<b>36,335</b>	<b>172,961</b>	<b>-</b>
National Institute Of Justice, Department Of Justice (via Washington State Patrol)	16.742	K10418	10,405	-	10,405	-
<b>Highway Planning and Construction Cluster</b>						
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	20.205	HPP-2034 (065)	138,651	-	138,651	-

The accompanying notes are an integral part of this schedule.

Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPR-H345-(003)	21,252	-	21,252	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPR-C344 (001)	402	-	402	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5292 (004)	190,126	-	190,126	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	BRS-C341 (002)	20,522	-	20,522	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (265)	305,574	-	305,574	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5252 (010)	4,030	-	4,030	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-2034 (070)	4,720	-	4,720	-
Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5271 (001)	105,708	-	105,708	-
<b>Total Highway Planning and Construction Cluster:</b>				<b>790,985</b>	<b>-</b>	<b>790,985</b>	<b>-</b>
<b>Highway Safety Cluster</b>							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	15ST-19 Amend #1	13,297	-	13,297	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	595	-	595	-

The accompanying notes are an integral part of this schedule.

National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	8,036	-	8,036	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	3,867	-	3,867	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	12,736	-	12,736	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,173	-	1,173	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	AL15-05	548	-	548	-
<b>Total CFDA 20.600:</b>				<b>40,252</b>	-	<b>40,252</b>	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	6,097	-	6,097	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	M11-15-01	45,050	-	45,050	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	1,634	-	1,634	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	1,037	-	1,037	-

The accompanying notes are an integral part of this schedule.



National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	814	-	814	-	4
		<b>Total CFDA 20.616:</b>		<b>48,535</b>	-	<b>48,535</b>	-	
		<b>Total Highway Safety Cluster:</b>		<b>94,884</b>	-	<b>94,884</b>	-	
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	2013-63	5,911	-	5,911	-	
Region 10, Environmental Protection Agency (via Washington Department of Fish and Wildlife)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WDFW Contract # 15-03130	91,816	-	91,816	-	5
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J90301	106,365	-	106,365	-	
Region 10, Environmental Protection Agency (via Washington Department of Commerce)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	14-63401-006	82,904	-	82,904	-	5
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2016-35	16,156	-	16,156	-	
Region 10, Environmental Protection Agency	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PO-00J12401	-	101,017	101,017	-	5
Region 10, Environmental Protection Agency (via Washington Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17129	219,268	-	219,268	-	
<b>Clean Water State Revolving Fund Cluster</b>		<b>Total CFDA 66.123:</b>		<b>516,509</b>	<b>101,017</b>	<b>617,526</b>	-	

The accompanying notes are an integral part of this schedule.

Office Of Water, Environmental Protection Agency (via Washington Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1200016-07	9,792	-	9,792	-
<b>Drinking Water State Revolving Fund Cluster</b>				<b>9,792</b>	<b>-</b>	<b>9,792</b>	<b>-</b>
<b>Total Clean Water State Revolving Fund Cluster:</b>							
Office Of Water, Environmental Protection Agency (via Washington Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N21246	10,922	-	10,922	-
<b>Drinking Water State Revolving Fund Cluster</b>				<b>10,922</b>	<b>-</b>	<b>10,922</b>	<b>-</b>
<b>Total Drinking Water State Revolving Fund Cluster:</b>							
U.s. Election Assistance Commission (via Office of the Secretary of State)	Help America Vote Act Requirements Payments	90.401	G-2585 2C, CD	4,703	-	4,703	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Public Health Emergency Preparedness	93.069	C17129	116,988	-	116,988	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Sodium Reduction in Communities	93.082	C17129	65,051	-	65,051	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C17129	25,137	-	25,137	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1369-83134	78,344	-	78,344	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-90047	97,791	-	97,791	95,561

The accompanying notes are an integral part of this schedule.

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	C17129	57,225	-	57,225	-
Office Of The Secretary, Department Of Health And Human Services	National Community Centers of Excellence in Women's Health	93.290	5 CCEWH111027-04-00/5	-	316,030	316,030	-
Administration For Children And Families, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80383	1,041,375	-	1,041,375	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	C17129	45,095	-	45,095	-
<b>Medicaid Cluster</b>							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Medical Assistance Program	93.778	1163-35273	215,298	-	215,298	-
<b>Total Medicaid Cluster:</b>				<b>215,298</b>	<b>-</b>	<b>215,298</b>	<b>-</b>
Office Of The Secretary, Department Of Health And Human Services (via Washington Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C17129	35,407	-	35,407	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Block Grants for Community Mental Health Services	93.958	1369-76936	363,367	-	363,367	363,367
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27329	351,149	-	351,149	251,919

The accompanying notes are an integral part of this schedule.



**THURSTON COUNTY**  
**Notes to the Schedule of Expenditures of**  
**Federal Awards**  
**For the Year Ended December 31, 2015**

**NOTE 1 – BASIS OF ACCOUNTING**

The Schedule of Financial Assistance is prepared on the same basis of accounting as Thurston County's financial statements. Thurston County uses the accrual basis of accounting for all funds except the government types and agency funds, which use the modified accrual basis of accounting. There is one exception to this general rule. See Note 10 below for a further explanation.

**NOTE 2 – PROGRAM COSTS**

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

**NOTE 3 – NONCASH AWARDS**

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

**NOTE 4 – NOT AVAILABLE (N/A)**

The County was unable to obtain other identification numbers.

**NOTE 5 – INDIRECT COST RATE**

The amount expended includes indirect cost recovery. The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The following provides details of the indirect costs recovered:

CFDA #	Contract #	Indirect Cost Rate	Amount
15.657	F13AP00598	10%	\$9,516.77
93.563	2110-80383 with Prosecuting Attorney's Office	9.45%	\$50,068
93.563	2110-80383 with Clerk	9.84%	\$29,392
93.563	2110-80383 with Superior Court	8.25%	\$6,571
66.123	14-63401-006	25%	\$6,654.92
66.123	PO-00J12401	24.18%	\$9,898.94
66.123	WDFW #15-03130	25%	\$7,633.95
14.231	14-46107-011	3%	\$5,618.73
14.218	B-15-UC-53-007	7%	\$7,052.02
14.218	B-14-UC-53-007	7%	\$44,978.17

14.239	M14-DC-53-0207	3%	\$15,609.16
93.243	1363-90047	2%	\$1,115.03
93.959	1163-27329	16%	\$49,615
93.290	5 CCEWH111027-04-00/5 CCEWH111027-05-00	24%	\$13,630.76
93.082	C17129	24%	\$12,022.75
93.758	C17129	24%	\$8,005.29
66.122	2013-63	30%	\$803.25
66.123	C17129	30%	\$39,356.08
93.994	C17129	30%	\$52,010.96
93.069	C17129	30%	\$30,163.92
93.889	C17129	30%	\$8,421.41

#### **NOTE 6 – MEDICAL ASSISTANCE PROGRAM**

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

#### **NOTE 7 – FEDERAL LOANS**

The County received a loan approved by EPA and DOE totaling \$9,792 including the federal portion of the loan. The purpose of the loan is to provide low interest loans to repair or replace failing or antiquated on-site sewage systems or connect to sewer where available to owners of eligible Thurston County properties. The amount listed for this loan includes the amount used during 2015.

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

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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