



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Thurston County

For the period January 1, 2018 through December 31, 2018

Published July 5, 2019

Report No. 1024135





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

July 5, 2019

Board of Commissioners
Thurston County
Olympia, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Thurston County January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

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

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

The County qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Thurston County
January 1, 2018 through December 31, 2018**

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, as of and for the year ended December 31, 2018, 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 27, 2019. As discussed in Note 12 to the financial statements, during the year ended December 31, 2018, the County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

June 27, 2019

**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, 2018 through December 31, 2018

Board of Commissioners
Thurston County
Olympia, Washington

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

We have audited the compliance of Thurston County, 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, 2018. 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, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

June 27, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Thurston County **January 1, 2018 through December 31, 2018**

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Medic One, Public Health & Social Services and Roads & 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 12 to the financial statements, in 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information listed on page 16 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 27, 2019 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

June 27, 2019

FINANCIAL SECTION

Thurston County January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018

General and Major Special Revenue Fund Budgetary Comparisons – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2018

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 2 – 2018

Changes in Total OPEB Liability – PEBB, LEOFF 1 – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- Total Fund Balance for the General Fund increased to \$12.8 million at December 31, 2018 compared to \$11.9 million at the end of 2017. Total ending Fund Balance represents 12.5% of 2018 General Fund total expenditures compared to 12.3% in 2017. It should be noted that of this \$0.9 million increase in fund balance, there was a one-time increase to fund balance of \$3.1 million for a Sales Tax revenue accrual adjustment. Had this accrual entry not happened, fund balance would've decreased by \$2.2 million mainly due to increased interfund charges because of a strategic building up of reserves and staffing and benefit rate increases. Details of these factors are discussed later in this report.
- 2018 was the first year of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) implementation. This new standard replaced GASB 45. This new standard required an adjustment to 2018 beginning Net Position. This adjustment, made via a Cumulative Effect of Change in Accounting Principle, reduced the Net Position of Governmental Activities by \$12.6 million and Business-Type Activities by approximately \$700,000. The ending 2018 Other Post-Employment Benefits Payable for Governmental Activities increased by \$13 million. This new standard also added a new Deferred Outflow of Resources and Deferred Inflow of Resources related to OPEB in both the Governmental and Business-Type Activities.
- The GASB 68 Net Pension Liability decreased by \$11 million and \$1.5 million in the Governmental Activities and Business-Type Activities respectively. This decrease was due to an increase at the statewide level of required employer and employee rates. The County's Net Pension Liability was \$29.3 million for Governmental Activities and \$3.8 million in Business-type activities.
- For 2018, total Net Position of the County (governmental and business-type, combined) stayed constant compared to 2017. The 2018 balances are comprised of the following:
 1. Net Investment in Capital Assets, of \$447.7 million. This includes property, infrastructure, and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of the County's capital assets.
 2. Restricted net position of \$62 million represents the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 3. Unrestricted net position of \$49.2 million represents the portion not restricted by outside constraints.
- Remaining capacity for non-voted and voted debt was \$425 million and \$747 million respectively.
- Enterprise funds stayed very consistent compared to prior years with just marginal expected increases as population gradually continues to increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thurston County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: governmental, proprietary, or fiduciary.

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

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

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

The County maintains budgetary controls with an annual appropriated budget to ensure compliance with legal provisions. The County moved to a biannual budget beginning in 2017. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund, and special revenue, debt service, and capital project funds with statutorily mandated budgets. Major fund budgetary variance statements are included with the basic financial statements, while non-major fund budget variance schedules follow the combining fund statements. Budgetary variances for the General Fund are discussed in more detail in a subsequent section.

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

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

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 the changes in total OPEB Liabilities for both the PEBB and LEOFF 1 per GASB 75 as well as schedules required per GASB 68 including a schedule of employer contributions and a schedule of proportionate share of the Net Pension Liability for each of the five retirement plans in which the County participates.

Statistical Section

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Over time, Net Position serves as a useful indicator of a government's financial position. As indicated in the condensed financial information on the following pages, which was derived from the government-wide Statement of Net Position, the County's combined net position (governmental and business-type activities) was \$559 million at the end of 2018. This reflects an increase of \$20.3 million from prior year. This increase was due to an increase of \$5.1 million in cash in the Solid Waste and Stormwater Enterprise funds, a \$10.5 million increase in Capital Assets due to additional construction in progress and infrastructure assets, a one-time increase of \$7.3 million in receivables for sales tax accruals, and a \$5.8 million reduction in Bonds Payable because of annual payments.

Of the County's total Net Position, \$447.7 million, or 80%, is invested in capital assets net of related debt. These assets provide services to County citizens and are not available for future spending purposes. However, resources needed to repay debt must be provided by other sources since capital assets cannot be readily liquidated to pay these liabilities. Of the County's total Net Position, \$62 million, or 11.1%, 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 \$49.2 million, or 8.9%, is unrestricted and represents the amount that is not restricted by outside sources. This increase was mainly due to annual depreciation and debt payments.

Thurston County reported \$753 million of total assets as of December 31, 2018, compared to \$729.6 million for 2017. This represents an increase of \$23.4 million. This increase was a result of the Cash and Pooled Investments increasing by \$5.1 million, Capital Assets increasing by \$10.4 million, and Customer Accounts Receivable increasing by \$7.2 million. The Receivable increase was due to the County accruing Sales Tax revenue, earned in the latter part of 2018 but not collected until early 2019, for the first time in several of its Governmental funds.

Thurston County's total liabilities decreased in 2018 compared to 2017, by \$4.9 million, or 2.6%. The decrease was mainly due to a reduction in the GASB 68 Pension Liability and annual debt payments. The pension reduction was due to a change in the employer and employee contribution rates at the State level to two of the County's larger pension plans.

The County reported a Total Deferred Inflow of Resources of \$16.8 million in 2018, which was an increase of \$7.6 million over 2017. This was mainly due to due to changes in Pension related balances.

The condensed financial information that follows is derived from the Government-Wide Statement of Net Position and reflects how the County's net position in 2018 compares with 2017:

Thurston County Net Position

	Governmental Activities		Business-type Activities		Total	
Account	2018	2017	2018	2017	2018	2017
Current & Non-Capital Assets	\$ 175,141,521	\$ 167,487,613	\$ 69,749,435	\$ 64,488,238	\$ 244,890,956	\$ 231,975,851
Capital Assets	476,226,127	464,579,272	31,896,808	33,081,137	508,122,935	497,660,409
Total Assets	651,367,648	632,066,885	101,646,243	97,569,375	753,013,891	729,636,260
Total Deferred Outflow of Resources	8,509,576	8,840,564	726,107	813,750	9,235,683	9,654,314
Current Liabilities	18,648,157	18,132,344	4,067,903	4,196,853	22,716,060	22,329,197
Long Term Liabilities	140,484,327	143,027,616	23,337,263	26,064,703	163,821,590	169,092,319
Total Liabilities	159,132,484	161,159,960	27,405,166	30,261,556	186,537,650	191,421,516
Total Deferred Inflow of Resources	15,241,339	8,331,214	1,515,386	854,308	16,756,725	9,185,522
Net Investment in Capital Assets	417,421,171	401,510,661	30,295,391	30,282,873	447,716,562	431,793,534
Restricted	61,570,890	59,678,896	431,544	653,567	62,002,434	60,332,463
Unrestricted	6,511,340	10,226,718	42,724,863	36,330,821	49,236,203	46,557,539
Total Net Position	\$ 485,503,401	\$ 471,416,275	\$ 73,451,798	\$ 67,267,261	\$ 558,955,199	\$ 538,683,536

Governmental activities – During 2018, the total net position for Governmental activities realized an increase of \$14.1 million due to activity over prior year. \$417.4 million in total net position was invested in capital assets, which is an increase of \$15.9 million over prior year. \$61.6 million in net position is restricted and \$6.5 million is unrestricted net position. The unrestricted amount decreased by \$3.7 million over prior year mainly due to the reduction in Pension Liability discussed earlier. Nearly all unrestricted assets are assigned for certain purposes but are essentially available for any future spending purposes based on actions and decisions by Thurston County's Board of County Commissioners.

Business-type activities – During 2018, the Business-type activity accounts remained constant compared to prior year balances. Overall, the Net Position amount did increase by \$6.1 million, to \$73.4 million. Net Invested in Capital Assets was \$30.3 million. Restricted Net Position and Unrestricted Net Position were \$432,000 and \$42.7 million respectively. The latter category of net position is available for future spending in the Business-Type funds and increased by \$6.4 million because of the Pension Liability decrease previously discussed.

Analysis of the Statement of Activities

The following chart presents key elements in the Statement of Activities. In 2018, total County primary government revenues increased by \$22.4 million, up to \$247.3 million, compared to prior year. The main reason for this is was the County recorded more Capital Contributions from developers compared to prior year. Most of the major tax categories realized smaller increases in collections including Property, Sales, and Business and Harvest taxes. Total Primary County governmental expenses remained very constant compared to prior year.

Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$ 30,964,726	\$ 33,765,480	\$ 39,509,998	\$ 37,672,623	\$ 70,474,724	\$ 71,438,103
Operating Grants & Contrib.	23,489,002	20,730,972	131,367	57,657	23,620,369	20,788,629
Capital Grants & Contrib.	22,261,488	9,495,496	366,364	31,868	22,627,852	9,527,364
General Revenues:						
Taxes	124,373,225	119,530,683	-	-	124,373,225	119,530,683
Interest and Invest. Earnings	4,980,211	2,824,553	213,927	106,725	5,194,138	2,931,278
Other General Revenues	946,432	346,439	58,230	288,990	1,004,662	635,429
Total Revenues	207,015,084	186,693,623	40,279,886	38,157,863	247,294,970	224,851,486
Program Expenses: (Net)						
General Government	11,326,493	10,317,986	-	-	11,326,493	10,317,986
Culture and Recreation	3,007,329	3,160,143	-	-	3,007,329	3,160,143
Economic Environment	7,710,811	7,884,987	-	-	7,710,811	7,884,987
Health and Human Services	39,271,956	37,750,552	-	-	39,271,956	37,750,552
Utilities and Environment	1,425,547	2,635,800	-	-	1,425,547	2,635,800
Public Safety	86,360,254	85,512,732	-	-	86,360,254	85,512,732
Transportation	29,951,132	30,746,668	-	-	29,951,132	30,746,668
Interest	2,042,183	2,252,694	-	-	2,042,183	2,252,694
Solid Waste	-	-	22,309,307	22,510,430	22,309,307	22,510,430
Water	-	-	933,885	958,571	933,885	958,571
Sewer	-	-	1,975,390	1,993,535	1,975,390	1,993,535
Stormwater	-	-	4,877,917	5,543,737	4,877,917	5,543,737
Land Use & Permitting	-	-	4,463,126	4,521,517	4,463,126	4,521,517
Total Expenses	181,095,705	180,261,562	34,559,625	35,527,790	215,655,330	215,789,352
Excess (Deficiency) of Revenues Over (Under) Expenses Before Transfers	25,919,379	6,432,061	5,720,261	2,630,073	31,639,640	9,062,134
Transfers	(1,183,980)	177,999	1,183,980	(177,999)	-	-
Special Item - Transfer to BHO	(5,229,766)	-	-	-	(5,229,766)	-
Change in Net Position	19,505,633	6,610,060	6,904,241	2,452,074	26,409,874	9,062,134
Net Position as of January 1	471,416,275	470,895,852	67,267,261	64,815,187	538,683,536	535,711,039
Cumulative Effect of Change in Accounting Principle	(5,418,507)	(6,089,637)	(719,704)	-	(6,138,211)	(6,089,637)
Restated Net Position as of January 1	465,997,768	464,806,215	66,547,557	64,815,187	532,545,325	529,621,402
Ending Net Position	\$ 485,503,401	\$ 471,416,275	\$ 73,451,798	\$ 67,267,261	\$ 558,955,199	\$ 538,683,536

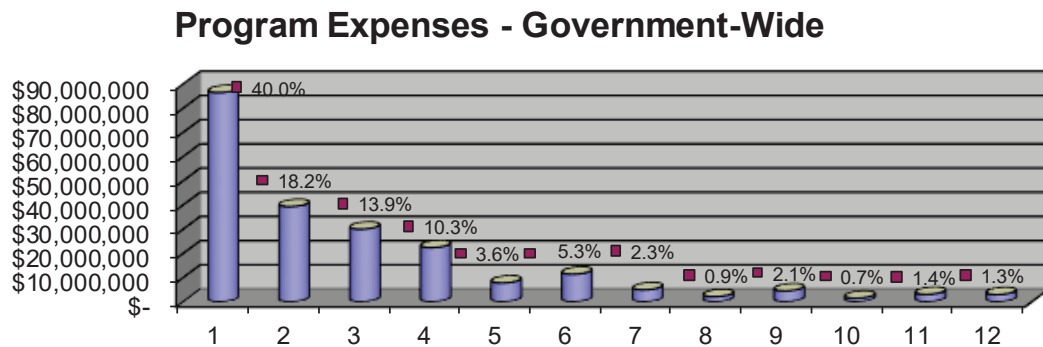
In 2018 Governmental activities provided \$207 million in revenues (83.7% of total revenues), while business type activities provided \$40.3 million (16.3% of total revenues). The two largest governmental revenues are - taxes at \$124.4 million, or 60.1%, of total governmental revenues and charges for services at \$31 million, or 15%, of total governmental revenues. The remaining 24.9% of governmental revenues include operating grants, capital grants, interest and investment earnings and other general revenues.

In 2018, charges for services were \$39.5 million, or 98%, of total business-type revenues, which were \$40.3 million. This represents an increase of just \$1.8 million over 2017. Within this category, Solid Waste fund revenues were \$25.1 million, or 63.5%.

Total governmental expenses increased by just \$0.8 million. Most revenue categories stayed very constant compared to prior year.

The governmental and business-type expense distribution of \$181.1 million, or 84%, and \$34.6 million, or 16%, closely resembles the distribution from the prior year.

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



Legend:

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

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

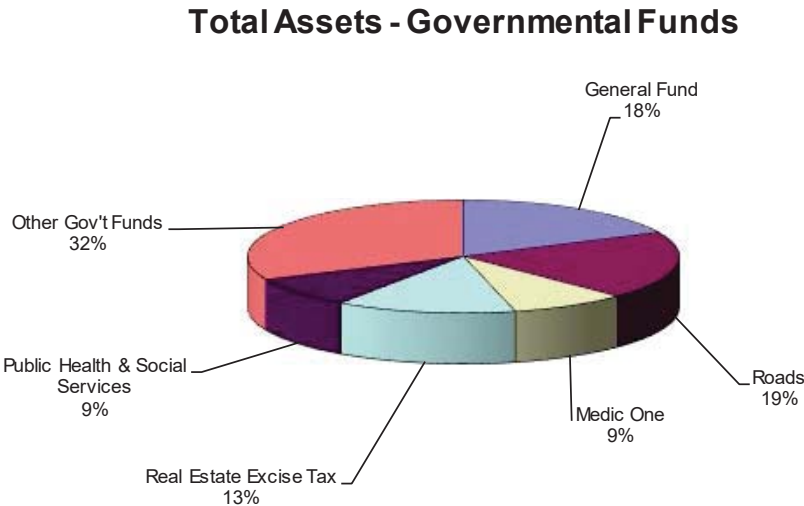
Following is an analysis of the County's major governmental and proprietary funds.

Governmental Funds Analysis

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

The County's governmental funds reported a combined total ending fund balance of \$102.8 million, an increase of \$8.5 million from prior year (\$94.3 million). Most of this increase was due to an increase in Customer Accounts Receivable of \$7.5 million. This was due to the County accruing additional Sales Tax Revenues in several of its funds that were not accrued in prior years.

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

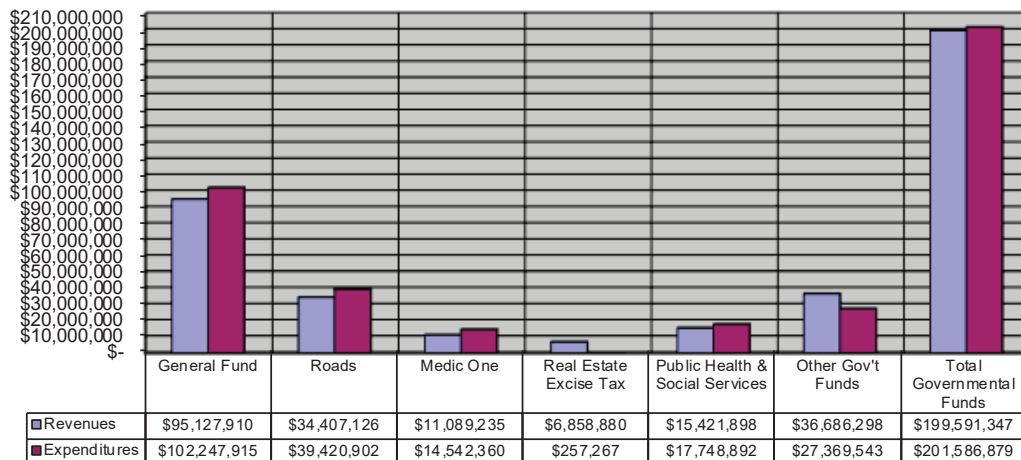


Governmental Fund revenues in 2018 increased vs. 2017 by \$12.8 million, mainly in the Taxes and Intergovernmental categories. Taxes increased due to the Sales Tax accrual described in the previous paragraph.

Governmental expenditures in 2018 were higher than 2017 by \$15.4 million, or 8.3%, mainly in the Public Safety and Capital Outlay categories. In Public Safety, the Salaries and Benefits accounts in several departments increased. For Capital Outlay, the Roads fund had more road overlay project activity compared to prior year.

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 2018, the General Fund and the Roads Fund accounted for 64.9% of total revenues and 70.2% of total expenditures.

For 2018 the County is reporting the following as major governmental funds: General, Roads, Medic One, Real Estate Excise Tax, Public Health and Social Services, and Other Governmental.

The following are highlights related to each major fund in 2018:

The **General Fund** is the chief operating fund of the County. The General Fund's total ending fund balance was \$12.8 million at the end of 2018, compared to \$11.9 million at the end of 2017. This represents an increase of \$0.9 million compared to prior year. Most of this increase, however, was due to the one-time accrual of additional Sales Tax revenue the County decided to do to get it more in compliance with GAAP. This resulted in an increase of fund balance of \$3.1 million (\$2.9 million as a prior period adjustment and \$0.2 million as additional revenue collections over the same time last year). Had this one-time transaction not taken place, fund balance would've decreased by \$2.2 million. This balance has been a focus of County financial officials over the past two years as the balance has decreased significantly since 2016. At that time, the reported fund balance was \$17.3 million. The County is assessing its General Fund operations and will make adjustments for the upcoming year.

Total Unassigned fund balance was \$12.7 million compared to \$11.5 million at the end of 2017. This increase corresponds closely with the above-stated difference in total fund balance as the other categories of Fund Balance changed very little from prior year.

General Fund total assets were \$22.1 million and total liabilities were \$5 million at the end of 2018. Compared to 2017, assets increased by just \$1.1 million, or 5.2%, and liabilities increased by 6.4%. The main decrease in assets was in the cash and pooled investments and due from other governments accounts and the main increase was in the Customer Accounts Receivable.

General Fund revenues increased by \$4.8 million, or 5.3%, from 2017 to 2018 due to increases in property and sales taxes. General Fund expenditures increased by \$5.4 million, or 5.6%. This increase was mainly due to staffing increases in the Public Safety function and payroll/benefit rate increases across all functions.

The General Fund also had a \$2.9 million prior period adjustment that increased beginning Fund Balance. This is related to the recognition of sales tax revenue previously described. The County is now recognizing the first two months of sales cash collections in the new year as revenues of the prior year, an adjustment had to be made to beginning year fund balance so as to still only have 12 months of revenue reported for 2018.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. Balance Sheet activity in this fund remained fairly constant compared to prior year with total assets increasing by only \$1.3 million and total liabilities increasing by \$0.3 million. As a result, Fund Balance in this fund increased by only \$1 million compared to last year.

Compared to 2017, revenues in the Roads fund increased by \$4.1 million, or 13.5%. Expenditures increased by \$8.4 million, or 27.1% in 2018 mainly due to more road construction activity being performed than prior year. Grant funds, and the spending thereof, contributed to these increases. Additionally, this fund also had \$3.6 million more in transfers-in to help pay for the increase in construction activity.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2018, Medic One's total assets decreased by \$4.8 million, or 30.8% compared to prior year. The reason for this decrease was this fund purchased several ambulances at year-end 2017 that it paid for in early 2018. Total liabilities decreased by \$1.5 million which is related to the ambulance purchase just noted. Several of these were purchased near year-end 2017 which did not happen at year-end 2018.

Both revenues and expenditures in this fund remained fairly constant, increasing by just \$400,000 and \$1.2 million respectively. Fund Balance, on the other hand, is \$9.4 million at year end, decreasing by \$3.3 million over 2017, or 26%.

The **Real Estate Excise Tax** fund is a Capital Projects fund established for holding excise tax proceeds dedicated to capital projects from the one-half percent tax on real property sales in unincorporated Thurston County. Cash is the main asset in this fund and this balance increased by \$1 million over 2017. Likewise, revenues in this fund increased by \$1.1 million over 2017 mainly due to an increase in real estate activity over prior year.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Total assets and total liabilities remained very constant compared to prior year. Revenues, decreased by just \$1.1 million, or 6.7%. Expenditures increased by \$1.2 million, or 7.3%. Because of an intergovernmental loan of \$575,000, Fund Balance in this fund remained constant compared to prior year.

The **Other Governmental Funds** is a major fund comprised of all non-major Special Revenue, Capital Projects, and Debt Service funds of the County. Total assets in this major fund increased by \$10.3 million mainly due to the Sales Tax accrual in the TCOMM and Treatment Sales Tax non-major funds as well as cash balance increases across most funds as more interest was earned during the year. As such, Fund Balance increased by \$9.7 million.

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	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds
Cash & Pooled Investments	\$ 32,688,617	\$ 1,937,855	\$ 12,238,550	\$ 2,725,693	\$ 1,525,237	\$ 51,115,952
Other Current Assets	1,657,516	740,646	658,100	265,377	140,663	3,462,302
Restricted Assets:						
Cash and Pooled Investments	-	65,038	-	-	48,661	113,699
Total Current Assets	34,346,133	2,743,539	12,896,650	2,991,070	1,714,561	54,691,953
Long-Term Assets:						
Receivables	-	-	-	-	275,580	275,580
Capital Assets	8,607,472	13,469,310	6,912,187	21,780	2,886,059	31,896,808
Restrict Assets: Cash and Pooled Investments	13,528,424	-	-	-	-	13,528,424
Total Long Term Assets	22,135,896	13,469,310	6,912,187	21,780	3,161,639	45,700,812
Total Assets	56,482,029	16,212,849	19,808,837	3,012,850	4,876,200	100,392,765
Total Deferred Outflow of Resources	195,726	107,359	178,843	219,300	24,879	726,107
Liabilities						
Current Liabilities:						
Accounts Payable/ Due To's	1,913,806	551,794	496,610	242,486	125,699	3,330,395
Restricted Liabilities - Debt	-	1,212,587	-	-	78,282	1,290,869
Total Current Liabilities	1,913,806	1,764,381	496,610	242,486	203,981	4,621,264
Long-Term Liabilities:						
Restricted Liabilities - Debt	-	183,620	-	-	113,129	296,749
Comp Abs & OPEB Payable	1,360,355	226,246	1,070,698	1,498,660	190,632	4,346,591
Intergov. Loans & Contracts Payable	13,779	36,155	-	14,754	400,593	465,281
Accumulated Landfill Closure Costs	14,439,192	-	-	-	-	14,439,192
Net Pension Liability	1,122,858	227,709	1,035,331	1,260,099	143,453	3,789,450
Total Long Term Liabilities	16,936,184	673,730	2,106,029	2,773,513	847,807	23,337,263
Total Liabilities	18,849,990	2,438,111	2,602,639	3,015,999	1,051,788	27,958,527
Total Deferred Inflow of Resources	453,374	89,553	408,512	506,758	57,189	1,515,386
Net Position						
Net Investment in Capital Assets	8,589,391	12,099,857	6,912,187	(692)	2,694,648	30,295,391
Restricted For:						
Debt Service	-	171,541	-	-	260,003	431,544
Unrestricted (Deficit)	28,785,000	1,521,146	10,064,342	(289,915)	837,451	40,918,024
Total Net Position	\$ 37,374,391	\$ 13,792,544	\$ 16,976,529	\$ (290,607)	\$ 3,792,102	\$ 71,644,959

The Solid Waste, Grand Mound, Storm & Surface Water Utility, and Land Use and Permitting Funds are the major enterprise funds for Thurston County in 2018.

The **Solid Waste Fund** provides solid waste disposal and reduction services to the citizens of Thurston County. The **Grand Mound Fund** provides water and waste water services to residents of Grand Mound in southern Thurston County. The **Storm & Surface Water Fund** accounts for assessments levied to minimize the harmful effects of storm water run-off and to construct and improve storm water run-off facilities within the utility's boundaries. **Land Use and Permitting Fund** uses development license fees and service charges to provide planning, permitting, and development inspection services in unincorporated Thurston County. These funds comprise 95.1% of enterprise assets and 96.1% of enterprise liabilities. All account balances in these funds remained constant vs. prior year with only slight increases in most due to more activity from population increases and annual inflation.

The combined net position for enterprise funds was \$71.6 million in 2018, of which \$67.8 million, or 94.7%, resided in the four major funds noted above. Of the total enterprise funds' net position, \$30.3 million, or 42.3%, is invested in capital assets net or related debt, whereas \$41.3 million, or 57.3%, is restricted for debt service or is unrestricted. Total liabilities for all enterprise funds remained constant vs. prior year.

Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2018.

Thurston County Washington Enterprise Funds Revenues and Expenses

	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds
Revenues:						
<i>Operating:</i>						
Charges for Services	\$ 25,058,948	\$ 1,839,673	\$ 6,949,454	\$ 4,877,467	\$ 784,456	\$ 39,509,998
Miscellaneous	3,388	35,230	-	184	19,428	58,230
<i>Non-Operating:</i>						
Interest Revenue	-	45,116	105,515	41,837	21,459	213,927
Operating & Capital Grant Proceeds	91,710	-	39,657	-	-	131,367
Other Non-Operating Revenues	-	-	-	-	-	-
Total Revenues	25,154,046	1,920,019	7,094,626	4,919,488	825,343	39,913,522
Expenses:						
<i>Operating:</i>						
Salaries and Benefits	2,559,399	503,768	2,410,989	3,134,109	390,071	8,998,336
Other Supplies and Expenses	95,417	132,745	77,586	76,347	56,267	438,362
Contractual Services	2,907,632	391,443	590,405	155,092	181,775	4,226,347
Longhaul Contract	14,111,927	-	-	-	-	14,111,927
Interfund Services and Charges	1,556,459	228,219	1,445,254	1,163,291	114,168	4,507,391
Depreciation/Amortization	1,062,276	636,949	492,073	7,687	177,812	2,376,797
<i>Non-Operating:</i>						
External & Internal Tax Payments	-	-	-	-	-	-
Interest Expense & Fiscal Charges	1,144	84,033	28	783	30,787	116,775
Other Including Capital Asset Gain/Loss	50,761	-	(109,636)	-	7,149	(51,726)
Total Expenses	22,345,015	1,977,157	4,906,699	4,537,309	958,029	34,724,209
Income (Loss) before contrib. and trans.	2,809,031	(57,138)	2,187,927	382,179	(132,686)	5,189,313
Capital Contributions	-	352,174	-	-	14,190	366,364
Transfers In (Out)	94,328	608,605	(85,833)	562,096	4,784	1,183,980
Change in Net Position	2,903,359	903,641	2,102,094	944,275	(113,712)	6,739,657
Net Position as of January 1	34,551,494	12,939,783	15,060,794	(865,851)	3,938,786	65,625,006
Cumulative Effect of Change in Accounting Principle	(80,462)	(50,880)	(186,359)	(369,031)	(32,972)	(719,704)
Restated Net Position as of January 1	34,471,032	12,888,903	14,874,435	(1,234,882)	3,905,814	64,905,302
Net Position as of December 31	\$ 37,374,391	\$ 13,792,544	\$ 16,976,529	\$ (290,607)	\$ 3,792,102	\$ 71,644,959

For all enterprise funds, total operating revenues from charges for services in 2018 are \$39.5 million and comprise 99% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds stayed very constant compared to the prior year, increasing by just \$1.8 million. Please note that operating revenues and expenses are not segregated within the accompanying summarized table whereas they are segregated within the fund financial statements.

The **Solid Waste Fund** has provided waste disposal and reduction services through a solid waste transfer facility since 1999 at the Hawk's Prairie Solid Waste and Recovery Center. Solid waste was disposed at a landfill at this site prior to that time. Maintenance of the closed landfill is fully funded through post closure reserves generated from landfill revenues prior to closure. Solid Waste Fund revenues comprise 63% of total enterprise revenues and 64.3% of total enterprise expenses. Net Position increased by \$2.8 million over 2017.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 4.8% of total enterprise revenues and 5.8% of total enterprise expenses. In 2018 both revenues and expenses remained fairly constant over prior year. Net Position was nearly identical in 2018 vs. 2017.

The **Storm & Surface Water Fund** has been collecting assessments from landowners to mitigate the effects of storm water run-off from construction and development since 1985. Revenues comprise 17.8% of total enterprise revenues and 14.1% of total enterprise expenses. Net Position increased by \$1.9 million in this fund over prior year.

The **Land Use and Permitting Fund** provides planning, permitting, and development inspection services to citizens living in unincorporated Thurston County. Revenues comprise 12.3% of total enterprise revenues and 13% of total enterprise expenses. Revenues increased by \$1.2 million, or 32.4% in 2018 mainly due to more permitting activity driven by the local construction market. Total expenses were virtually identical compared to prior year. Net Position increased by \$575,000 but was still a negative \$290,600 at year end. This fund has been in a negative Net Position since the inception of GASB 68 and the Pension Liability. Now, with an increased OPEB Liability per GASB 75, Net Position is further affected. However, with Net Position actually increasing slightly over prior year, this is a good sign for this fund.

General Fund Budgetary Highlights

Beginning in 2018, Thurston County began a biennial budget. Periodic adjustments were made to the budget during the year. Although the budget is considered a biennial, appropriations still lapse at the end of each year.

The following table shows changes between the original and final budget as of December 31, 2018. 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. Both the Sheriff's Office and Corrections had the largest increase in final vs. original budgets. The main reason for this is new positions added during the year.

**Thurston County
General Fund Changes in Budget**

	Original Budget	Final Budget	Variance Pos (Neg)
Revenues:			
Taxes	\$ 60,325,000	\$ 60,325,000	\$ -
Licenses & Permits	2,403,500	2,403,500	-
Intergovernmental	9,320,666	9,131,257	(189,409)
Charges for Services	13,782,347	13,857,483	75,136
Fines & Forfeitures	2,723,400	2,723,400	-
Miscellaneous	3,347,582	3,791,179	443,597
Total General Revenues	91,902,495	92,231,819	329,324
Other Financing Sources	6,336,899	9,164,264	2,827,365
Total Revenues	98,239,394	101,396,083	3,156,689
Expenditures by Department:			
Assessor's Office	4,197,201	4,249,556	(52,355)
Auditor's Office	5,996,791	6,185,292	(188,501)
Assigned Counsel	6,412,058	6,835,258	(423,200)
Clerk's Office	3,633,821	3,685,073	(51,252)
Commissioner's Office	2,373,924	2,409,734	(35,810)
Coroner's Office	1,193,785	1,213,493	(19,708)
Corrections	20,731,547	21,529,202	(797,655)
District Court	3,814,436	3,874,163	(59,727)
Emergency Management	1,535,629	1,638,121	(102,492)
Human Resources	1,884,427	1,908,212	(23,785)
Juvenile Probation	7,538,824	7,651,651	(112,827)
Non-Departmental	5,713,461	5,807,621	(94,160)
Planning	2,318,810	2,406,142	(87,332)
PreTrial Services	626,562	635,791	(9,229)
Prosecuting Attorney	9,431,781	9,632,563	(200,782)
State Examiner	131,000	131,000	-
Sheriff	18,345,230	18,926,587	(581,357)
Superior Court	6,031,321	6,127,432	(96,111)
Treasurer's Office	1,249,517	1,265,034	(15,517)
WSU Extension	517,628	533,983	(16,355)
General Fund Expenditures	103,677,753	106,645,908	(2,968,155)
Fair	604,082	604,082	-
Election Stabilization Reserve	19	19	-
Historic Preservation	53,667	53,667	-
Prisoner Concession	336,706	346,706	(10,000)
Public, Educational & Governmental Access:	300,000	302,300	(2,300)
Reported General Fund Expenditures	104,972,227	107,952,682	(2,980,455)
Net Changes in Fund Balances	(6,732,833)	(6,556,599)	176,234
Fund Balances as of January 1	13,971,703	12,670,042	(1,301,661)
Fund Balances as of December 31	\$ 7,238,870	\$ 6,113,443	\$ (1,125,427)

The County’s original and final General Fund budgets were very similar with just a \$3.2 million increase in budgeted revenues and a \$3 million increase in budgeted expenditures.

The final budget ending fund balance was \$6.1 million, a decrease of \$2.8 million over 2017.

General Fund Budget to Actual Variances

The following table summarizes differences between budget and actual revenues and expenditures in the General Fund for 2018. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2018 show actual total revenues (including other financing sources) at \$103 million, which is \$1.6 million, or 1.6%, above the final budget. Actual expenditures were \$103.8 million, which is \$2.8 million or 2.6% under budget.

Regarding revenues, the largest variance between budget and actual was in the Taxes category, receiving just over \$1.6 million more than planned. All offices/departments had a positive expenditure variance in 2018, 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 \$670,000 under-expenditure.

Thurston County
General Fund Revenues, Expenditures & Fund Balance

	Final Budget	Actuals	Variance Pos (Neg)
Revenues:			
Taxes	\$ 60,325,000	\$ 61,951,172	\$ 1,626,172
Licenses & Permits	2,403,500	2,240,905	(162,595)
Intergovernmental	9,131,257	9,587,894	456,637
Charges for Services	13,857,483	13,913,652	56,169
Fines & Forfeitures	2,723,400	2,480,830	(242,570)
Miscellaneous	3,791,179	4,953,457	1,162,278
Total General Revenues	92,231,819	95,127,910	2,896,091
Total Other Financing Sources	9,164,264	7,842,531	(1,321,733)
Total Revenues	101,396,083	102,970,441	1,574,358
Expenditures by Department:			
Assessor's Office	4,249,556	4,170,389	79,167
Auditor's Office	6,185,292	6,046,593	138,699
Assigned Counsel	6,835,258	6,834,335	923
Clerk's Office	3,685,073	3,615,912	69,161
Commissioner's Office	2,409,734	2,405,907	3,827
Coroner's Office	1,213,493	1,211,267	2,226
Corrections	21,529,202	21,339,346	189,856
District Court	3,874,163	3,806,146	68,017
Emergency Management	1,638,121	1,547,842	90,279
Human Resources	1,908,212	1,791,809	116,403
Juvenile Probation	7,651,651	7,300,448	351,203
Non-Departmental	5,807,621	5,137,260	670,361
Planning	2,406,142	1,792,137	614,005
PreTrial Services	635,791	568,777	67,014
Prosecuting Attorney	9,632,563	9,553,778	78,785
State Examiner	131,000	127,458	3,542
Sheriff	18,926,587	18,857,642	68,945
Superior Court	6,127,432	5,985,397	142,035
Treasurer's Office	1,265,034	1,222,632	42,402
WSU Extension	533,983	484,533	49,450
General Fund Expenditures	106,645,908	103,799,608	2,846,300
Fair	604,082	542,970	61,112
Election Stabilization Reserve	19	19	-
Historic Preservation	53,667	50,515	3,152
Prisoner Concession	346,706	243,983	102,723
Public, Educational & Governmental Access:	302,300	302,206	94
Reported General Fund Expenditures	107,952,682	104,939,301	3,013,381
Net Changes in Fund Balances	(6,556,599)	(1,968,860)	4,587,739
Fund Balances as of January 1	12,670,042	11,884,900	(785,142)
Prior Period Adjustments	-	2,851,044	2,851,044
Fund Balances as of January 1 - Restated	12,670,042	14,735,944	2,065,902
Fund Balances as of December 31	\$ 6,113,443	\$ 12,767,084	\$ 6,653,641

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 \$508.1 million at year end. Of this total, \$301.1 million (59.3%) are non-depreciable assets and \$207 million (40.7%) are depreciable. Capital assets comprise 67.5% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section. Total capital assets in both governmental and business-type increased by \$10.4 million over prior year. The main reason for this increase was more contributed capital being given to the County by way of developers completing their projects during the year.

At year-end the County had \$1.4 million in commitments for capital expenditures related to a large Roads construction projects and a Grand Mound Water Reservoir.

Long-Term Debt

Total general obligation debt outstanding at year end was \$60.5 million (\$59.1 million in governmental activities and \$1.4 million in Business-type activities). This total represents a decrease of \$5.6 million over 2017 due to annual debt payments.

At the end of 2018, the County has the capacity to issue \$425 million in debt without a vote and a remaining capacity of \$747 million with a 3/5-majority vote. See financial statement note VIII for more information on debt issues outstanding and the reasons for their issuance.

REQUESTS FOR INFORMATION

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

Statement of Net Position
December 31, 2018
Page 1 of 2

	Primary Government		
	Governmental	Business-Type	
ASSETS	Activities	Activities	Total
Current Assets:			
Cash & Pooled Investments	\$ 138,500,850	\$ 51,115,952	\$ 189,616,802
<i>Receivables:</i>			
Taxes Receivable	1,576,816	-	1,576,816
Special Assessment Receivables	45,432	514,395	559,827
Accrued Interest & Penalties	2,922,607	32,996	2,955,603
Customer Account Receivables	20,789,094	1,844,433	22,633,527
Internal Balances	(1,976,425)	1,976,425	-
Due from Other Government Units	4,359,124	342,217	4,701,341
Inventory	631,022	-	631,022
Prepayments	143,482	5,314	148,796
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	113,699	113,699
Total Current Assets	166,992,002	55,945,431	222,937,433
Long-Term Assets:			
Community Loans Receivable	-	111,907	111,907
Special Assessment Receivables	-	163,673	163,673
Investment in Joint Ventures, Net	1,735,451	-	1,735,451
Net Pension Asset	6,414,068	-	6,414,068
<i>Capital Assets:</i>			
Non-Depreciable	296,588,944	4,555,969	301,144,913
Depreciable, Net	179,637,183	27,340,839	206,978,022
<i>Restricted Assets: Cash and Pooled Investments</i>	-	13,528,424	13,528,424
Total Noncurrent Assets	484,375,646	45,700,812	530,076,458
Total Assets	651,367,648	101,646,243	753,013,891
Deferred Outflow of Resources:			
Loss on Refunding	1,917,024	68,074	1,985,098
Other Post Employment Benefits Payable	460,717	32,258	492,975
Pensions	6,131,835	625,775	6,757,610
Total Deferred Outflow of Resources	8,509,576	726,107	9,235,683

See accompanying notes to financial statements

Statement of Net Position
December 31, 2018
Page 2 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	12,063,809	2,533,447	14,597,256
Notes/Leases Payable	158,738	65,435	224,173
Due to Other Government Units	999	-	999
Compensated Absences	370,402	35,405	405,807
Claims & Judgments Payable	491,170	-	491,170
Total Other Post Employment Benefits Liability	839,905	87,871	927,776
Limited G.O. Bonds Payable	4,562,668	1,212,587	5,775,255
Special Assess. Debt - Gov. Commitment	-	78,282	78,282
Unearned Revenue	160,466	54,876	215,342
Total Current Liabilities	18,648,157	4,067,903	22,716,060
Long-Term Liabilities:			
Limited G.O. Bonds Payable	54,574,809	183,620	54,758,429
Special Assess. Debt - Gov. Commitment	-	113,129	113,129
Compensated Absences	6,971,132	666,336	7,637,468
Total Other Post Employment Benefits Liability	43,656,113	3,680,255	47,336,368
Other Non-Current Liabilities	809,247	-	809,247
Claims & Judgments Payable	3,962,551	-	3,962,551
Notes/Leases Payable	1,221,420	465,281	1,686,701
Accumulated Landfill Closure Costs	-	14,439,192	14,439,192
Net Pension Liability	29,289,055	3,789,450	33,078,505
Total Noncurrent Liabilities	140,484,327	23,337,263	163,821,590
Total Liabilities	159,132,484	27,405,166	186,537,650
Deferred Inflow of Resources:			
Gain on Refunding	374,391	-	374,391
Other Post Employment Benefits Payable	1,804,946	188,836	1,993,782
Pensions	13,062,002	1,326,550	14,388,552
Total Deferred Inflow of Resources	15,241,339	1,515,386	16,756,725
NET POSITION			
Net Investment in Capital Assets	417,421,171	30,295,391	447,716,562
Restricted For:			
Culture & Recreation	2,339,500	-	2,339,500
Economic Environment	322,371	-	322,371
General Government	14,315,675	-	14,315,675
Health and Human Services	4,828,393	-	4,828,393
Internal Service	25,679,196	-	25,679,196
Public Safety	2,103,211	-	2,103,211
Utilities & Environment	5,720,125	-	5,720,125
Transportation	6,262,419	-	6,262,419
Debt Service	-	431,544	431,544
Unrestricted (Deficit)	6,511,340	42,724,863	49,236,203
Total Net Position	\$ 485,503,401	\$ 73,451,798	\$ 558,955,199

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2018
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	\$ 17,650,183	\$ (6,323,690)	\$ 7,256,839	\$ 3,681,777	\$ -
Culture & Recreation	2,954,226	53,103	2,045,782	35,973	-
Economic Environment	8,406,271	(695,460)	2,734,326	4,622,925	-
Health & Human Services	38,303,303	968,653	5,553,259	8,874,008	-
Public Safety	84,039,942	2,320,312	8,781,810	5,855,127	835,441
Transportation	27,953,862	1,997,270	3,778,369	344,029	21,426,047
Utilities & Environment	1,254,542	171,005	814,341	75,163	-
Interest and Fiscal Charges	2,042,183	-	-	-	-
Total Governmental Activities	182,604,512	(1,508,807)	30,964,726	23,489,002	22,261,488
Business-Type Activities:					
Solid Waste	21,880,808	428,499	25,058,948	91,710	-
Water	854,684	79,201	863,751	-	122,121
Sewer	1,816,989	158,401	1,760,378	-	244,243
Stormwater	4,532,531	345,386	6,949,454	39,657	-
Land Use & Permitting	3,965,806	497,320	4,877,467	-	-
Total Business-Type Activities	33,050,818	1,508,807	39,509,998	131,367	366,364
Total Primary Government	\$ 215,655,330	\$ -	\$ 70,474,724	\$ 23,620,369	\$ 22,627,852

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2018
Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes In Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT			
<i>Governmental Activities:</i>			
General Government	\$ (387,877)	\$ -	\$ (387,877)
Culture & Recreation	(925,574)	-	(925,574)
Economic Environment	(353,560)	-	(353,560)
Health & Human Services	(24,844,689)	-	(24,844,689)
Public Safety	(70,887,876)	-	(70,887,876)
Transportation	(4,402,687)	-	(4,402,687)
Utilities & Environment	(536,043)	-	(536,043)
Interest and Fiscal Charges	(2,042,183)	-	(2,042,183)
Total Governmental Activities	(104,380,489)	-	(104,380,489)
<i>Business-Type Activities:</i>			
Solid Waste	-	2,841,351	2,841,351
Water	-	51,987	51,987
Sewer	-	29,231	29,231
Stormwater	-	2,111,194	2,111,194
Land Use & Permitting	-	414,341	414,341
Total Business-Type Activities	-	5,448,104	5,448,104
Total Primary Government	(104,380,489)	5,448,104	(98,932,385)
General Revenues:			
<i>Taxes:</i>			
Property Taxes	73,325,401	-	73,325,401
Sales Taxes	41,549,554	-	41,549,554
Business & Harvest Taxes	1,831,779	-	1,831,779
Excise Taxes	7,666,491	-	7,666,491
<i>Other General Revenues:</i>			
Interest & Investment Earnings	4,980,211	213,927	5,194,138
Miscellaneous	946,432	58,230	1,004,662
Transfers In/(Out)	(1,183,980)	1,183,980	-
Special Item - Transfer of Triage Facility to BHO	(5,229,766)	-	(5,229,766)
Total General Revenues and Transfers	123,886,122	1,456,137	125,342,259
Change in Net Position	19,505,633	6,904,241	26,409,874
Net Position as of January 1	471,416,275	67,267,261	538,683,536
Cumulative Effect of Change in Accounting Principle	(12,627,645)	(719,704)	(13,347,349)
Prior Period Adjustment	7,209,138	-	7,209,138
Net Position as of January 1 - Restated	465,997,768	66,547,557	532,545,325
Net Position as of December 31	\$ 485,503,401	\$ 73,451,798	\$ 558,955,199

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & Pooled Investments	\$ 9,595,143	\$ 20,535,931	\$ 10,507,300	\$ 16,499,244	\$ 8,768,426	\$ 33,660,606	\$ 99,566,650
Receivables:							
Taxes Receivable	822,183	497,695	208,544	-	15,179	33,215	1,576,816
Special Assessment Receivables	-	-	-	-	16,614	28,818	45,432
Accrued Interest & Penalties	2,658,460	-	39,035	-	37,241	154,609	2,889,345
Customer Account Receivables	5,815,953	868,469	-	-	32,857	4,171,058	10,888,337
Due from Other Funds	1,458,128	1,528,384	-	-	362,607	193,484	3,542,603
Due from Other Government Units	1,708,025	216,110	-	50,000	1,553,891	788,116	4,316,142
Inventory	-	334,333	-	-	-	-	334,333
Prepayments	86,518	8,942	6,491	-	7,117	11,153	120,221
Total Assets	\$ 22,144,410	\$ 23,989,864	\$ 10,761,370	\$ 16,549,244	\$ 10,793,932	\$ 39,041,059	\$ 123,279,879
LIABILITIES							
Accounts Payable	\$ 4,127,365	\$ 1,887,834	\$ 1,222,021	\$ 103,665	\$ 1,189,197	\$ 2,057,572	\$ 10,587,654
Due to Other Funds	903,090	175,089	35	1,455,969	48,660	1,695,711	4,278,554
Due to Other Government Units	-	-	-	-	-	999	999
Unearned Revenues	1,813	4,650	-	-	-	154,003	160,466
Total Liabilities	5,032,268	2,067,573	1,222,056	1,559,634	1,237,857	3,908,285	15,027,673
Deferred Inflow of Resources:							
Property Taxes	2,430,380	436,351	181,643	-	12,794	28,922	3,090,090
Special Assessments	-	-	-	-	16,614	28,822	45,436
Courts	1,914,678	-	-	-	-	355,101	2,269,779
Total Deferred Inflow of Resources	4,345,058	436,351	181,643	-	29,408	412,845	5,405,305
FUND BALANCES							
Nonspendable	86,518	343,275	6,491	-	7,117	11,153	454,554
Restricted	24,030	-	106,781	13,372,875	20,208	22,367,800	35,891,694
Committed	-	-	-	-	-	547,088	547,088
Assigned	-	21,142,665	9,244,399	1,616,735	9,499,342	11,793,888	53,297,029
Unassigned	12,656,536	-	-	-	-	-	12,656,536
Total Fund Balance	12,767,084	21,485,940	9,357,671	14,989,610	9,526,667	34,719,929	102,846,901
Total Liabilities, Deferred Inflow of Resources & Fund Balances	\$ 22,144,410	\$ 23,989,864	\$ 10,761,370	\$ 16,549,244	\$ 10,793,932	\$ 39,041,059	\$ 123,279,879

See accompanying notes to financial statements

**Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Position
December 31, 2018**

	Governmental Funds
Fund balance as shown in the Governmental Funds Balance Sheet	\$ 102,846,901
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	439,902,988
Debt, which is not reported in governmental funds, is reported in the statement of net position	(59,563,871)
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	61,974,775
Deferred gains and losses on refunding, which is not reported in governmental funds, is reported in the statement of net position	1,542,634
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position	15,151,809
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	(74,544,996)
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)	(1,806,839)
Net position for governmental funds as shown in statement of net position	\$ 485,503,401

See accompanying notes to financial statements

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2018

	General Fund	Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 61,951,172	\$ 19,820,839	\$ 10,812,674	\$ 6,693,272	\$ 904,453	\$ 22,292,364	\$ 122,474,774
Licenses & Permits	2,240,905	717,198	-	-	809,794	-	3,767,897
Intergovernmental	9,587,894	12,161,985	37,633	-	8,677,560	5,206,480	35,671,552
Charges for Services	13,913,652	1,448,344	43,326	-	4,160,130	6,988,458	26,553,910
Fines & Forfeits	2,480,830	-	-	-	-	228,719	2,709,549
Miscellaneous Revenue	4,953,457	258,760	195,602	165,608	869,961	1,970,277	8,413,665
Total Revenues	95,127,910	34,407,126	11,089,235	6,858,880	15,421,898	36,686,298	199,591,347
Expenditures:							
<i>Current:</i>							
General Government	16,953,384	-	-	257,267	-	631,199	17,841,850
Culture & Recreation	1,019,817	899,412	-	-	-	920,475	2,839,704
Economic Environment	2,138,025	-	-	-	-	6,582,085	8,720,110
Health & Human Services	-	-	13,612,752	-	17,740,652	8,668,252	40,021,656
Public Safety	80,942,154	-	-	-	-	3,389,657	84,331,811
Transportation	201,236	24,226,504	-	-	-	-	24,427,740
Utilities & Environment	703,848	-	-	-	-	765,576	1,469,424
Capital Outlay	195,463	14,190,376	925,985	-	-	259,583	15,571,407
<i>Debt Service:</i>							
Principal	77,721	69,372	2,891	-	5,147	3,827,216	3,982,347
Interest & Fiscal Charges	16,267	35,238	732	-	3,093	2,325,500	2,380,830
Total Expenditures	102,247,915	39,420,902	14,542,360	257,267	17,748,892	27,369,543	201,586,879
Excess (Deficiency) of Revenues Over Expenditures	(7,120,005)	(5,013,776)	(3,453,125)	6,601,613	(2,326,994)	9,316,755	(1,995,532)
Other Financing Sources (Uses)							
Capital Lease Financing	96,463	16,285	17,481	-	-	6,869	137,098
Sale of Capital Assets	1,438,637	301,854	73,915	-	5,534	11,839	1,831,779
Issuance of Intergovernmental Loan	-	-	-	-	574,913	-	574,913
Transfers In	6,307,431	5,745,175	28,333	-	1,735,544	6,266,356	20,082,839
Transfers Out	(2,691,386)	(936,833)	-	(6,365,713)	-	(9,260,659)	(19,254,591)
Total Other Financing Sources (Uses)	5,151,145	5,126,481	119,729	(6,365,713)	2,315,991	(2,975,595)	3,372,038
Net Changes In Fund Balances	(1,968,860)	112,705	(3,333,396)	235,900	(11,003)	6,341,160	1,376,506
Fund Balances as of January 1	11,884,900	20,493,952	12,691,067	14,753,710	9,537,670	24,950,363	94,311,662
Prior Period Adjustments	2,851,044	879,283	-	-	-	3,428,406	7,158,733
Fund Balances as of January 1-Restated	14,735,944	21,373,235	12,691,067	14,753,710	9,537,670	28,378,769	101,470,395
Fund Balances as of December 31	\$ 12,767,084	\$ 21,485,940	\$ 9,357,671	\$ 14,989,610	\$ 9,526,667	\$ 34,719,929	\$ 102,846,901

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, 2018**

		Governmental Funds
Change in fund balance as shown in the Governmental Funds		
Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 1,376,506
Capital Assets:		
Capital outlays, which are reported as expenditures in governmental funds, are capitalized and deferred to future periods and therefore not reported in the statement of activities	15,571,408	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(9,343,108)	
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>9,477,323</u>	15,705,623
Long-Term Debt:		
Bond and capital lease principal payments, which are reported as expenditures in governmental funds, are not reported as expenditures in the statement of activities	4,020,942	
Costs related to debt, such as premiums, discounts, and other similar items, are reported as revenues or expenditures in governmental funds when debit is issued. They are deferred in the statement of net position and recognized over the life of the bond issue in the statement of activities	338,647	
Long-term bond and capital lease financing proceeds, which are reported as "other financing sources" in governmental funds, are not recognized or reported in the statement of activities.	<u>(712,011)</u>	3,647,578
Interfund Transactions:		
Profit or (loss) from internal service funds, which is reported separately in proprietary fund statements, is credited or charged to governmental expenses in the statement of activities	(6,256,400)	
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	(1,673,391)	
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>1,508,807</u>	(6,420,984)
Other:		
Long term (non-available) revenues, which are deferred in governmental funds, are reported as revenues (or as a debit adjustment) in the statement of activities	745,951	
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>4,450,959</u>	5,196,910
Change in net position for governmental funds as shown in the		
Statement of Activities		<u><u>\$ 19,505,633</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, 2018
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	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Revenues By Funding Source				
General Revenues:				
Taxes	\$ 60,325,000	\$ 60,325,000	\$ 61,951,172	\$ 1,626,172
Licenses & Permits	2,403,500	2,403,500	2,240,905	(162,595)
Intergovernmental	9,320,666	9,131,257	9,587,894	456,637
Charges for Services	13,782,347	13,857,483	13,913,652	56,169
Fines & Forfeits	2,723,400	2,723,400	2,480,830	(242,570)
Miscellaneous Revenue	3,347,582	3,791,179	4,953,457	1,162,278
Total General Revenues	91,902,495	92,231,819	95,127,910	2,896,091
Other Financing Sources:				
Capital Lease Financing	300,700	96,825	96,463	(362)
Other Finance Sources - Capital Asset Sales	-	1,470,152	1,438,637	(31,515)
Transfers In	6,036,199	7,597,287	6,307,431	(1,289,856)
Total Other Financing Sources	6,336,899	9,164,264	7,842,531	(1,321,733)
Total Revenues	\$ 98,239,394	\$ 101,396,083	\$ 102,970,441	\$ 1,574,358

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, 2018
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	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Expenditures by Department				
Assessor's Office:				
General Government	\$ 4,197,201	\$ 4,249,556	\$ 4,170,389	\$ 79,167
Capital Outlay	-	-	-	-
Total Assessor's Office	4,197,201	4,249,556	4,170,389	79,167
Auditor's Office:				
General Government	5,984,214	6,172,715	5,995,121	177,594
Capital Outlay	-	-	44,379	(44,379)
Debt Service:				
Principal	6,300	6,300	5,786	514
Interest and Fiscal Charges	6,277	6,277	1,307	4,970
Total Auditor's Office	5,996,791	6,185,292	6,046,593	138,699
Public Defense:				
Public Safety	6,408,602	6,815,652	6,808,697	6,955
Capital Outlay	-	16,150	16,150	-
Debt Service:				
Principal	3,135	3,135	7,253	(4,118)
Interest and Fiscal Charges	321	321	2,235	(1,914)
Total Public Defense	6,412,058	6,835,258	6,834,335	923
Clerk's Office:				
Public Safety	3,618,545	3,669,797	3,599,762	70,035
Debt Service:				
Principal	12,447	12,447	13,807	(1,360)
Interest and Fiscal Charges	2,829	2,829	2,343	486
Total Clerk's Office	3,633,821	3,685,073	3,615,912	69,161

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, 2018
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	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Commissioner's Office:				
General Government	2,123,755	2,155,430	2,207,771	(52,341)
Transportation	213,605	217,213	195,069	22,144
Economic Environment	30,464	30,991	-	30,991
Debt Service:				
Principal	5,500	5,500	2,294	3,206
Interest and Fiscal Charges	600	600	773	(173)
Total Commissioner's Office	2,373,924	2,409,734	2,405,907	3,827
Coroner's Office:				
Public Safety	1,188,845	1,199,544	1,198,989	555
Capital Outlay	-	9,009	9,009	-
Debt Service:				
Principal	2,890	2,890	2,969	(79)
Interest and Fiscal Charges	2,050	2,050	300	1,750
Total Coroner's Office	1,193,785	1,213,493	1,211,267	2,226
Corrections:				
Public Safety	20,712,726	21,499,636	21,317,877	181,759
Capital Outlay	-	10,745	11,700	(955)
Debt Service:				
Principal	16,730	16,730	8,891	7,839
Interest and Fiscal Charges	2,091	2,091	878	1,213
Total Corrections	20,731,547	21,529,202	21,339,346	189,856
District Court				
Public Safety	3,811,585	3,871,312	3,806,146	65,166
Debt Service:				
Principal	2,686	2,686	-	2,686
Interest and Fiscal Charges	165	165	-	165
Total District Court	3,814,436	3,874,163	3,806,146	68,017

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, 2018
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	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Emergency Management:				
Public Safety	1,533,629	1,636,121	1,505,089	131,032
Capital Outlay	-	-	40,753	(40,753)
Transfers Out	2,000	2,000	2,000	-
Emergency Management	1,535,629	1,638,121	1,547,842	90,279
Human Resources:				
General Government	1,730,596	1,752,496	1,653,573	98,923
Public Safety	141,317	143,202	132,699	10,503
Principal	9,858	9,858	4,656	5,202
Interest and Fiscal Charges	2,656	2,656	881	1,775
Total Human Resources	1,884,427	1,908,212	1,791,809	116,403
Juvenile Probation:				
Public Safety	7,538,824	7,636,027	7,281,439	354,588
Capital Outlay	-	15,624	15,624	-
Debt Service:				
Principal	-	-	2,483	(2,483)
Interest and Fiscal Charges	-	-	902	(902)
Total Juvenile Probation	7,538,824	7,651,651	7,300,448	351,203

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, 2018
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	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Non-Departmental:				
General Government	2,292,988	1,889,538	1,234,634	654,904
Public Safety	207,637	207,637	158,271	49,366
Utilities & Environment	686,695	686,695	703,848	(17,153)
Transportation	500	500	6,167	(5,667)
Economic Environment	306,500	306,500	345,888	(39,388)
Culture and Recreation	-	-	10,000	(10,000)
Transfers Out	2,219,141	2,716,751	2,678,452	38,299
Total Non-Departmental	5,713,461	5,807,621	5,137,260	670,361
Planning:				
Economic Environment	2,318,810	2,406,142	1,792,137	614,005
Total Planning	2,318,810	2,406,142	1,792,137	614,005
Pretrial Services:				
Public Safety	626,562	635,791	568,777	67,014
Total Pretrial Services	626,562	635,791	568,777	67,014
Prosecuting Attorney:				
Public Safety	9,405,981	9,574,427	9,500,897	73,530
Capital Outlay	-	32,336	32,336	-
Debt Service:				
Principal	20,400	20,400	16,681	3,719
Interest and Fiscal Charges	5,400	5,400	3,864	1,536
Total Prosecuting Attorney	9,431,781	9,632,563	9,553,778	78,785
State Examiner:				
General Government	131,000	131,000	127,458	3,542
Total State Examiner	131,000	131,000	127,458	3,542

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, 2018
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	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Sheriff:				
Public Safety	18,328,284	18,909,641	18,834,825	74,816
Capital Outlay	5,000	5,000	12,551	(7,551)
Principal	9,079	9,079	9,108	(29)
Interest and Fiscal Charges	2,867	2,867	1,158	1,709
Total Sheriff	18,345,230	18,926,587	18,857,642	68,945
Superior Court:				
Public Safety	6,023,398	6,119,509	5,984,703	134,806
Debt Service:				
Principal	5,300	5,300	686	4,614
Interest and Fiscal Charges	2,623	2,623	8	2,615
Total Superior Court	6,031,321	6,127,432	5,985,397	142,035
Treasurer's Office				
General Government	1,249,517	1,265,034	1,222,632	42,402
Total Treasurer's Office	1,249,517	1,265,034	1,222,632	42,402
WSU Extension				
Culture and Recreation	514,596	517,990	469,254	48,736
Capital Outlay	-	12,961	12,961	-
Debt Service:				
Principal	1,417	1,417	1,758	(341)
Interest and Fiscal Charges	1,615	1,615	560	1,055
Total WSU Extension	517,628	533,983	484,533	49,450
Total General Fund Expenditures	103,677,753	106,645,908	103,799,608	2,846,300

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, 2018
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Reconciliation of Budgetary Perspective Differences Due to GASB 54:

	Original 2018 Budget	Final 2018 Budget	Actual 2018	Final Budget Positive or (Negative)
Fair:				
Culture and Recreation	604,082	604,082	540,563	63,519
Debt Service:				
Principal	-	-	1,349	(1,349)
Interest and Fiscal Charges	-	-	1,058	(1,058)
Total Fair	604,082	604,082	542,970	61,112
Election Stabilization Reserve:				
General Government	19	19	19	-
Total Election Stabilization Reserve	19	19	19	-
Historic Preservation:				
General Government	30,667	30,667	39,581	(8,914)
Transfers Out	23,000	23,000	10,934	12,066
Total Historic Preservation	53,667	53,667	50,515	3,152
Public, Educational & Governmental Access:				
General Government	300,000	302,300	302,206	94
Total Public, Educational & Governmental Access	300,000	302,300	302,206	94
Prisoner Concession:				
Public Safety	336,706	346,706	243,983	102,723
Total Prisoner Concession	336,706	346,706	243,983	102,723
Total GASB 54 Expenditures	1,294,474	1,306,774	1,139,693	167,081
Total Reported General Fund Expenditures	104,972,227	107,952,682	104,939,301	3,013,381
Net Changes in Fund Balances	(6,732,833)	(6,556,599)	(1,968,860)	4,587,739
Fund Balances as of January 1	13,971,703	12,670,042	11,884,900	(785,142)
Prior Period Adjustments	-	-	2,851,044	2,851,044
Fund Balances as of January 1 - Restated	13,971,703	12,670,042	14,735,944	2,065,902
Fund Balances as of December 31	\$ 7,238,870	\$ 6,113,443	\$ 12,767,084	\$ 6,653,641

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, 2018

	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 10,953,000	\$ 10,953,000	\$ 10,812,674	\$ (140,326)
Intergovernmental	59,320	59,320	37,633	(21,687)
Charges for Services	24,030	24,030	43,326	19,296
Miscellaneous Revenue	304,370	304,370	195,602	(108,768)
Total Revenues	11,340,720	11,340,720	11,089,235	(251,485)
Expenditures:				
<i>Current:</i>				
Health & Human Services	12,937,064	13,431,135	13,612,752	(181,617)
Capital Outlay	2,069,480	1,592,890	925,985	666,905
<i>Debt Service:</i>				
Principal	4,532	4,532	2,891	1,641
Interest & Fiscal Charges	381	381	732	(351)
Total Expenditures	15,011,457	15,028,938	14,542,360	486,578
Excess (Deficiency) of Revenues Over Expenditures	(3,670,737)	(3,688,218)	(3,453,125)	235,093
Other Financing Sources (Uses)				
Capital Lease Financing	33,000	17,481	17,481	-
Sale of Capital Assets	-	33,000	73,915	40,915
Transfers In	2,821,115	2,829,448	28,333	(2,801,115)
Transfers Out	(2,801,115)	(2,801,115)	-	2,801,115
Total Other Financing Sources (Uses)	53,000	78,814	119,729	40,915
Net Changes In Fund Balances	(3,617,737)	(3,609,404)	(3,333,396)	276,008
Fund Balances as of January 1	15,704,390	12,804,617	12,691,067	(113,550)
Fund Balances as of December 31	\$ 12,086,653	\$ 9,195,213	\$ 9,357,671	\$ 162,458

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, 2018

	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 805,000	\$ 805,000	\$ 904,453	\$ 99,453
Licenses & Permits	674,847	674,847	809,794	134,947
Intergovernmental	6,228,109	6,228,109	8,677,560	2,449,451
Charges for Services	6,390,728	6,390,728	4,160,130	(2,230,598)
Miscellaneous Revenue	605,242	605,242	869,961	264,719
Total Revenues	14,703,926	14,703,926	15,421,898	717,972
Expenditures:				
<i>Current:</i>				
Health & Human Services	17,095,804	18,328,227	17,740,652	587,575
<i>Debt Service:</i>				
Principal	11,230	7,824	5,147	2,677
Interest & Fiscal Charges	1,389	1,389	3,093	(1,704)
Total Expenditures	17,108,423	18,337,440	17,748,892	588,548
Excess (Deficiency) of Revenues Over Expenditures	(2,404,497)	(3,633,514)	(2,326,994)	1,306,520
Other Financing Sources (Uses)				
Capital Lease Financing	3,750	-	-	-
Sale of Capital Assets	-	3,750	5,534	1,784
Other Fin. Sources - Bond Proceeds	-	-	574,913	574,913
Transfers In	1,668,877	1,735,544	1,735,544	-
Total Other Financing Sources (Uses)	1,672,627	1,739,294	2,315,991	576,697
Net Changes In Fund Balances	(731,870)	(1,894,220)	(11,003)	1,883,217
Fund Balances as of January 1	3,291,987	9,596,220	9,537,670	(58,550)
Fund Balances as of December 31	\$ 2,560,117	\$ 7,702,000	\$ 9,526,667	\$ 1,824,667

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, 2018

	Original 2018 Budget	Final 2018 Budget	Actual 2018	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 19,990,000	\$ 19,990,000	\$ 19,820,839	\$ (169,161)
Licenses & Permits	487,063	487,063	717,198	230,135
Intergovernmental	12,764,039	14,048,047	12,161,985	(1,886,062)
Charges for Services	1,065,349	824,030	1,448,344	624,314
Miscellaneous Revenue	76,100	76,100	258,760	182,660
Total Revenues	34,382,551	35,425,240	34,407,126	(1,018,114)
Expenditures:				
<i>Current:</i>				
Culture & Recreation	1,332,687	1,065,850	899,412	166,438
Transportation	26,464,552	26,831,015	24,226,504	2,604,511
Capital Outlay	15,415,977	18,998,819	14,190,376	4,808,443
<i>Debt Service:</i>				
Principal	69,499	69,499	69,372	127
Interest & Fiscal Charges	36,235	36,235	35,238	997
Total Expenditures	43,318,950	47,001,418	39,420,902	7,580,516
Excess (Deficiency) of Revenues Over Expenditures	(8,936,399)	(11,576,178)	(5,013,776)	6,562,402
Other Financing Sources (Uses)				
Capital Lease Financing	120,000	-	16,285	16,285
Sale of Capital Assets	-	120,000	301,854	181,854
Transfers In	5,193,514	8,244,511	5,745,175	(2,499,336)
Transfers Out	(739,708)	(1,840,458)	(936,833)	903,625
Total Other Financing Sources (Uses)	4,573,806	6,524,053	5,126,481	(1,397,572)
Net Changes In Fund Balances	(4,362,593)	(5,052,125)	112,705	5,164,830
Fund Balances as of January 1	13,234,360	20,493,852	20,493,952	100
Prior Period Adjustments	-	-	879,283	879,283
Fund Balances as of January 1 - Restated	13,234,360	20,493,852	21,373,235	879,383
Fund Balances as of December 31	\$ 8,871,767	\$ 15,441,727	\$ 21,485,940	\$ 6,044,213

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2018
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	Enterprise Funds						Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	
ASSETS							
Current Assets:							
Cash & Pooled Investments	\$ 32,688,617	\$ 1,937,855	\$ 12,238,550	\$ 2,725,693	\$ 1,525,237	\$ 51,115,952	\$ 38,934,200
<i>Receivables:</i>							
Special Assessment Receivables	-	98,985	370,164	-	45,246	514,395	-
Accrued Interest & Penalties	-	15,964	-	10,836	6,196	32,996	33,262
Customer Account Receivables	1,587,467	180,807	-	2,619	73,540	1,844,433	154,253
Due From Other Funds	2,999	444,890	8,008	251,817	15,233	722,947	725,446
Due From Other Government Units	63,743	-	278,026	-	448	342,217	42,982
Inventory	-	-	-	-	-	-	296,689
Prepayments	3,307	-	1,902	105	-	5,314	23,261
<i>Restricted Assets:</i>							
Cash and Pooled Investments	-	65,038	-	-	48,661	113,699	-
Total Current Assets	34,346,133	2,743,539	12,896,650	2,991,070	1,714,561	54,691,953	40,210,093
Noncurrent Assets:							
Community Loans Receivable	-	-	-	-	111,907	111,907	-
Special Assessment Receivables	-	-	-	-	163,673	163,673	-
<i>Capital Assets:</i>							
Non-Depreciable	1,307,290	2,205,923	1,011,856	-	30,900	4,555,969	4,910,288
Depreciable, Net	7,300,182	11,263,387	5,900,331	21,780	2,855,159	27,340,839	33,148,302
<i>Restricted Assets:</i>							
Cash and Pooled Investments	13,528,424	-	-	-	-	13,528,424	-
Total Noncurrent Assets	22,135,896	13,469,310	6,912,187	21,780	3,161,639	45,700,812	38,058,590
Total Assets	56,482,029	16,212,849	19,808,837	3,012,850	4,876,200	100,392,765	78,268,683
Deferred Outflow of Resources:							
Loss on Refunding	-	68,074	-	-	-	68,074	-
Other Post Employment Benefits Payable	10,302	1,681	7,872	11,213	1,190	32,258	29,290
Pensions	185,424	37,604	170,971	208,087	23,689	625,775	589,317
Total Deferred Outflow of Resources	195,726	107,359	178,843	219,300	24,879	726,107	618,607

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2018
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	Enterprise Funds						Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	
LIABILITIES							
Current Liabilities:							
Accounts Payable	1,607,139	474,571	199,369	192,147	60,221	2,533,447	1,476,156
Notes/Leases Payable	4,302	5,165	-	7,718	48,250	65,435	4,446
Due To Other Funds	262,502	23,017	266,625	420	797	553,361	159,081
Compensated Absences	9,836	1,829	9,174	11,656	2,910	35,405	32,792
Claims and Judgments Payable	-	-	-	-	-	-	491,170
Total Other Post Employment Benefits Liability	28,061	4,579	21,442	30,545	3,244	87,871	79,780
Unearned Revenue	1,966	42,633	-	-	10,277	54,876	-
Lim. Tax G. O. Bond - Current Portion	-	1,212,587	-	-	-	1,212,587	109,500
Spec Assessment Debt - Govern. Commitment	-	-	-	-	78,282	78,282	-
Total Current Liabilities	1,913,806	1,764,381	496,610	242,486	203,981	4,621,264	2,352,925
Noncurrent Liabilities:							
Limited G.O. Bonds Payable	-	183,620	-	-	-	183,620	1,637,850
Special Assess. Debt - Gov. Commitment	-	-	-	-	113,129	113,129	-
Compensated Absences	185,113	34,440	172,661	219,381	54,741	666,336	617,177
Total Other Post Employment Benefits Liability	1,175,242	191,806	898,037	1,279,279	135,891	3,680,255	3,341,375
Claims and Judgments Payable	-	-	-	-	-	-	3,962,551
Notes/Leases Payable	13,779	36,155	-	14,754	400,593	465,281	11,215
Accumulated Landfill Closure Costs	14,439,192	-	-	-	-	14,439,192	-
Net Pension Liability	1,122,858	227,709	1,035,331	1,260,099	143,453	3,789,450	3,568,699
Total Noncurrent Liabilities	16,936,184	673,730	2,106,029	2,773,513	847,807	23,337,263	13,138,867
Total Liabilities	18,849,990	2,438,111	2,602,639	3,015,999	1,051,788	27,958,527	15,491,792
Deferred Inflow of Resources:							
Other Post Employment Benefits Payable	60,302	9,842	46,079	65,640	6,973	188,836	171,446
Pensions	393,072	79,711	362,433	441,118	50,216	1,326,550	1,249,277
Total Deferred Inflow of Resources	453,374	89,553	408,512	506,758	57,189	1,515,386	1,420,723
NET POSITION							
Net Investment in Capital Assets	8,589,391	12,099,857	6,912,187	(692)	2,694,648	30,295,391	36,295,579
Restricted For:							
Debt Service	-	171,541	-	-	260,003	431,544	-
Unrestricted (Deficit)	28,785,000	1,521,146	10,064,342	(289,915)	837,451	40,918,024	25,679,196
Total Net Position	\$ 37,374,391	\$ 13,792,544	\$ 16,976,529	\$ (290,607)	\$ 3,792,102	\$ 71,644,959	\$ 61,974,775

See accompanying notes to financial statements

**Reconciliation of The Statement of
Net Position of Proprietary Funds
To The Statement of Net Position
*December 31, 2018***

	Business Type Funds
Enterprise net position as shown in the Proprietary Funds Statement of Net Position	\$ 71,644,959
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<u>1,806,839</u>
Net position for business-type funds as shown in Statement of Net Position	<u><u>\$ 73,451,798</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, 2018

	Enterprise Funds						Internal
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	Service Funds
Operating Revenues:							
Charges for Services	\$ 25,058,948	\$ 1,839,673	\$ 6,949,454	\$ 4,877,467	\$ 784,456	\$ 39,509,998	\$ 19,703,746
Equipment Rental	-	-	-	-	-	-	8,617,304
Miscellaneous	3,388	35,230	-	184	19,428	58,230	5,968
Total Operating Revenues	25,062,336	1,874,903	6,949,454	4,877,651	803,884	39,568,228	28,327,018
Operating Expenses:							
Salaries and Benefits	2,559,399	503,768	2,410,989	3,134,109	390,071	8,998,336	8,476,736
Other Supplies and Expenses	95,417	132,745	77,586	76,347	56,267	438,362	3,222,116
Contractual Services	2,907,632	391,443	590,405	155,092	181,775	4,226,347	7,188,475
Longhaul Contract	14,111,927	-	-	-	-	14,111,927	-
Interfund Services and Charges	1,556,459	228,219	1,445,254	1,163,291	114,168	4,507,391	1,769,305
Depreciation/Amortization	1,062,276	636,949	492,073	7,687	177,812	2,376,797	4,720,088
Claims Payments	-	-	-	-	-	-	1,476,819
Total Operating Expenses	22,293,110	1,893,124	5,016,307	4,536,526	920,093	34,659,160	26,853,539
Operating Income (Loss)	2,769,226	(18,221)	1,933,147	341,125	(116,209)	4,909,068	1,473,479
Nonoperating Revenue (Expenses):							
Interest Revenue	-	45,116	105,515	41,837	21,459	213,927	159,384
Operating Grants & Contributions	91,710	-	39,657	-	-	131,367	31,520
Gain/Loss on Disposition of Capital Assets	(50,761)	-	109,636	-	(7,149)	51,726	(597,769)
Insurance Recoveries	-	-	-	-	-	-	8,178
Interest Expense & Fiscal Charges	(1,144)	(84,033)	(28)	(783)	(30,787)	(116,775)	(89,198)
Total Nonoperating Revenue (Expense)	39,805	(38,917)	254,780	41,054	(16,477)	280,245	(487,885)
Income Before Contributions and Transfers	2,809,031	(57,138)	2,187,927	382,179	(132,686)	5,189,313	985,594
Capital Grants & Contributions	-	352,174	-	-	14,190	366,364	-
Interfund Capital Contributions	-	-	-	-	-	-	183,525
Special Item:							
Transfer of Triage Facility to BHO	-	-	-	-	-	-	(5,229,766)
Transfers In	104,814	630,985	56,667	571,896	6,109	1,370,471	1,233,692
Transfers Out	(10,486)	(22,380)	(142,500)	(9,800)	(1,325)	(186,491)	(3,245,920)
Change in Net Position	2,903,359	903,641	2,102,094	944,275	(113,712)	6,739,657	(6,072,875)
Net Position as of January 1	34,551,494	12,939,783	15,060,794	(865,851)	3,938,786	65,625,006	68,917,091
Cumulative Effect of Change in Accounting Principle	(80,462)	(50,880)	(186,359)	(369,031)	(32,972)	(719,704)	(869,441)
Net Position as of January 1 - Restated	34,471,032	12,888,903	14,874,435	(1,234,882)	3,905,814	64,905,302	68,047,650
Net Position as of December 31	\$ 37,374,391	\$ 13,792,544	\$ 16,976,529	\$ (290,607)	\$ 3,792,102	\$ 71,644,959	\$ 61,974,775

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, 2018**

	Business-Type Funds
	<hr/>
Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 6,739,657
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	1,673,391
Allocated direct and indirect costs from the County's cost plan	<hr/> (1,508,807)
 Change in net position for business-type funds as shown in the Statement of Activities	 \$ <hr/> <hr/> 6,904,241

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2018
Page 1 of 2

	Enterprise Funds						
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:							
Cash Received from Customers	\$ 26,282,702	\$ 1,583,439	\$ 6,826,772	\$ 3,962,421	786,074	39,441,408	\$ 27,331,940
Cash Paid for Goods & Services	(19,575,019)	(354,081)	(2,011,661)	(1,400,065)	(348,366)	(23,689,192)	(13,407,411)
Cash Paid to Employees	(2,999,673)	(554,628)	(2,704,505)	(3,170,329)	(372,938)	(9,802,073)	(9,112,739)
Net Cash Provided (Used) by Operating Activities	3,708,010	674,730	2,110,606	(607,973)	64,770	5,950,143	4,811,790
Cash Flows from Noncapital Financing Activities:							
Transfers In	96,334	630,985	56,667	571,896	6,109	1,361,991	1,212,920
Transfers Out	(10,486)	(22,380)	(142,500)	(9,800)	(1,325)	(186,491)	(3,216,668)
Grant Proceeds	371,617	2,995	39,657	-	409	414,678	31,520
Community Loans Issued to Homeowners	-	-	-	-	41,253	41,253	-
Community Loan Financing Payments	-	-	-	-	(47,198)	(47,198)	-
Insurance Recoveries	-	-	-	-	-	-	8,178
Interest Payments	-	-	-	-	(30,787)	(30,787)	-
Net Cash Provided (Used) by Noncapital Financing Activities	457,465	611,600	(46,176)	562,096	(31,539)	1,553,446	(1,964,050)
Cash Flows from Capital & Related Financing Activities:							
Cash Proceeds from Sale of Capital Assets	-	-	-	-	-	-	481,747
Capital Asset Purchases	(17,235)	(513,601)	(279,208)	-	(2,406)	(812,450)	(6,795,209)
Bond/Loan Payments	-	(1,128,829)	(1,495)	(7,494)	(78,283)	(1,216,101)	(107,250)
Bond/Loan Proceeds	9,155	-	-	-	-	9,155	5,448
Contributed Capital	-	27,153	-	-	14,190	41,343	138,221
Assessment Receipts	-	92,497	-	-	47,644	140,141	-
Interest Payments	(1,144)	(73,934)	(28)	(783)	-	(75,889)	(89,198)
Net Cash Provided (Used) by Capital & Related Financing Activities	(9,224)	(1,596,714)	(280,731)	(8,277)	(18,855)	(1,913,801)	(6,366,241)
Cash Flows from Investing Activities:							
Interest Receipts	-	47,322	127,620	36,514	19,128	230,584	153,807
Net Cash Provided (Used) by Investing Activities	-	47,322	127,620	36,514	19,128	230,584	153,807
Net Increase (Decrease) in Cash & Cash Equivalents	4,156,251	(263,062)	1,911,319	(17,640)	33,504	5,820,372	(3,364,694)
Cash & Cash Equivalents as of January 1	42,060,790	2,265,955	10,327,231	2,743,333	1,540,394	58,937,703	42,298,894
Cash & Cash Equivalents as of December 31	\$ 46,217,041	\$ 2,002,893	\$ 12,238,550	\$ 2,725,693	\$ 1,573,898	\$ 64,758,075	\$ 38,934,200

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2018
Page 2 of 2

	Enterprise Funds						Internal Service Funds
	Solid Waste	Grand Mound	Storm Water	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of Operating Income To Net Cash Provided (Used) by Operating Income:							
Operating Income	\$ 2,769,226	\$ (18,221)	\$ 1,933,147	\$ 341,125	\$ (116,209)	\$ 4,909,068	\$ 1,473,479
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	1,062,276	636,949	492,073	7,687	177,812	2,376,797	4,720,088
(Increase) Decrease in:							
Customer Account Receivables	1,077,709	3,412	-	(1,947)	871	1,080,045	(153,057)
Special Assessment Receivables	-	-	(62,885)	-	-	(62,885)	-
Due from Other Funds	222	(295,628)	208,466	(69,195)	(14,723)	(170,858)	(628,645)
Due from Other Government Units	-	-	(278,026)	-	-	(278,026)	(35,202)
Inventories	-	-	-	-	-	-	40,778
Prepaid Expense	-	-	-	21,087	-	21,087	11,083
Increase (Decrease) in:							
Accounts Payable	46,879	379,265	(52,959)	16,287	3,182	392,654	99,641
Due to Other Funds	(473,314)	19,061	154,543	(42,709)	662	(341,757)	153,303
Due to Other Government Units	(5,468)	-	-	-	-	(5,468)	-
Claims and Judgments	-	-	-	-	-	-	(55,501)
Unearned Revenue	1,966	7,965	-	(725,222)	1,277	(714,014)	-
Compensated Absences Payable	(20,877)	(37,329)	(29,252)	(18,892)	43,016	(63,334)	(171,281)
Other Post Employment Benefits	72,525	11,835	55,419	78,947	8,387	227,113	206,199
Net Pension Liability	(351,453)	(32,579)	(309,920)	(215,141)	(39,505)	(948,598)	(849,095)
Accumulated Landfill Closure	(471,681)	-	-	-	-	(471,681)	-
Total Adjustments	938,784	692,951	177,459	(949,098)	180,979	1,041,075	3,338,311
Net Cash Provided (Used) by Operating Activities	\$ 3,708,010	\$ 674,730	\$ 2,110,606	\$ (607,973)	\$ 64,770	\$ 5,950,143	\$ 4,811,790

Noncash Investing, Capital, and Financing

Activities:

Disposition of Capital Assets:

Gain of Disposition	\$ -	\$ -	\$ 109,636	\$ -	\$ -	\$ 109,636	\$ -
Loss on Disposition	\$ (50,761)	\$ -	\$ -	\$ -	\$ (7,149)	\$ (57,910)	\$ (1,079,516)
Transfer of Triage Facility to BHO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,229,766)
Transfers In	\$ 8,480	\$ -	\$ -	\$ -	\$ -	\$ 8,480	\$ 20,772
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (29,252)
Contributions	\$ -	\$ 325,021	\$ -	\$ -	\$ -	\$ 325,021	\$ 45,304
Capital Lease Financing Proceeds	\$ 9,155	\$ -	\$ -	\$ -	\$ -	\$ 9,155	\$ 5,448

See accompanying notes to financial statements

Statement Of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

ASSETS	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash & Pooled Investments	\$ 588,380,777	\$ 23,435,619	\$ 13,288,824
Cash and Investments in Trust	-	-	173,879
Deposits with Fiscal Agent	-	-	10,000
Receivables:			
Accrued Interest Receivables	(165,618)	-	-
Customer Account Receivables	6,694	-	-
Investments at Fair Value:			
US Agency & Instrumentality Securities	(5,352,641)	(243,493)	-
Total Assets	582,869,212	23,192,126	13,472,703
LIABILITIES			
Liabilities:			
Warrant Payable	-	-	11,953,177
Accounts Payable	-	-	672,087
Payroll Payable	-	-	663,560
Due to Other Governments	-	-	183,879
Total Liabilities	-	-	13,472,703
NET POSITION			
Net Position Held in Trust for Pool Participants	582,869,212	-	-
Net Position Held in Trust for Other Purposes	-	23,192,126	-
Total Net Position	\$ 582,869,212	\$ 23,192,126	\$ -

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended December 31, 2018

	Investment Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Additions By Participants	\$1,410,336,503	\$ 34,604,036
Trust Revenues	250,174	8,101
Total Contributions	<u>1,410,586,677</u>	<u>34,612,137</u>
Investment Income:		
Net Increase (Decrease) In Fair Value Of Investments	(5,352,641)	(243,493)
Interest, Dividends and Other	8,944,073	357,890
Total Investment Income	<u>3,591,432</u>	<u>114,397</u>
Total Additions	<u>1,414,178,109</u>	<u>34,726,534</u>
Deductions:		
Distributions to Participants	1,389,989,156	15,253,797
Trust Administrative Costs	250,174	8,101
Total Deductions	<u>1,390,239,330</u>	<u>15,261,898</u>
Change in Net Position Held for Individuals, Organizations and Other Governments	23,938,779	19,464,636
Net Position as of January 1	<u>558,930,433</u>	<u>3,727,490</u>
Net Position as of December 31	<u><u>\$ 582,869,212</u></u>	<u><u>\$ 23,192,126</u></u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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 2018, the County had no component units currently in operation for which it was financially accountable. See next paragraph for a component unit not currently in operation. Thurston County is a statute county, which means the organization of the county is prescribed by state statute. The County has a commissioner form of government with a governing body consisting of three County commissioners.

Blended Component Unit:

On December 31, 2014, the Thurston County Board of County Commissioners adopted an ordinance establishing the Thurston County Transportation Benefit District (TBD) in unincorporated Thurston County, pursuant to chapter 36.73 of the Revised Code of Washington (RCW). The purpose of the TBD, as an independent taxing authority, is to provide a source of funding for transportation improvements that preserve, maintain, and improve transportation and related infrastructure within the unincorporated limits of Thurston County. The TBD, when operational, will be 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 will be entered into for the purpose of identifying the responsibilities of the TBD and the County.

The TBD, when operational, 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 will be 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 is not operational and did not collect any revenues in 2018 because an agreement on a funding mechanism has not been finalized. Therefore, there were no financial operations for the TBD to report in 2018. It is expected that the TBD will begin to collect revenues in the near future.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

- *Real Estate Excise Tax fund* – a fund established for holding excise tax proceeds dedicated to capital projects from the one-half percent tax on real property sales in unincorporated Thurston County. This fund is a newly added major fund for 2016. In prior years it was a Non-Major Capital Projects fund.
- *Public Health and Social Services Special Revenue Fund* - accounts for the following services: mental health, developmental disabilities, substance abuse prevention & treatment, children and family, environmental protection, and personal health. Most of the revenues in this fund come from health related state and federal grants.

The County reports the following major proprietary funds:

- *Solid Waste* - accounts for county-wide solid waste activities including waste prevention, recycling and disposal activities at the county's waste and recovery center.
- *Grand Mound Water and Wastewater* - accounts for maintenance and operations of the Grand Mound water & wastewater systems.
- *Storm & Surface Water Utility* – accounts for assessments levied to minimize the harmful effects of storm water runoff and to construct and improve storm water run-off facilities within the utility's boundaries in unincorporated Thurston County.
- *Land Use and Permitting* – accounts for the receipt of development license fees and service charges that support planning, permitting, and development inspection services within the unincorporated sections of Thurston County.

Additionally, the County reports the following fund types:

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

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

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

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

D. Budgetary Information

1. Scope of Budget

The County adopted a biennial budget beginning with the 2017/2018 budget period. Appropriations, however, still lapse at the end of each calendar year. Budgets are adopted for all county funds in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by Budgeting, Accounting, and Reporting System (BARS) of the State of Washington and on a basis consistent with generally accepted accounting principles. Appropriations are authorized at the fund level for all funds, except the General Fund, where expenditures may not exceed appropriations at the department level. The budgets constitute the legal authority for expenditures at these levels.

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

2. Amending the Budget

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

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

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

E. Assets, Liabilities, Fund Balance and Net Position

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

It is the County's policy to invest all temporary cash surpluses. At December 31, 2018, 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 \$8,604,500.

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. Some securities are measured at fair value as required by GASB 72.

Cash applicable to a particular fund is readily identifiable. Earnings on cash and cash equivalents accrue to the individual fund owning the cash, with the exception of the following funds, which accrue to the County's General Fund: Law Library, Auditor's Maintenance & Operation, Detention Facility Sales Tax, Treatment Sales Tax, Medic One, Roads Operations, Conservation Futures, Prisoner's Concession, Real Estate Excise Tax 1 & 2, Solid Waste, Stormwater, Unemployment Compensation, 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) and sales tax received shortly after the end of the year. The County considers property taxes to be available if they are collected within 60 days after year end. The County accrues these amounts as revenue unless they are immaterial to the amount collected or to the outstanding balance.

Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. The County considers interest on investments to be available if they will be collected within 60 days after year-end. However, the County does not accrue these amounts as revenue unless they are material to the amount collected or to the outstanding balance.

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

Customer account receivables are amounts owed by private individuals or organizations for County services including amounts owned for which billings have not yet been prepared. They primarily include receivables for sales tax, court fines and forfeitures, incarceration fees and fees for public health services. Receivable amounts exclude any amounts estimated to be material and uncollectible at year end.

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

Activity between funds that are representative of lending/borrowing arrangements and outstanding at year end are reported in the fund financial statements as interfund loans receivable and payable if due within one year or advances to and from other funds if due within more than one year. Advances to other funds are offset by a non-spendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources. All other outstanding balances between funds, including interfund loans receivable and payable due within one year, are reported as "due to/from other funds".

The County reports accrued wages payable as accounts payable, whenever possible, for simplicity. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Interfund balances between governmental funds and interfund balances between proprietary funds have been eliminated and are not included in the government-wide statement of net position.

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

4. Inventories and Prepaid Items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Unearned Revenue

Unearned revenues in the fund financial statements include amounts collected before revenue recognition criteria are met. Unearned revenues in the government-wide financial statements represent resources received but not yet earned.

9. Deferred Outflows/Inflows of Resources

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

10. Pensions

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

11. Rebateable Arbitrage

Thurston County has not incurred any rebateable arbitrage as of December 31, 2018. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

12. Net Position

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

13. Fund Balance Classification

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

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

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

14. Minimum Fund Balance

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

NOTE II – RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

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

Fund balance in the governmental funds balance sheet is reconciled to net position in the statement of net position. One element of that reconciliation, as detailed below, was for \$439,902,988 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	\$ 424,096,151
Gains (Losses) and Adjustments on Dispositions of Capital Assets	9,293,798
Prior Period Adjustment	284,739
Governmental Capital Outlays	15,571,407
Governmental Depreciation & Amortization Expense	<u>(9,343,107)</u>
Governmental Net Book Value - End of Current Year	<u>\$ 439,902,988</u>

Another element of the reconciliation, as detailed below, was for \$59,563,871 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	\$ 63,101,280
Bond/Note Proceeds	946,345
Refunding, Amortization, Deferrals & Debt Issue Costs	(462,813)
Principal Payments	<u>(4,020,941)</u>
Computed Governmental Debt - End of Current Year	<u>\$ 59,563,871</u>

A third element of the reconciliation, as detailed below, was for \$61,974,775 because Internal Service Funds assets and liabilities transfers in/out, and Contributed Capital, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net position:

Net Position - End of Prior Year	\$ 68,917,091
Net Transfers In/Out	(2,012,228)
Capital Distributions	(5,046,241)
Prior Period Adjustments	(869,441)
Net Profit and Adjustments	<u>985,594</u>
Net Position - End of Current Year	<u>\$ 61,974,775</u>

Cash	\$ 38,934,200
Capital Assets	38,058,590
Other Assets	1,275,893
Claims and Judgments Payable	(3,962,551)
Other Liabilities	(11,529,241)
Deferrals	<u>(802,116)</u>
Net Position - End of Current Year	<u>\$ 61,974,775</u>

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

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

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

B. Excess of Expenditures Over Appropriations

There were no violations of excess expenditures over appropriations during 2018.

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

NOTE IV – DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The County has an adopted policy that addresses deposit custodial risk; however, the County's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the County's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool. The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. All deposits held at December 31, 2018 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, 2018 were \$13,202,130.

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).

C. Investments in Local Government Investment Pool (LGIP)

The County is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

County investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. The County's safekeeping agent for investments is Wells Fargo Bank. The Agent agrees to provide Safekeeping Services, also referred to as Custodian Services, for custody, record keeping and cash management of the County's investments. During 2018 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

D. Thurston County Investment Pool (TCIP)

The Thurston County Investment Pool (TCIP) operates on an amortized cost-book value basis and reports on a fair value basis. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. There are no legally binding guarantees for the TCIP. Authorized investments for the TCIP are the same as investments held outside of the pool. These are defined in statute and discussed in Note IV (B). The TCIP also has holdings in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure investments at amortized cost. The only limitations or restrictions with the money in LGIP are a minimum transaction size of \$5,000 for deposits and withdrawals and a request to notify LGIP of a deposit or withdrawal of ten million dollars (\$10,000,000) or more of at least one day prior to the transfer. The Thurston County Investment Pool does not have a credit rating.

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

The TCIP experienced a net decrease in the fair market value of the investments during 2018. At 12/31/2018, the market value of investments was \$7,217,896 lower than the amortized cost. Approximately 27% of this amount is applicable to County funds with the remainder applicable to outside entities participating in the pool. These unrealized losses have been recognized in the county funds per GASB 72. Management intends to hold these investments to maturity, unless value is gained by swapping out securities at a premium, recognizing income and reinvesting in a replacement security that balances out specific categories such as maturities, effective duration or types of investments. During 2018, TCIP did not sale any investments.

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

Participation in the TCIP is voluntary. Districts do have the option to participate in the TCIP or they can have the Treasurer manage their cash and investments outside of the TCIP by requesting specific investment amounts and maturity dates. Currently, there is only one district with investments outside the TCIP.

E. Investments Measured at Amortized Cost

As of December 31, 2018, the County held the following investments at amortized cost:

Investment Type	Thurston County Investments	Investments held by Thurston County as an agent for other local governments	Total
Pool Investments:			
State Investment Pool	\$ 22,726,825	\$ 61,273,175	\$ 84,000,000
Money Market Accounts	6,763,936	18,236,064	25,000,000
Total Investments at Amortized Cost	\$ 29,490,761	\$ 79,509,239	\$ 109,000,000

Credit risk related to investments at amortized costs is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy further limits risk to investments in securities that have one of the three highest ratings of a national rating agency at the time of investment. The County's exposure to credit risk is limited to its investment in the Washington State Investment Pool.

E. Investments Measured at Fair Value

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

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2018, the County had the following investments measured at fair value:

Investment Type	Fair Value	Fair Value Measurements Using			
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturity (Years)	Interest Rate Ranges
Municipal Bonds	7,996,875		7,996,875	0.58	2.197%-4.062%
US Treasurer Securities	9,942,383	9,942,383		0.33	.875%-1.5%
US Agency Securities	637,636,804	42,377,886	595,258,918	1.92	.95%-3.35%
Corporate Securities	21,781,560		21,781,560	0.92	1.75%-4.2%
Total Investments by Fair Value Level	\$ 677,357,622	\$ 52,320,269	\$ 625,037,353		

Investments outside of the Thurston County Investment Pool (non Pooled)

Investment Type	Amortized Cost	Fair Value
US Treasurer Securities	\$ 20,000,000	\$ 19,614,258

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

- Interest Rate Risk – The adopted investment policy limited investment maturities to a maximum of five years, with the exception of preapproval by the County Treasurer. During 2018 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.
- Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy further limits credit 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, 2018 are:

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

WA Municipal Bonds	S&P Rating
Energy Northwest WA Elec Rev	AA-
Snohomish Co BABS GO	AA+

- Concentration Risk – Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The adopted investment policy requires that no more than 20% of the investments will be in a single security type, with the exception of U.S. treasury and agency securities and the State Local Government Investment Pool. The investments held are in compliance with this requirement.

F. Deposits and Investments Reconciliations

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

Schedules of Deposits and Investments
Composition of Cash & Investments
December 31, 2018

	Total	Pooled Cash Investments	Non-Pooled Cash & Investments
State Investment Pool	\$ 84,000,000	\$ 84,000,000	\$ -
Municipal Bonds	8,020,000	8,020,000	-
US Treasury & Agency Securities	655,385,294	655,385,294	-
Money Market Accounts	25,000,000	25,000,000	-
Corporate Securities	22,000,000	22,000,000	-
Total Investment Pool Investments	794,405,294	794,405,294	-
Deposits With Financial Institutions	13,202,130	13,202,130	-
Net Increase (Decrease) in Fair Value of Investments	(7,461,389)	(7,217,896)	(243,493)
Pool Accruals	(864,030)	(864,030)	-
Total Investment Pool Cash & Investments	799,282,005	799,525,498	(243,493)
Fiscal and Petty Cash	75,342	-	75,342
Clerk's Trust Funds	23,435,619	-	23,435,619
Total Reported Cash & Investments	\$ 822,792,966	\$ 799,525,498	\$ 23,510,961

Reconciliation of Cash & Investments to Statements
December 31, 2018

	Total	Statements of	
		Fiduciary Net Position	Net Position
Cash & Pooled Investments - County Funds	\$ 203,183,583	\$ -	\$ 203,183,583
Cash & Pooled Investments - Investment Trust Fund	588,380,777	588,380,777	-
Cash & Pooled Investments - Agency Funds	13,462,703	13,462,703	-
Net Increase (Decrease) in Agency Investment Fair Value	(5,596,134)	(5,596,134)	-
Pool Accruals	(158,924)	(158,924)	-
Total Investment Pool Cash & Investments	799,272,005	596,088,422	203,183,583
Fiscal and Petty Cash	85,342	10,000	75,342
Private Purpose Trust Funds	23,435,619	23,435,619	-
Total Reported Cash & Investments	\$ 822,792,966	\$ 619,534,041	\$ 203,258,925

A condensed statement of net position and statement of changes in net position for the external portion of the County's investment trust pool and the Clerk's private purpose trust fund at December 31, 2017 is reported in the following schedule:

**Condensed Statement of Net Position
December 31, 2018**

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 596,088,422	\$ 23,435,619
Total Assets	596,088,422	23,435,619
Pool Liabilities	(13,462,703)	-
Total Liabilities	(13,462,703)	-
Net Position Held in Trust for Pool Participants	\$ 582,625,719	\$ 23,435,619

**Condensed Statement of Changes in Net Position
December 31, 2018**

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Position Resulting from Operations	\$ 8,944,073	\$ 357,890
Earnings Distributions to Participants	(8,944,073)	(357,890)
Changes in Net Position Resulting from Depositor Transactions	23,938,779	19,464,636
Net Position Available	23,938,779	19,464,636
Net Position Beginning of Year	558,930,433	3,727,490
Net Position End of Year	\$ 582,869,212	\$ 23,192,126

NOTE V – PROPERTY TAXES

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

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

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

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

1. The district budget is one of the limitations on taxation.
2. The amount authorized by a district in their resolution or ordinance is another limitation on taxation. When district officials need to increase their budget over the spending of the previous year, they are required to pass one or more resolutions (or ordinances).
3. Statutory dollar rate limits are specified for regular property tax levy rates for most types of taxing districts in RCW 84.52.043.
4. Most taxing districts are authorized by state law to levy a certain rate each year without approval by the voters; these are commonly referred to as regular levies. The aggregate levies of junior taxing districts and senior taxing districts, other than the state, shall not exceed five dollars and ninety cents per thousand dollars of assessed valuations (RCW 84.52.043). At the county level this limitation does not apply to the Conservation Futures or Medic One levies.
5. The Washington State Constitution limits total regular property taxes to 1 percent of true and fair market valuation. This limit would equate to a regular levy rate of \$10 per \$1,000 of assessed value if the property were assessed at its true and fair value. If taxes for regular districts (excluding the Port & PUD) exceed this amount, the proration order starts with junior taxing districts first, then senior taxing districts, if necessary, until the total is at the 1 percent limit.

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

The following identifies the tax rates levied in 2017 for collection in 2018:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.2161	\$ 32,216,830,448	\$ 39,179,481
Medic One	\$ 0.3339	\$ 32,216,830,448	\$ 10,758,206
Roads	\$ 1.3637	\$ 15,400,042,017	\$ 21,001,153

NOTE VI – CAPITAL ASSETS AND COMMITMENTS

A. Capital Assets

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance 01/01/2018	Prior Period Adjustment	Revised Beginning Balance 01/01/2018	Increases	Decreases & Adjustments	Ending Balance 12/31/2018
<u>GOVERNMENTAL TYPE ACTIVITIES</u>						
Capital Assets - Non-Depreciable:						
Land	\$ 259,591,069	\$ -	\$ 259,591,069	\$ 1,235,202	\$ (931,464)	\$ 259,894,807
Construction in Progress	28,282,802	(7,350)	28,275,452	11,973,396	(6,507,728)	33,741,120
Intangible Assets	2,948,217	-	2,948,217	4,800	-	2,953,017
Capital Assets - Non-Depreciable	290,822,088	(7,350)	290,814,738	13,213,398	(7,439,192)	296,588,944
Capital Assets - Depreciable:						
Buildings	145,333,776	-	145,333,776	1,217,392	(7,559,723)	138,991,445
Intangible Assets	1,748,675	(9,818)	1,738,857	574,454	(43,045)	2,270,266
Improvements Other Than Buildings	5,404,827	-	5,404,827	95,866	(16,821)	5,483,872
Machinery & Equipment	46,545,173	17,318	46,562,491	6,809,491	(4,088,589)	49,283,393
Infrastructure	127,463,495	264,670	127,728,165	17,549,608	(11,552,416)	133,725,357
Original Cost	326,495,946	272,170	326,768,116	26,246,811	(23,260,594)	329,754,333
Less Accumulated Depreciation:						
Buildings	(46,792,263)	-	(46,792,263)	(3,916,865)	2,088,934	(48,620,194)
Improvements Other Than Buildings	(4,801,060)	-	(4,801,060)	(177,214)	-	(4,978,274)
Machinery & Equipment	(30,327,559)	(22,386)	(30,349,945)	(3,943,620)	3,683,489	(30,610,076)
Intangible Assets	(1,573,434)	22,384	(1,551,050)	(27,360)	(471,706)	(2,050,116)
Infrastructure	(69,244,446)	-	(69,244,446)	(5,998,136)	11,384,093	(63,858,489)
Accumulated Depreciation	(152,738,762)	(2)	(152,738,764)	(14,063,195)	16,684,810	(150,117,149)
Capital Assets - Depr, Net	173,757,184	-	174,029,352	12,183,616	(6,575,784)	179,637,184
Total Original Cost	617,318,034	264,820	617,582,854	39,460,209	(30,699,786)	626,343,277
Total Accumulated Depreciation	(152,738,762)	(2)	(152,738,764)	(14,063,195)	16,684,810	(150,117,149)
Governmental Capital Assets, Net	\$ 464,579,272	\$ 264,818	\$ 464,844,090	\$ 25,397,014	\$ (14,014,976)	\$ 476,226,128

Depreciation expense was charged to functions as follows:

Depreciation Expense was charged to functions as follows:	
General Government	\$ 256,450
Public Safety	2,324,149
Utilities and Environment	527
Transportation	6,385,372
Economic Environment	40,226
Health and Human Services	127,729
Culture and Recreation	208,655
Subtotal	9,343,107
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.	4,720,088
Total Governmental Activities Depreciation Expense	\$ 14,063,195

Business Type Activities for the year ended December 31, 2018 was as follows:

	Beginning Balance 01/01/2018	Prior Period Adjustment	Revised Beginning Balance 01/01/2018	Increases	Decreases & Adjustments	Ending Balance 12/31/2018
<i>BUSINESS TYPE ACTIVITIES</i>						
Capital Assets, not being depreciated:						
Land	\$ 1,503,649	\$ -	\$ 1,503,649	\$ -	\$ -	\$ 1,503,649
Construction In Progress	854,332	-	854,332	811,257	(114,238)	1,551,351
Intangible	1,494,127	-	1,494,127	13,686	(6,844)	1,500,969
Total Capital Assets, not being depreciated	3,852,108	-	3,852,108	824,943	(121,082)	4,555,969
Capital Assets, being depreciated:						
Buildings	24,809,107	-	24,809,107	-	-	24,809,107
Intangible	1,858,553	-	1,858,553	-	-	1,858,553
Improvements other than buildings	22,246,270	-	22,246,270	-	-	22,246,270
Machinery & Equipment	4,333,221	-	4,333,221	22,562	(18,553)	4,337,230
Infrastructure	18,109,381	-	18,109,381	356,410	(88,333)	18,377,458
Total Capital Assets, being depreciated	71,356,532	-	71,356,532	378,972	(106,886)	71,628,618
Less Accumulated Depreciation For:						
Buildings	(11,940,126)	-	(11,940,126)	(738,850)	-	(12,678,976)
Improvements other than buildings	(20,540,442)	-	(20,540,442)	(200,688)	-	(20,741,130)
Machinery & Equipment	(2,454,695)	-	(2,454,695)	(319,151)	18,552	(2,755,294)
Intangible - M&E	(863,606)	-	(863,606)	(143,848)	-	(1,007,454)
Infrastructure	(6,328,634)	109,633	(6,219,001)	(974,260)	197,963	(7,104,931)
Total Accumulated Depreciation	(42,127,503)	109,633	(42,017,870)	(2,376,797)	216,515	(44,287,785)
Total Capital Assets being depreciated, net	29,229,029	109,633	29,338,662	(1,997,825)	109,629	27,340,833
Business Type Activities Capital Assets, net	\$ 33,081,137	\$ 109,633	\$ 33,190,770	\$ (1,172,882)	\$ (11,453)	\$ 31,896,802

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:	
Solid Waste	\$ 1,062,276
Water	426,123
Sewer	388,638
Stormwater	492,073
Land Use & Permitting	7,687
Total	\$ 2,376,797

B. Construction Commitments

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

Thurston County has the following active construction commitments as of December 31, 2018:

	Spent-to-Date	Remaining Commitment
Project:		
2018 Chip Seal Project	\$ 1,714,902	\$ 276,492
Grand Mound Water Reservoir	394,467	1,096,333
Total	\$ 2,109,369	\$ 1,372,825

The 2018 Chip Seal project is financed with local road funds. The Grand Mound Water Reservoir is financed with Real Estate Excise Tax (REET) and Ground Mound Water rates.

NOTE VII – RECEIVABLE BALANCES

Receivables as of December 31, 2018 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
<u>Governmental Activities:</u>							
General Fund	\$ 822,183	\$ -	\$ 2,658,460	\$ 5,815,953	\$ 1,708,025	\$ -	\$ 11,004,621
Roads	497,695	-	-	868,469	216,110	-	1,582,274
Medic One	208,544	-	39,035	-	-	-	247,579
Real Estate Excise Tax	-	-	-	-	50,000	-	50,000
Public Health and Social Services	15,179	16,614	37,241	32,857	1,553,891	-	1,655,782
Other Governmental	33,215	28,818	154,609	4,171,058	788,116	-	5,175,816
Internal Service	-	-	33,262	154,253	42,982	-	230,497
Total Governmental Activities	\$ 1,576,816	\$ 45,432	\$ 2,922,607	\$ 11,042,590	\$ 4,359,124	\$ -	\$ 19,946,569
<u>Business-Type Activities:</u>							
Solid Waste	\$ -	\$ -	\$ -	\$ 1,587,467	\$ 63,743	\$ -	\$ 1,651,210
Grand Mound	-	98,985	15,964	180,807	-	-	295,756
Storm Water	-	370,164	-	-	278,026	-	648,190
Land Use and Permitting	-	-	10,836	2,619	-	-	13,455
Other Enterprise Funds	-	208,919	6,196	73,540	448	111,907	401,010
Total Business-Type Activities	\$ -	\$ 678,068	\$ 32,996	\$ 1,844,433	\$ 342,217	\$ 111,907	\$ 3,009,621

NOTE VIII – LONG-TERM AND OTHER SIGNIFICANT DEBT

A. Disclosures About Each Significant Debt Incurred

1. General Obligation Bonds

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

2009 Limited General Obligation Bonds of \$42,765,000 were issued in 2009. The bonds were used to fund construction of the Accountability Restitution Center, communication system upgrades, and other approved capital projects. The term of the bonds is 20 years with the final payment due in 2030. The bonds bear interest rates of 3.0% to 5.0% payable semi-annually with annual principal installments ranging from \$755,000 to \$3,450,000 a year. In 2016, the County issued 2016 Limited Tax General Obligation Bonds to refund most of these bonds, leaving the final annual payment in 2018 to pay off the remainder of the 2009 bonds. The balance at December 31, 2018 is \$0.

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

\$8,775,000 was used for an advance refunding of \$1,800,000 of outstanding 1999 bonds and for a partial advance refunding of \$6,730,000 of outstanding 2002 bonds. The bonds bear an interest rate of 2% to 4% payable semi-annually with annual principal installments ranging from \$555,000 to \$1,505,000. The term of the bonds is 12 years with final payment due in 2022. The advanced refunding portion of the 1999 bonds is serviced by the Grand Mound Debt Service Fund (Enterprise Fund). The Grand Mound Debt Service Fund includes assessments from ULID No. 96-2. The total principal assessment due in 2018 were \$96,983. The amount paid was \$92,225, leaving a delinquent amount in 2018 of \$4,758. The remaining debt balance portion of the Grand Mound Utility was paid off in 2016. The balance at December 31, 2018 was \$2,820,000.

\$18,850,000 of Taxable Build America Bonds were issued to finance construction of the Tilley Road project, communication system upgrades and other building improvements. The bonds bear an interest rate of .75% to 5.4% payable semi-annually with annual principal installments ranging from \$825,000 to \$1,285,000. The Build America Bonds also have an interest subsidy from the Internal Revenue Service to be received in semi-annual installments of 35% of the interest amount, of which a portion was reduced due to sequestration by the federal government beginning in 2013. The term of the bonds is 20 years with final payment due in 2030. The balance at December 31, 2018 was \$11,935,000.

\$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, 2018 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, 2018 was \$823,204.

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, 2018 is \$6,045,000 of which \$1,212,587 was for the Grand Mound Utility.

2016 Limited Tax General Obligation Bonds of \$33,010,000 were issued in 2016. The Bonds were issued to partially refund the 2007 Limited General Obligation Bonds of \$2,680,000 and a partial refunding of the 2009 Limited General Obligation Bonds of \$30,330,000. The bonds bear interest rates of 2.0% to 5.0% semi-annually with annual principal installments ranging from \$210,000 to \$3,255,000 a year. The term of the bonds is 14 years with a final payment due in 2030. The balance at December 31, 2018 is \$32,800,000.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 4,112,413	\$ 2,251,263	\$ 1,212,587	\$ 45,617
2020	4,330,000	2,073,650	-	-
2021	4,610,000	1,894,200	-	-
2022	4,900,000	1,702,000	-	-
2023	4,435,000	1,497,950	-	-
2024 - 2028	21,290,000	4,386,780	-	-
2029 - 2030	10,750,000	466,238	-	-
Total	\$ 54,427,413	\$ 14,272,081	\$ 1,212,587	\$ 45,617

2. Loans and Contracts Payable

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

The first loan is not to exceed \$300,000 with an interest rate of 5% per annum. Repayment began in 1996. The final payment was made in 2015. The second loan is not to exceed \$200,000 with an interest rate of 0%. The balance at December 31, 2018 is \$4,968. 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, 2018 is \$28,162. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2018 is \$4,072. 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, 2018 is \$34,752. The sixth loan is not to exceed \$200,000 with an interest rate of 1.5%. Repayment began in 2009. The balance at December 31, 2017 was \$94,221. 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, 2018 was \$183,422. The eighth loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment began in 2017. The balance as of December 31, 2018 was \$85,149. The ninth loan is not to exceed \$150,000 with an interest rate of 2.7%. Repayment began in 2017. The balance as of December 31, 2018 is \$14,096.

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, 2018 was \$41,320.

Public Works entered into a loan agreement with the State of Washington Department of Ecology to construct a sanitary sewer system for Woodland Creek in 2011. The term of the loan is for twenty years and the loan is not to exceed \$1,286,721 with an interest amount of 2.8%. Payments began in 2015. The balance as of December 31, 2018 was \$1,094,263

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, 2018 was \$191,412. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2018, the amount of delinquent assessment principal was \$3,878.

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
2019	57,194	30,419	131,697	10,165
2020	58,816	28,797	127,814	9,004
2021	60,484	27,128	74,944	7,268
2022	62,200	25,413	43,377	7,511
2023	63,964	23,649	38,894	6,244
2024 - 2028	348,082	89,981	169,380	20,579
2029 - 2033	400,325	37,739	77,964	6,415
2034 - 2037	43,198	608	17,505	717
Total	\$ 1,094,263	\$ 263,734	\$ 681,575	\$ 67,903

4. Leases

a. Operating Lease Liabilities

The County has lease commitments for leases of buildings and office space that are cancelable and non-cancelable. Currently, the County has ten leases that will come to expire over the course of the next five years. Operating lease expenditures for the year ended December 31, 2018 were \$532,210. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2019	\$ 508,999
2020	382,673
2021	311,179
2022	203,944
2023	97,404
2024	-
Total	\$ 1,504,199

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	\$ 532,588	\$ 71,391
Less: accumulated depreciation	(246,693)	(30,838)
Present Value of Minimum Lease Payments	285,895	40,553
Plus amount representing interest	39,294	5,843
Total Invested in Capital Leases	\$ 325,189	\$ 46,396

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2018 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2019	\$ 121,329	\$ 14,493
2020	96,316	14,493
2021	60,617	10,502
2022	39,957	3,604
2023	6,971	3,304
Total Minimum Lease Payments	325,190	46,396
Less: Interest	(39,294)	(5,843)
Present Value of Minimum Lease Payments	\$ 285,896	\$ 40,553

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, 2018:

Asset	Governmental Activities
Land	\$ 1,175,162
Buildings	7,461,460
Less: Accumulated Depreciation	(3,121,604)
Total Invested in Long Term Leases	\$ 5,515,018

The County received \$294,679 of operating lease revenues from these contracts in 2018. Amounts that will be received in future years under these lease agreements are noted below:

Year Ending December 31	Amount
2019	\$ 281,402
2020	225,088
2021	191,639
2022	191,639
2023	191,639
2024-2059	100
Total Lease Receivable	\$ 1,081,507

The \$100 receivable from 2024 through 2059 is a combination of park and ride lease with Intercity Transit located at the Waste and Recovery Center, Quixote Village Panza located 3350 Mottman RD SW Olympia and Homes First! Located at 5505 32ND CT SE Olympia.

5. Long-term Compensated Absences

Thurston County has traditional and alternative leave plans. Thurston County employees who chose the traditional leave plan earn 12 days of sick leave and 12-24.75 days of vacation leave per year depending upon the employee's length of service. A maximum of 140 days of sick leave may be accrued and a maximum of 50 days of vacation may be accrued. County employees, who chose the alternative leave plan, earn 12-30.75 days of annual or personal leave (a combination of sick leave and vacation leave) per year depending upon the employee's length of service. A maximum of 185 days of personal leave may be accrued. Accumulated unpaid vacation/annual leave is recorded as earned by employees. In the traditional plan, terminating employees are entitled to be paid for unused vacation up to a maximum of 280 hours and, if retiring, half of unused sick leave, to a maximum of 360 hours. Alternative plan employees who terminate are entitled to be paid for unused leave up to 300 hours.

The County reported a liability of \$8,043,275 at December 31, 2018 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$6,691,564 for governmental funds, \$649,969 for internal service funds and \$701,742 for enterprise funds. \$405,807 of this liability is expected to be incurred in 2018. 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 \$8,479,158 was recognized for LEOFF 1 benefits in the statement of net position in 2018. A long term liability of \$39,784,991 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, \$36,356,202 was recognized in the statement of net position for governmental and internal service funds and \$3,428,789 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, 2018**

	Beginning Balance	New Issues And Adjustments	Retirements And Adjustments	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
<u>Bonds payable:</u>					
General Obligation Bonds	\$ 58,400,163	\$ -	\$ 3,972,750	\$ 54,427,413	\$ 4,112,413
For Issuance Premiums	5,172,876	-	462,810	4,710,066	450,255
Total Bonds Payable	63,573,039	-	4,435,560	59,137,479	4,562,668
<u>Notes Payable:</u>					
Loans Payable	1,149,879	-	55,616	1,094,263	57,194
Capital Leases Payable	243,175	145,756	103,036	285,895	101,544
Total Notes Payable	1,393,054	145,756	158,652	1,380,158	158,738
Claims and Judgments Payable	4,509,222	110,943	166,444	4,453,721	491,170
Compensated Absences	7,062,349	652,552	373,367	7,341,534	370,402
Other Post Employment Benefits (OPEB)	31,478,221	13,017,797	-	44,496,018	839,905
Other Non-Current Liabilities	-	809,247	-	809,247	-
Net Pension Liability	40,340,423	-	11,051,368	29,289,055	-
Total Governmental Activities	\$ 148,356,308	\$ 14,736,295	\$ 16,185,391	\$ 146,907,212	\$ 6,422,883
<u>Business-type Activities:</u>					
<u>Bonds Payable:</u>					
General Obligation Bonds	\$ 2,309,837	\$ -	\$ 1,097,250	\$ 1,212,587	\$ 1,212,587
For Issuance Premiums	210,034	(26,414)	-	183,620	-
Total Bonds Payable	2,519,871	(26,414)	1,097,250	1,396,207	1,212,587
<u>Notes Payable:</u>					
Loans Payable	542,526	-	52,363	490,163	53,415
Capital Leases Payable	40,387	13,697	13,531	40,553	12,020
Total Notes Payable	582,913	13,697	65,894	530,716	65,435
Special Assessments Payable	269,694	-	78,283	191,411	78,282
Compensated Absences	765,075	-	63,334	701,741	35,405
Accumulated Landfill Closure Costs	14,910,873	-	471,681	14,439,192	-
Other Post Employment Benefits (OPEB)	2,977,887	790,239	-	3,768,126	87,871
Net Pension Liability	5,320,092	-	1,530,642	3,789,450	-
Total Business-type Activities	\$ 27,346,405	\$ 777,522	\$ 3,307,084	\$ 24,816,843	\$ 1,479,580

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$617,177 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$1,747,350 of general obligation bonds payable and \$3,421,155 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, Conservation Futures, Law Library, Detention Facilities Sales Tax Holding, Emergency Management Council, Real Estate Excise Tax, Superior Court Family Services, Trial Court Improvement, Treatment Sales Tax, Stadium/Convention/Art Center, Tax Refunds, Tourism Promotion, Communications, Debt Service Funds, Capital Project Funds and the Community Loan Program Fund.

C. Assets Available for Debt Service

The County is meeting debt service requirements. The County has sufficient assets in a variety of different funds to meet current and future debt service payments. At December 31, 2018, the County had \$816,702 available in reserve in governmental debt service funds to service general obligation and assessment debt. The County's general obligation debt, as noted above, will be funded by cash balances and future revenue streams from the Real Estate Tax and Detention Facility Sales Tax Holding Funds. At December 31, 2018 the County also had \$431,544 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 2018:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 525,477,850	\$ 467,054,927
General Government (With 3/5-majority vote)	\$ 875,796,417	\$ 817,373,494

E. Contingent Liability for Refunded and Defeased Debt

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

The amounts of Refunded and Defeased Bonds, Assets, and Liabilities as of December 31, 2018 are as follows:

Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities
As of December 31, 2018

	01/01/18	Increases	Decreases	12/31/18
Refunded & Defeased Bonds Outstanding	\$ 57,314,938	\$ -	\$ (5,451,750)	\$ 51,863,188

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

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

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

General Obligation Bonds of \$33,010,000 were issued in 2016 of which \$2,680,000 was used for a refunding of the 2007 General Obligation Bonds and of which \$30,330,000 was used for a refunding of the 2009 General Obligation Bonds. The refunding of these bonds resulted in an economic gain of \$5,001,475 with a \$5,651,087 reduction in debt service payments over the duration of the original issue.

NOTE IX – INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The composition of interfund receivables and payables in the fund financial statements as of December 31, 2018 is shown in the following table:

Due From Other Funds												
Due to Other Funds	General Fund	Roads	Public Health	REET	Non-Maj Gov	Internal Service	Solid Waste	Grand Mound	Storm Water	Land Use & Permitting	Non-Maj Enter	Total
General Fund	\$ -	\$ 90,000	\$ 1,286	\$ -	\$ 79,398	\$ 486,297	\$ -	\$ -	\$ -	\$ 246,109	\$ -	\$ 903,090
Roads	37,562	-	108	-	89,000	41,640	505	100	-	5,393	781	\$ 175,089
Medic One	-	-	-	-	-	35	-	-	-	-	-	\$ 35
Public Health	40,616	-	-	-	-	7,544	500	-	-	-	-	\$ 48,660
REET	-	1,006,181	-	-	-	4,998	-	444,790	-	-	-	\$ 1,455,969
Non-Major Governmental	1,358,267	219,962	88,346	-	7,589	20,009	1,538	-	-	-	-	\$ 1,695,711
Internal Service	12,261	-	-	-	9,000	137,249	456	-	-	115	-	\$ 159,081
Solid Waste	1,792	38,831	220,715	-	-	1,164	-	-	-	-	-	\$ 262,502
Grand Mound	-	-	-	-	-	515	-	-	8,008	200	14,294	\$ 23,017
Stormwater	7,628	173,410	52,152	-	8,497	24,938	-	-	-	-	-	\$ 266,625
Land Use & Permitting	2	-	-	-	-	418	-	-	-	-	-	\$ 420
Non-Major Enterprise	-	-	-	-	-	639	-	-	-	-	158	\$ 797
Total Due to/Due from	\$ 1,458,128	\$ 1,528,384	\$ 362,607	\$ -	\$ 193,484	\$ 725,446	\$ 2,999	\$ 444,890	\$ 8,008	\$ 251,817	\$ 15,233	\$ 4,990,996

B. Interfund Loans and Advances

Interfund loans are fund transfers for less than a year that are outstanding at year end and advances are fund transfers for more than one year. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The county had no interfund loans or advances outstanding at the end of 2018.

C. Interfund Transfers

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

Interfund transfers occurring between major funds, non-major governmental funds, non-major enterprise funds and internal service funds of the County during the year ended December 31, 2018 are summarized below:

Transfer In													
Transfer Out	General Fund	Roads	Medic One	REET	Public Health	Non-Major Govt	Internal Service	Solid Waste	Grand Mound	Land Use and Permitting	StormWater	Non-Major Enterprise	Total
General Fund		\$ 90,000			\$ 1,113,529	\$ 527,441	\$ 478,913			\$ 481,503			\$ 2,691,386
Roads	362					790,778	140,300			5,393			\$ 936,833
Medic One													\$ -
REET		4,567,841				1,194,477	4,999		598,396				\$ 6,365,713
Public Health													\$ -
Non-Major Govt	4,558,403	615,321			395,348	3,650,059	41,528						\$ 9,260,659
Internal Service	1,748,666	340,000	28,333		226,667	103,601	535,172	104,814	11,333	85,000	56,667	5,667	\$ 3,245,920
Solid Waste		2,006					8,480						\$ 10,486
Grand Mound		1,124							21,256				\$ 22,380
Land Use and Permitting							9,800						\$ 9,800
StormWater		128,000					14,500						\$ 142,500
Non-Major Entr.		883										442	\$ 1,325
Total Transfers	\$ 6,307,431	\$ 5,745,175	\$ 28,333	\$ -	\$ 1,735,544	\$ 6,266,356	\$ 1,233,692	\$ 104,814	\$ 630,985	\$ 571,896	\$ 56,667	\$ 6,109	\$ 22,687,002

NOTE X – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (33,078,505)
Pension assets	\$ 6,414,070
Deferred outflows of resources	\$ 6,757,613
Deferred inflows of resources	\$ (14,388,558)
Pension expense/expenditures	\$ 1,301,738

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1			
Actual Contribution Rates	Employer	Employee*	
January – August 2018			
PERS Plan 1	7.49%	6.00%	
PERS Plan 1 UAAL	5.03%		
Administrative Fee	0.18%		
Total	12.70%	6.00%	
September – December 2018			
PERS Plan 1	7.52%	6.00%	
PERS Plan 1 UAAL	5.13%		
Administrative Fee	0.18%		
Total	12.83%	6.00%	

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The County's actual PERS plan contributions were \$3,633,665 to PERS Plan 1 and \$4,442,192 to PERS Plan 2/3 for the year ended December 31, 2018.

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 and Cannabis 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 2018 were as follows:

PSERS Plan 2			
Actual Contribution Rates		Employer	Employee
January – August 2018			
PSERS Plan 2		6.74%	6.74%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
Total		11.95%	6.74%
September – December 2018			
PSERS Plan 2		7.07%	7.07%
PERS Plan 1 UAAL		5.13%	
Administrative Fee		0.18%	
Total		12.38%	7.07%

The County's actual plan contributions were \$789,666 to PSERS Plan 2 for the year ended December 31, 2018.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2018. 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 includes 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2			
Actual	Contribution	Employer	Employee
Rates			
State and local governments		5.25%	8.75%
Administrative Fee		0.18%	
Total		5.43%	8.75%
Ports and Universities		8.75%	8.75%
Administrative Fee		0.18%	
Total		8.93%	8.75%

The County's actual contributions to the plan were \$480,660 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$302,938.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

There were changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent 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 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the County's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.40%	7.40%	8.40%
PERS 1	\$ 28,930,915	\$ 23,541,403	\$ 18,872,998
PERS 2/3	\$ 43,460,880	\$ 9,501,674	\$ (18,341,084)
PSERS 2	\$ 3,680,595	\$ 35,428	\$ (2,824,833)
LEOFF 1	\$ (744,924)	\$ (936,400)	\$ (1,101,249)
LEOFF 2	\$ (728,428)	\$ (5,477,670)	\$ (9,351,230)

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

Pension Plan Fiduciary Net Position

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

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

At June 30, 2018, the County reported a total pension liability of \$33,078,505 and a total net pension asset of \$6,414,070 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 23,541,403
PERS 2/3	\$ 9,501,674
PSERS 2	\$ 35,428
LEOFF 1	\$ (936,400)
LEOFF 2	\$ (5,477,670)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Thurston County's proportionate share	\$ 936,400	\$ 5,477,670
Washington State's proportionate share of the net pension liability/(asset) associated with Thurston County	\$ 6,333,784	\$ 3,546,688
TOTAL	\$ 7,270,183	\$ 9,024,358

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion current year less prior year
PERS 1	0.5369%	0.5271%	-0.0098%
PERS 2/3	0.5640%	0.5565%	-0.0075%
PSERS 2	2.9885%	2.8594%	-0.1291%
LEOFF 1	0.0516%	0.0516%	0.0000%
LEOFF 2	0.2617%	0.2698%	0.0081%

Employer contribution transmittals received and processed by the 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 the 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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the county recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 1,579,805
PERS 2/3	\$ (533,051)
PSERS	\$ 598,673
LEOFF 1	\$ (150,584)
LEOFF 2	\$ (193,104)
TOTAL	\$ 1,301,738

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the County 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
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (935,522)
Contributions subsequent to the measurement date	1,844,050	-
TOTAL	\$ 1,844,050	\$ (935,522)

PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,164,656	\$ (1,663,569)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,830,667)
Changes of assumptions	111,153	(2,704,099)
Changes in proportion and differences between contributions and proportionate share of contributions	100,757	(433,352)
Contributions subsequent to the measurement date	2,235,976	-
TOTAL	\$ 3,612,543	\$ (10,631,687)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 262,757	\$ (36,349)
Net difference between projected and actual investment earnings on pension plan investments	-	(477,701)
Changes of assumptions	3,790	(219,239)
Changes in proportion and differences between contributions and proportionate share of contributions	24,109	(39,725)
Contributions subsequent to the measurement date	412,872	-
TOTAL	\$ 703,528	\$ (773,013)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (76,022)
TOTAL	\$ -	\$ (76,022)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 293,428	\$ (127,192)
Net difference between projected and actual investment earnings on pension plan investments	-	(958,666)
Changes of assumptions	3,101	(786,145)
Changes in proportion and differences between contributions and proportionate share of contributions	48,943	(100,311)
Contributions subsequent to the measurement date	252,021	-
TOTAL	\$ 597,492	\$ (1,972,314)

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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows/Inflows of Resources by Plan					
Year	PERS 1	PERS 2	PSERS	LEOFF 1	LEOFF 2
2019	\$ 40,929	\$ (1,106,436)	\$ (12,437)	\$ 73	\$ (105,510)
2020	\$ (204,510)	\$ (1,969,417)	\$ (63,535)	\$ (17,150)	\$ (250,658)
2021	\$ (613,678)	\$ (3,578,123)	\$ (165,072)	\$ (46,709)	\$ (575,859)
2022	\$ (158,262)	\$ (1,330,809)	\$ (84,084)	\$ (12,235)	\$ (224,102)
2023	\$ -	\$ (498,385)	\$ (21,657)	\$ -	\$ (88,191)
Thereafter	\$ -	\$ (771,950)	\$ (135,573)	\$ -	\$ (382,523)

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, 2018, 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 2018, Thurston County selects a per-occurrence deductible of \$250,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2017-18, the "corridor" increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2017-18, 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 2017-18, the WCRP's assets increased slightly to \$51.5 million while its liabilities increased slightly to \$31.5 million. The Pool's net position increased slightly from \$18.1 million to \$19.8 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, 2018 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

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

Thurston County paid general claims costs of \$673,279 during 2018. The County's suggested reserves which are (Thurston County's proportionate share of the Pool's expected losses) plus reserve funding for uninsured losses and a catastrophic property loss at least equal to the current minimum deductible of (\$1 million) for this exposure, equates to \$4,453,721. This suggested reserve includes reserves for open claims plus an estimate of incurred but not reported (IBNR) claims. It should be recognized that portions of the estimated additional liability incurred are projections from our claims experience. This loss estimate does not include (IBNR) liabilities for non-insured claims, some employment relations including past wages or benefits, some pollutants, property losses / takings, certain municipal activities, punitive damages, willful civil violations and other loss exposures not currently insured. As estimates, these values fluctuate significantly and are subject to inherent variability and may or may not become payable over the course of several years.

Schedule of Claims and Judgments Payable		
	2018	2017
Beginning claims liability	\$ 4,509,222	\$ 4,374,925
Claims incurred during the year (including IBNRs)*	617,778	583,689
Claims payments	(673,279)	(449,392)
Ending claims liability	\$ 4,453,721	\$ 4,509,222

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

B. OTHER

The County is not self-insured for other types of risks and losses except as described above under "Risk Pool and General Liability Insurance". The County reimburses Washington State Employment Security for unemployment compensation claims. These claims are funded through employee related fund transfers into the County's Unemployment Compensation fund. The County also pays Washington State Labor and Industries a stipulated amount per employee per payroll period for a state mandated industrial insurance program for worker compensation claims. As discussed in Note VIII.B., the County also has a contingent financial liability for the payment of refunded debt.

NOTE XII – OTHER POST-EMPLOYMENT BENEFITS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 48,264,149
Deferred outflows of resources	\$ 492,974
Deferred inflows of resources	\$ 1,993,783
OPEB expense/expenditures	\$ 3,382,251

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. The County participates in two plans that provide Other Post Employment Benefits (OPEB) to its members. They are the Public Employee Benefits Board (PEBB) and Law Enforcement and Fire Fighters Retirement System Plan 1 (LEOFF 1). Below is a description of each plan.

Public Employees Benefits Board (PEBB)

Plan Description - County eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through the Public Employee Benefits Board (PEBB). Per RCW 41.05.065, the PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees. It is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. The PEBB establishes eligibility criteria for both active employees and retirees.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Benefits Provided – the benefits provided by the PEBB to pre-65 and post-65 retirees and spouses include an explicit and implicit medical subsidy and an implicit dental subsidy. The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$150 or 50% of the monthly premiums. As of January 1, 2019, the subsidy will be increased to \$168 per month. The retirees and spouses currently pay the premium minus \$150 when the premium is over \$300 per month and pay half the premium when the premium is lower than \$300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	322
Active employees	1,075
Total	1,397

The PEBB retiree OPEB plan is available to employees who elect, at the time they retire, to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. PEBB members are covered in the following retirement systems: PERS, PSERS, and LEOFF 2

Trust Asset Information - The plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of GASB 75. In order to meet paragraph 4, the trust must only pay benefits for postemployment healthcare. It is the County's understanding that this trust is able to provide active employee healthcare benefits, not just postemployment healthcare.

Contributions – Administrative costs as well as implicit and explicit subsidies are funded by required contributions, per RCW 41.05.050, from participating employers. The subsidies provide monetary assistance for medical benefits. The amount paid by the County for OPEB as benefits as of the measurement date of June 30, 2018, for the measurement period, was \$646,400.

Assumptions and Other Inputs

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	7/1/2018
Actuarial measurement date	6/30/2018
Reporting date	12/31/2018
Actuarial cost method	Entry Age
Asset valuation method	N/A - No Assets

The Valuation Date is the date as of which the census data is gathered and the actuarial valuation was performed. The Measurement Date is the date as of which the total OPEB liability was determined. Note that GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The Reporting Date is the County's fiscal year-end.

The total OPEB liability is also reported as of the beginning of the measurement period. As permitted by GASB 75, in this transition year, this calculation is based on a roll backward of the actuarial valuation results, with an adjustment made to the discount rate. There have been no significant changes between the valuation date and fiscal year end.

The actuarial cost method used for determining the benefit obligations is the Entry Age Actuarial Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age). For purposes of projecting benefits prior to the valuation date as required by the actuarial cost method, a health cost trend equal to the ultimate health cost trend rate was assumed.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Inflation rate	2.75%
Projected salary/wage growth	3.50%, plus service-based salary increases
Healthcare cost trend rate	Initial rate is 6.80% and trends down to just under 5% by 2095
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

Demographic assumptions regarding retirement, mortality, disability mortality, turnover, and marriage are based on assumptions used in the 2017 actuarial valuation for the Washington State retirement systems, and modified for the County.

The assumed rates of disability under PERS Plans 1, 2, and 3 and PSERS Plan 2 from the 2017 actuarial valuation are less than 0.1% for ages 50 and below and continue to be low after that. A 0% disability rate was assumed for all ages for those plans.

For service retirement, the assumptions used for all plans were taken from the 2017 actuarial valuation for Washington State retirement systems. The service requirements for these plans vary based on hire date and years of service.

Mortality rate assumptions were based on the 2017 actuarial valuation for Washington State retirement systems, adjusted for the County. For all healthy members, the RP-2000 base mortality table, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB, was used. For disabled retirees across all plans, the RP-2000 Disabled Retiree mortality table with generational mortality adjustments using projection scale BB, was used.

For other termination of employment, the assumptions by plan from the 2017 actuarial valuation for Washington State retirement systems were used.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% for the 6/30/2017 measurement date and was 3.87% for the 6/30/2018 measurement date. Since OPEB benefits are funded on a pay- as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates - The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) that the current rate.

Sensitivity Analysis - Healthcare Trend			
	1% Decrease	Current Discount Rate	1% Increase
	5.80%	6.80%	7.80%
Total June 30, 2018 OPEB Liability	\$ 32,465,310	\$ 39,784,991	\$ 49,507,940

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the County calculated using the discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate.

Sensitivity Analysis - Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
	2.87%	3.87%	4.87%
Total June 30, 2018 OPEB Liability	\$ 48,252,217	\$ 39,784,991	\$ 33,199,721

Total OPEB Liability – As of December 31, 2018, the County reported a total OPEB Liability of \$39,784,991.

Changes in the Total OPEB Liability – the following table presents the change in the total OPEB Liability as of the June 30, 2018, the measurement date:

	2018
Total OPEB Liability at 6/30/17	\$ 39,040,229
Service Cost	2,164,431
Interest on total OPEB liability	1,463,658
Effect on plan changes	-
Effect on economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(2,236,927)
Expected benefit payments	(646,400)
Total OPEB Liability at 6/30/18	\$ 39,784,991

OPEB Expense – As of the measurement date of June 30, 2018, the County recognized OPEB expense of \$3,384,945.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – On December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 1,993,783
Payments subsequent to the measurement date	340,598	-
TOTAL	\$ 340,598	\$ 1,993,783

Deferred outflows of resources of \$340,598 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Amount
2019	\$ (243,144)
2020	\$ (243,144)
2021	\$ (243,144)
2022	\$ (243,144)
2023	\$ (243,144)
Thereafter	\$ (778,063)

Law Enforcement and Fire Fighters Retirement System Plan 1 (LEOFF 1).

Plan Description - The County provides lifetime medical care for members of the Law Enforcement Officers and Firefighters Retirement System (LEOFF) hired before October 1, 1977 as required by RCW 41.26. The eligible members are covered under LEOFF Plan 1.

LEOFF Plan 1 is a defined benefit multi-employer healthcare plan. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan or any other similar source are covered.

Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the County's Comprehensive Annual Financial Report.

Employees covered by benefit terms - At December 31, 2018, the following employers were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to, but not yet, receiving benefits	-
Active employees	-
Total	15

Contributions - The amount paid by the County for OPEB as benefits as of the measurement date of June 30, 2018, for the measurement period, was \$281,378.

Funding policy - The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust or otherwise set aside for the exclusive benefit of the participants.

Actuarial Assumptions - Total OPEB Liability (TOL) was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Methodology	
Actuarial Cost method	Entry age
Assumptions	
Discount rate (1)	
Beginning of measurement year	3.58%
End of measurement year	3.87%
Health Care Trend Rates (2)	
Medical costs	Initial rate is approximately 12%, decreasing to about 5% in 2080 (assumes Excise Tax)
Mortality rates (100% male population)	
Base Mortality Table	RP-2000 Mortality Table
Age Setback	+1 year Healthy / -2 years Disabled Blended 50%/50% Health/Disabled
Mortality Improvements	100% Scale BB
Projection period	Generational
Medicare Participation Rate	100%

(1) Bond Buyer General Obligation 20-Bond Municipal Index

(2) OSA's 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report

The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 12 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (11 percent) or 1-percentage point higher (13 percent) than the current rate.

Sensitivity Analysis - Healthcare Trend			
	1% Decrease	Current Discount Rate	1% Increase
	11.00%	12.00%	13.00%
Total June 30, 2018 OPEB Liability	\$ 7,547,660	\$ 8,479,158	\$ 9,571,741

The following presents the total OPEB liability of the County calculated using the discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current rate. A Discount Rate of 3.58% was used in the calculation of the Total OPEB Liability, beginning. The end of year Discount Rate is being used in this analysis.

Sensitivity Analysis - Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
	2.87%	3.87%	4.87%
Total June 30, 2018 OPEB Liability	\$ 9,646,600	\$ 8,479,158	\$ 7,507,709

The following table presents the changes in Total OPEB Liability:

	2018
Total OPEB Liability at 6/30/17	\$ 8,763,230
Interest on total OPEB liability	308,731
Changes in experience data and assumptions	(311,425)
Estimated benefit payments	(281,378)
Total OPEB Liability at 6/30/18	\$ 8,479,158

(1) The valuation date is prior to the County's reporting date, December 31, 2018. The balances have not been rolled forward to the reporting date.

The County used the alternative measurement method to calculate Total OPEB Liability because there are fewer than 100 members covered under LEOFF Plan 1 as of the beginning of the fiscal year. A measurement date of June 30, 2018 was used in the calculation of Total OPEB Liability and the Actuarial Measurement Date used was June 30, 2018.

As of the June 30, 2018 measurement date, the County recognized OPEB expense of (\$2,694).

As of December 31, 2018, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Payments subsequent to the measurement date	\$ 152,376
TOTAL	\$ 152,376

\$152,376 reported as deferred outflows of resources related to OPEB benefits resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the TOL in the year ended December 31, 2019.

NOTE XIII – JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

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

Animal Control Services is a joint venture governed by a six-member board of which Thurston County is a member. Each member's contribution is based on a formula factoring population and basic service components. Thurston County's cost is based on their computed share of services in compliance with the interlocal agreement with Animal Control Services. City of Lacey reported a reduction of \$52,833 to Net Position – Ending 12/31/2017. The reduction is due to GASB 68. The adjustment is included in the Animal Control table below. The County contributed \$597,742 as its share of operations in 2018, which is 51.76% of the total contributions from participating agencies. The County's equity interest at December 31, 2018 is therefore \$1,736,649. 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 2018 totaled \$3,355,196. 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	\$ 3,945,277
Total Deferred Outflows of Resources	93,264
Total Liabilities:	(496,997)
Total Deferred Inflows of Resources	(186,348)
Net Position	\$ 3,355,196
Total Revenues	\$ 1,759,230
Total Expenses	1,757,172
Change in Net Position	2,058
Net Position - Beginning 12/31/2017	3,405,971
Adjustment to - Net Position - Beginning 12/31/2017	(52,833)
Adjusted Net Position - Beginning 12/31/2017	3,353,138
Net Position - Ending 12/31/2018	\$ 3,355,196

The Thurston County Narcotics Task Force (Interlocal Drug Unit) is a joint venture governed by a five member executive committee. Participating members are Thurston County, the City of Lacey, the City of Tumwater, and the Washington State Patrol as a result of an interlocal agreement.

The City of Olympia is currently an inactive member of the task force. The interlocal Drug Control Unit is funded by grants and seizures of drug funds. The Interlocal Drug Unit operates as a joint venture and is responsible for controlling illegal drug trafficking in Thurston County, investigating violations of the Uniform Controlled Substance Act, and providing training and assistance to nine local law enforcement agencies in Thurston County.

Effective November 1, 2018, Thurston County assumed responsibility for the operation of the Narcotics Task Force. As the administrative jurisdiction, Thurston County provides accounting services for the operation of this joint venture. Thurston County Narcotics Task Force equity interest as of December 31, 2018 was \$422,381.

Any party may withdraw from this Agreement by giving ninety (90) days written notice to the other parties. Monies contributed during the calendar year of the party's withdrawal will be returned to that party, on a prorated basis, after determination by the Executive Committee of any purchase commitments made prior to the notification of a party's withdrawal. Money so refunded will be used by the withdrawing party for its use in carrying out drug enforcement activities pursuant to Ch. 69.50 RCW. Property purchased with the drug unit funds or forfeited to the drug unit will remain the property of the non-withdrawing parties and the withdrawing party will have no interest in or claim of title to said property. All monies and equipment remain with the drug unit until the drug unit disbands entirely. Disposition and disbursement of net equity upon dissolution is not specified in the agreement, therefore, is not recorded in Thurston County's financial statements. There is no ongoing financial responsibility. For more detailed information about the task force, contact the Thurston County Sheriff's Office, 2000 Lakeridge Dr. SW, Olympia, WA 98502, or call (360) 754-3800.

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 \$106,106 as its share of operations in 2018. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2018. Complete financial statements for ORCAA can be obtained from its administrative office at 2940 B Limited Lane NW, Olympia, Washington 98502.

Thurston Regional Planning Council is a jointly-governed organization governed by a fifteen-member council of which Thurston County is a member. Thurston County contributed \$201,059 as its share of operations in 2018 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2018. 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 2018, Thurston County contributed \$8,336.58 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 2018, the County contributed \$72,000 as its share of annual operations.

Thurston Mason Behavioral Health Organization (TMBHO) is a jointly governed organization that was formed on April 1, 2016. It was formed when the Regional Support Network of the Thurston County Public Health Department (along with the Health Department of Mason County, a neighboring county to the northwest) split off from the County and formed its own Behavioral Health Organization. The name of the organization is the Thurston Mason Behavioral Health Organization. On September 15, 2016, the Thurston County Board of County Commissioners passed resolution #15183 that officially created this joint operating agreement pursuant to State Law, RCW Chapters 71.24 and 39.34. The TMBHO's governing body is comprised of three members, two of which are appointed by the Thurston County Commissioners and one by the Mason County Commissioners. After several discussions with the Washington State Auditor's Office, it was determined that this newly formed organization was considered a jointly governed organization and the results of which were not included within the County's general-purpose financial statements. The main source of revenue for the TMBHO is Medicare payments from the Washington State Department of Social and Health Services.

NOTE XIV – CLOSURE AND POST CLOSURE CARE COSTS

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

Cell No. 1, the last landfill cell used for waste disposal at the Hawke's Prairie landfill site, was closed on April 30, 2000. The County's long haul of waste to a regional landfill in Klickitat County was initiated on May 1, 2000. The post closure care period was therefore initiated on January 1, 2001. The estimated remaining liability for post closure care costs is \$14,439,192 on December 31, 2018.

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, 2018 and cash and pooled investments of \$13,528,424 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, 2018.

Specific Purpose Fund Balance Classifications Governmental Funds December 31, 2018 Page 1 of 2

ASSETS	General Fund	Major Special Revenue				Other Funds
		Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	
Nonspendable:						
Inventory	\$ -	\$ 334,333	\$ -	\$ -	\$ -	\$ -
Prepayments	86,518	8,942	6,491	-	7,117	11,153
Total Non-Spendable	86,518	343,275	6,491		7,117	11,153
Restricted for:						
Capital Projects	-	-	-	13,372,875	-	1,199,360
Conservation Futures	-	-	-	-	-	5,318,778
Economic Development	-	-	-	-	-	44,442
Elections	-	-	-	-	-	-
General Obligation Debt	-	-	-	-	-	3,954
Health and Social Services	-	-	-	-	20,208	68,423
Historic Preservation	-	-	-	-	-	909,753
Housing Services	-	-	-	-	-	47,711
Judicial	-	-	-	-	-	700,012
Law Enforcement	-	-	-	-	-	174,926
Legislative/Admin/Support Services	-	-	-	-	-	32,880
Life Support and Transport Services	-	-	106,781	-	-	-
Mental Health	-	-	-	-	-	4,632,981
Noxious Weed Control	-	-	-	-	-	70,754
Parks and Recreation	-	-	-	-	-	2,295,058
Public Safety	-	-	-	-	-	1,096
Purchases on Order	24,030	-	-	-	-	-
Roads Construction	-	-	-	-	-	6,262,419
Roads Operations	-	-	-	-	-	-
Special assessments	-	-	-	-	-	328,896
Veteran's Relief	-	-	-	-	-	274,660
Water Management	-	-	-	-	-	1,697
Total Restricted	24,030	-	106,781	13,372,875	20,208	22,367,800

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2018
Page 2 of 2

ASSETS	General Fund	Major Special Revenue				Other Funds
		Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	
Committed for:						
Elections	-	-	-	-	-	547,088
Total Committed	-	-	-		-	547,088
Assigned to:						
Capital Projects	-	-	-	1,616,735	-	2,807,741
Conservation Futures	-	-	-	-	-	798,663
Economic Development	-	-	-	-	-	3,984
Elections	-	-	-	-	-	42,307
General Obligation Debt	-	-	-	-	-	812,748
Health and Social Services	-	-	-	-	9,499,342	1,461,155
Historic Preservation	-	-	-	-	-	524,629
Housing Services	-	-	-	-	-	2,633,484
Judicial	-	-	-	-	-	388,713
Law Enforcement	-	-	-	-	-	38,520
Legislative/Admin/Support Services	-	-	-	-	-	460,935
Life Support and Transport Services	-	-	9,244,399	-	-	-
Mental Health	-	-	-	-	-	986,290
Noxious Weed Control	-	-	-	-	-	179,033
Parks and Recreation	-	-	-	-	-	-
Public Safety	-	-	-	-	-	421,889
Purchases on Order	-	-	-	-	-	-
Roads Construction	-	-	-	-	-	-
Roads Operations	-	21,142,665	-	-	-	-
Special assessments	-	-	-	-	-	82,558
Veteran's Relief	-	-	-	-	-	140,628
Water Management	-	-	-	-	-	10,611
Total Assigned	-	21,142,665	9,244,399	1,616,735	9,499,342	11,793,888
Unassigned	12,656,536	-	-		-	-
Total Fund Balance	\$ 12,767,084	\$ 21,485,940	\$ 9,357,671	\$ 14,989,610	\$ 9,526,667	\$ 34,719,929

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	\$ 476,226,127	\$ 31,896,808
Less: Total Reported Outstanding Debt	(60,517,635)	(2,118,334)
Net Investment in Capital Assets Before Adjustments	415,708,492	29,778,474
Adjustments: Non-County Agency Debt	170,046	-
Loss on Refunding	1,917,024	68,074
Gain on Refunding	(374,391)	-
Non-Capital Debt	-	448,843
Net Investment in Capital Assets	\$ 417,421,171	\$ 30,295,391

NOTE XVII – OTHER DISCLOSURES

A. Prior Period Adjustments

The County reported a \$7,209,138 prior period adjustment in Governmental Activities. A detail discussion of this balance is as follows:

- A total adjustment of \$7,158,733 was recorded in five Governmental Funds. This was due to the County previously not accruing Sales Tax revenues which, earned in the last two months of the year, but not collected until January and February of the next year due to delayed remittances from the State. The County accrued as 2018 revenues, Sales Tax collections in January/February 2019. Additionally, a prior period adjustment to beginning Fund Balance was made for Sales Tax collections in January/February 2018. The funds affected are as follows:
 - General Fund - \$2,851,044
 - Roads - \$879,283
 - TCOMM - \$1,457,486
 - Treatment Sales Tax - \$985,455
 - Detention Facilities Sales Tax - \$985,465
- An adjustment of \$284,739 was recorded in the Government Wide Statement of Activities for recognizing prior year capital asset adjustments previously unrecorded.
- An adjustment of (\$234,334) was recorded to fix an error in the recognition of a Long Term Intergovernmental Liability.

B. Contingencies

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

C. Accounting and Reporting Changes

During the year, the County implemented one GASB statement, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans

**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, 2018
Last 10 Fiscal Years***

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.52712%	0.53694%	0.53414%	0.54111%
Employer's proportionate share of the net pension liability	\$ 23,541,403	\$ 25,478,222	\$ 28,685,834	\$ 28,305,295
Covered payroll	\$ 68,272,438	\$ 66,896,398	\$ 62,772,447	\$ 60,498,584
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	34.48%	38.09%	45.70%	46.79%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

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

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.55650%	0.56401%	0.56076%	0.56903%
Employer's proportionate share of the net pension liability	\$ 9,501,674	\$ 19,596,756	\$ 28,233,771	\$ 20,331,695
Covered payroll	\$ 56,717,146	\$ 55,457,431	\$ 52,509,692	\$ 50,535,914
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	16.75%	35.34%	53.77%	40.23%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
PSERS
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	2.85940%	2.98852%	2.83819%	2.97578%
Employer's proportionate share of the net pension liability	\$ 35,428	\$ 585,541	\$ 1,206,174	\$ 543,139
Covered payroll	\$ 10,914,664	\$ 10,622,021	\$ 9,245,155	\$ 8,732,083
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.32%	5.51%	13.05%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	99.79%	96.26%	90.41%	95.08%

Notes to Schedule:

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

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.05158%	0.05158%	0.05040%	0.04875%
Employer's proportionate share of the net pension (asset)	\$ (936,400)	\$ (782,506)	\$ (519,223)	\$ (587,485)
State's proportionate share of the net pension liability (asset) associated with the employer	(6,333,784)	(5,292,853)	(3,512,011)	(3,973,734)
TOTAL	\$ (7,270,183)	\$ (6,075,359)	\$ (4,031,234)	\$ (4,561,219)
Covered payroll	\$ -	\$ -	\$ 45,806	\$ 97,578
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	N/A	N/A	-1133.53%	-602.07%
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

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

* For covered payroll, as of the start of 2016, the County had no current employees active in the LEOFF 1 Plan.

Thurston County
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.26981%	0.26170%	0.26031%	0.25764%
Employer's proportionate share of the net pension (asset)	\$ (5,477,670)	\$ (3,631,506)	\$ (1,514,065)	\$ (2,648,014)
State's proportionate share of the net pension liability (asset) associated with the employer	(3,546,688)	(2,355,690)	(987,060)	\$ (1,750,899)
TOTAL	\$ (9,024,358)	\$ (5,987,197)	\$ (2,501,125)	\$ (4,398,913)
Covered payroll	\$ 8,443,780	\$ 8,160,872	\$ 7,909,406	\$ 7,505,894
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-64.87%	-44.50%	-19.14%	-35.28%
Plan fiduciary net position as a percentage of the total pension liability	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

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

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

Thurston County **Schedule of Employer Contributions** **PERS 1** **As of December 31, 2018** **Last 10 Fiscal Years***

	2018	2017	2016	2015
Contractually required contributions	\$ 3,633,665	\$ 3,384,559	\$ 3,152,092	\$ 2,753,010
Contributions in relation to the contractually required contributions	3,633,665	3,384,559	3,152,092	2,753,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 71,176,239	\$ 68,176,847	\$ 64,911,819	\$ 61,270,546
Contributions as a percentage of covered employee payroll	5.11%	4.96%	4.86%	4.49%

Notes to Schedule:

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

Thurston County
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contributions	\$ 4,442,192	\$ 3,984,624	\$ 3,464,070	\$ 2,973,565
Contributions in relation to the contractually required contributions	4,442,192	3,984,624	3,464,070	2,973,565
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 59,241,899	\$ 56,594,498	\$ 54,048,064	\$ 51,167,804
Contributions as a percentage of covered employee payroll	7.50%	7.04%	6.41%	5.81%

Notes to Schedule:

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

Thurston County
Schedule of Employer Contributions
PSERS
As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contributions	\$ 789,666	\$ 749,164	\$ 676,123	\$ 596,718
Contributions in relation to the contractually required contributions	789,666	749,164	676,123	596,718
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 11,524,593	\$ 10,945,641	\$ 9,987,030	\$ 8,965,975
Contributions as a percentage of covered employee payroll	6.85%	6.84%	6.77%	6.66%

Notes to Schedule:

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

Thurston County
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contributions	\$ 480,660	\$ 458,853	\$ 422,633	\$ 401,274
Contributions in relation to the contractually required contributions	480,660	458,853	422,633	401,274
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,155,412	\$ 8,541,674	\$ 8,080,915	\$ 7,672,529
Contributions as a percentage of covered employee payroll	5.25%	5.37%	5.23%	5.23%

Notes to Schedule:

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

Changes in Total OPEB Liability - PEBB
As of the Measurement Date June 30, 2018
Last 10 Fiscal Years*

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 2,164,431
Interest on total OPEB liability	1,463,658
Effect of assumptions changes or inputs	(2,236,927)
Expected benefit payments	(646,400)
Net changes in Total OPEB Liability	<u><u>\$ 744,762</u></u>
Total OPEB liability, beginning	\$ 39,040,229
Total OPEB liability, ending	\$ 39,784,991
 Covered payroll	 \$ 78,377,467
Total OPEB liability as a percentage of covered employee payroll	50.8%

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

Changes in Total OPEB Liability - LEOFF 1
As of the Measurement Date June 30, 2018
Last 10 Fiscal Years*

	<u>2018</u>
Total OPEB Liability	
Interest on total OPEB liability	308,731
Effect on plan changes	(311,425)
Expected benefit payments	(281,378)
Net changes in Total OPEB Liability	<u><u>\$ (284,072)</u></u>
Total OPEB liability, beginning	\$ 8,763,230
Total OPEB liability, ending	\$ 8,479,158
 Covered payroll	 \$ -
Total OPEB liability as a percentage of covered employee payroll	100.0%

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

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Expenditures						
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	Note
Child Nutrition Cluster							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of the Superintendent of Public Instruction)	School Breakfast Program	10.553	N/A	8,800	-	8,800	3
	National School Lunch Program	10.555	N/A	13,863	-	13,863	3
Total Child Nutrition Cluster:				22,663	-	22,663	
Forest Service Schools and Roads Cluster							
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	574	-	574	3
Total Forest Service Schools and Roads Cluster:				574	-	574	
CDBG - Entitlement Grants Cluster							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-53- 0007	-	9,366	9,366	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-16-UC-53- 0007	-	218,804	218,804	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-17-UC-53- 0007	-	477,259	477,259	339,200	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-IC-53- 0007	-	155,072	155,072	88,705	4
Total CDBG - Entitlement Grants Cluster:				-	860,501	860,501	656,075	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M14-DC-53- 0207	-	10,000	10,000	10,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M15-DC-53- 0207	-	9,664	9,664	-	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M16-DC-53- 0207	-	213,210	213,210	205,371	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M17-DC-53- 0207	-	429,306	429,306	387,025	4, 7

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M18-DC-53- 0207	-	263,405	263,405	257,021	
		Total CFDA 14.239:		-	925,585	925,585	859,417	
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington Department of Fish and Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	13-2232	38,959	-	38,959	-	
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE	Endangered Species Conservation ? Recovery Implementation Funds	15.657	F17AP00386	-	140,204	140,204	-	4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Crime Victim Assistance	16.575	F17-31119-939	1,932	-	1,932	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S18-31102-530	40,051	-	40,051	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Crime Victim Assistance	16.575	S18-31119-037	118,537	-	118,537	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Crime Victim Assistance	16.575	19-31219-037	106,266	-	106,266	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Crime Victim Assistance	16.575	19-31219-037 Amendment A	9,779	-	9,779	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Crime Victim Assistance	16.575	19-31101-530	43,918	-	43,918	-	
Total CFDA 16.575:				320,483	-	320,483	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F17-31103-014	15,943	-	15,943	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F17-31103-015	16,366	-	16,366	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F17-31103-106	73,575	-	73,575	-	
Total CFDA 16.588:				105,884	-	105,884	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX- 0551	-	3,306	3,306	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (445)	2,005	-	2,005	-	8
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPR-H345 (003)	282,958	-	282,958	-	8
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	SRTS-2034 (073)	597,009	-	597,009	-	8
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5271 (001)	1,008,465	-	1,008,465	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5292 (004)	555,158	-	555,158	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-2034- (070)	259	-	259	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (437)	9,148	-	9,148	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (506)	3,840	-	3,840	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-9934 (019)	64,757	-	64,757	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (465)	1,449,365	-	1,449,365	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	SRTS-9934 (023)	8,577	-	8,577	-	

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Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPR-Z934Z (001)	1,517,385	-	1,517,385	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	BROS-2034 (081)	85,199	-	85,199	-	
Total Highway Planning and Construction Cluster:				5,584,125	-	5,584,125	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2018-HVE-2449	1,096	-	1,096	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs and Police Chiefs)	State and Community Highway Safety	20.600	20.600	11,963	-	11,963	-	
Total CFDA 20.600:				13,059	-	13,059	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-HVE-3241	1,106	-	1,106	-	
Total Highway Safety Cluster:				14,165	-	14,165	-	

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Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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		
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CLH18264	41,453	-	41,453	-	4
		66.123	SC-105503	38,278	-	38,278	-	4, 9
		Total CFDA 66.123:			79,731	-	79,731	-
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership)	National Estuary Program	66.456	CE-01J31901 Agreement # 2019-16	11,667	-	11,667	-	
		66.456	CE-01J31901 Agreement # 2018-21	68,775	-	68,775	-	4
		Total CFDA 66.456:			80,442	-	80,442	-
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Public Health Emergency Preparedness	93.069	CLH18264	249,910	-	249,910	-	4

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	CLH18264	23,111	-	23,111	-	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via University of Washington)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	73,000	-	73,000	-	3, 6
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Social and Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1863-25833	37,813	-	37,813	-	
Total CFDA 93.243:				110,813	-	110,813	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18264	21,247	-	21,247	-	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	PPHF 2018: Office of Smoking and Health- National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305	CLH18264	8,451	-	8,451	-	4

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL INSTITUTES OF HEALTH, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	21st Century Cures Act - Precision Medicine Initiative	93.368	CLH18264	84,543	-	84,543	-	4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80383	1,036,190	-	1,036,190	-	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	CLH18264	39,220	-	39,220	-	4
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K1420 Amendment #1	109,239	-	109,239	-	5
Total Medicaid Cluster:				109,239	-	109,239	-	
Maternal, Infant, and Early Childhood Home Visiting Cluster								
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Children, Youth, and Families)	Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	DCYF 18-1053 Amd #2	160,567	-	160,567	-	4

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Total Maternal, Infant, and Early Childhood Home Visiting Cluster:				160,567	-	160,567	-	
IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	CLH18264	69,772	-	69,772	-	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	HIV Prevention Activities Health Department Based	93.940	CLH18264	35,025	-	35,025	-	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1863-25833	36,917	-	36,917	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18264	188,950	-	188,950	-	4
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT	High Intensity Drug Trafficking Areas Program	95.001	G18NW0013A	-	15,745	15,745	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9001600060	12,559	-	12,559	-	
	EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9001700080	16,042	-	16,042	-	
				Total CFDA 95.001:	28,601	15,745	44,346	-	
	U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3318FAS18015 3	5,000	-	5,000	-	
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Hazard Mitigation Grant	97.039	D17-009	79,828	-	79,828	-	
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-087	130,727	-	130,727	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E16-060	55,543	-	55,543	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-064	223,618	-	223,618	21,586	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E18-170	28,854	-	28,854	-	
Total CFDA 97.067:				308,015	-	308,015	21,586	
Total Federal Awards Expended:				8,973,152	1,945,341	10,918,493	1,537,078	

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, 2018

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as Thurston County's financial statements. Thurston County uses the accrual basis of accounting for all funds except the government types and agency funds, which use the modified accrual basis of accounting. There is one exception to this general rule. See Note 5 below for a further explanation.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – NOT AVAILABLE (N/A)

The County was unable to obtain other identification numbers.

NOTE 4 – INDIRECT COST RATE

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

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

CFDA #	Contract #	Indirect Cost Rate	Amount
14.218	B-17-UC-53-007	Variable %	\$38,753.64
14.218	B-18-IC-53-007	Variable %	\$21,471.87
14.239	M15-DC-53-0207	Variable %	\$2,337.73
14.239	M16-DC-53-0207	Variable %	\$4,071.75
14.239	M17-DC-53-0207	Variable %	\$11,460.99
15.657	F17AP00386	10%	\$12,745.78
66.123	CLH18264	35.41%	\$9,375.11
66.123	SC-105503	35.41%	\$7,968.98
66.456	CE-01J31901 2018-21	10%	\$556.75
93.069	CLH18264	35.41%	\$65,194.24
93.116	CLH18264	35.41%	\$5,939.84
93.268	CLH18264	35.41%	\$5,880.25
93.305	CLH18264	35.41%	\$2,210.07

93.368	CLH18264	35.41%	\$20,566.62
93.563	2110-80383	8.76%	\$30,777
93.563	2110-80383	9.37%	\$61,722
93.758	CLH18264	35.41%	\$6,431.03
93.870	18-1053	33.36%-35.41%	\$37,152.28
93.889	CLH18264	35.41%	\$18,027.14
93.940	CLH18264	35.41%	\$3,959.44
93.994	CLH18264	35.41%	\$49,805.84

NOTE 5 – MEDICAL ASSISTANCE PROGRAM

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

NOTE 6 – NONCASH AWARDS

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

NOTE 7 – PROGRAM INCOME

In 2018, the following expenditures were made with program income:

CFDA #	Contract #	Amount
14.239	M-17-DC-53-0207	\$12,499.01
14.239	M-17-DC-53-0207	\$14,481.05

NOTE 8 – FINAL SETTLEMENT PAYMENTS

The following grants received final settlement payments from the Department of Transportation in 2018. The payments are a result of a final administrative review of the federal funds received for each of the following projects in the time periods below. The expenditures have not previously been reported on the Schedule of Expenditures of Federal Awards.

CFDA #	Contract #	Amount	Contract Time Period
20.205	HSIP-000S(445)	\$2,004.88	7/11/2016 – 12/31/2017
20.205	STPR-H345(003)	\$282,958.47	9/23/2011 – 12/31/2019
20.205	SRTS-2034(073)	\$7,008.61	11/9/2015 – 12/31/2019

NOTE 9 – PRIOR YEARS EXPENDITURES

The expenditures reported under contract SC-105503 CFDA # 66.123 include those from 2017 and 2018 due to a delay in contract signing. The contract's period of performance began 4/1/17 although it was not signed until later in 2018. The 2017 expenditures have not previously been reported on Thurston County's Schedule of Expenditures of Federal Awards.

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.

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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.

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Contact information for the State Auditor's Office	
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