



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Thurston County

For the period January 1, 2019 through December 31, 2019

Published September 30, 2020

Report No. 1027056





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

September 30, 2020

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

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Thurston County January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
93.563	Child Support Enforcement

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

The County 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, 2019 through December 31, 2019**

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, 2019, 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 26, 2020.

As discussed in Note XVIII to the financial statements, during the year ended December 31, 2019, the County implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

As discussed in Note XIX to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County.

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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

June 26, 2020

**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, 2019 through December 31, 2019

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, 2019. 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, 2019.

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

Pat McCarthy
State Auditor
Olympia, WA

September 28, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Thurston County **January 1, 2019 through December 31, 2019**

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, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Medic One, Public Health & Social Services and Roads & 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 XVIII to the financial statements, in 2019, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note XIX to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County. 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 as a whole. 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 26, 2020 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". The signature is written in dark ink and is positioned above the printed name.

Pat McCarthy

State Auditor

Olympia, WA

June 26, 2020

FINANCIAL SECTION

Thurston County January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2019

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2019

General and Major Special Revenue Fund Budgetary Comparisons – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Net Position – Fiduciary Funds – 2019

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 2 – 2019

Changes in Total OPEB Liability – PEBB, LEOFF 1 – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

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, 2019. 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 \$22 million at December 31, 2019 compared to \$12.8 million at the end of 2018. This is an increase of \$9.2 million, or 72%. Total ending Fund Balance represents 22.6% of 2019 General Fund total expenditures compared to 12.5% in 2018. This significant increase in Fund Balance was due to several factors, including a one-time increase for a tax revenue accrual adjustment, tax collections exceeding prior year collections, and expenditure reductions due to a shift in charging allowable costs to a restricted revenue source. Details of these factors are discussed later in this report.
- 2019 was the first-year implementation of GASB Statement No. 84 – *Fiduciary Activities*. This new standard required a rework of the Fiduciary Statements of Net Position and the Statement of Changes in Fiduciary Net Position as well as the related Combining Fiduciary Statements. New account detail and roll-up funds were added to the statements. Additionally, based on this statement, the county did a study of its operations early in the year and noted some fiduciary activity not previously reported in its Fiduciary Funds that now has been reported properly.
- The total GASB 68 Net Pension Liability decreased by \$7.6 million from 2018 to 2019 due to an increase at the statewide level of required employer and employee rates. The County's Net Pension Liability is \$21.5 million for Governmental Activities and \$4 million in Business-type activities.
- The total GASB 75 Other Post Employment Benefit Obligation (OPEB) Liability increased by \$8.9 million from 2018 to 2019. This increase is not unexpected given the nature of this liability. Specifically how closely it is tied to rising medical costs. The County's OPEB Liability is \$50.7 million for Governmental Activities and \$6.4 million in Business-type activities
- For 2019, total Net Position of the County (governmental and business-type, combined) increased by \$31 million over 2018. The 2019 balances are comprised of the following:
 1. Net Investment in Capital Assets, of \$454.6 million. This includes property, infrastructure, and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of the County's capital assets.
 2. Restricted net position of \$68.5 million represents the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 3. Unrestricted net position of \$66.9 million represents the portion not restricted by outside constraints.
- Remaining capacity for non-voted and voted debt was \$516.4 million and \$896.4 million respectively.
- The county added a new major Enterprise Fund this year, Environmental Health. The activity tracked by this fund was previously reported in the county's Public Health major Governmental fund.

- Just as the county's General Fund's financial health was vastly improving by the end of 2019 as described above, the COVID-19 economic shut down of the State of Washington as ordered by the Governor in February 2020, has drastically changed the future health of this fund. As of the date of the CAFR, the full ramifications of this shut down is not fully known. It may not be known for quite some time even after the economy reopens. However, the county's Board of County Commissioners (BOCC) expect a large negative impact on receipts and other revenues. As such, the BOCC is exploring different levels of budget cuts based on different levels of lost revenue.

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 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 biennial 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, environmental health, septic assistance community loan, storm water, and waste-water programs. The Solid Waste, Grand Mound, Land Use and Permitting, Environmental Health, 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 report fiduciary activities from the external portion of the county's investment pool that are held in a trust that meets the criteria in paragraph 11c(1) of GASB 84. 2) Private Purpose Trust Funds are used to report all fiduciary activities that are *not* required to be reported in trust funds or investment trust funds and are held in a trust that meets the criteria in paragraph 11c(1) of GASB 84. 3) Custodial Funds are all other fiduciary activity not meeting the definition of the Investment Trust Funds or Private Purpose Trust Funds noted above. These include the portion of the county's investment pool that are not held in a trust that meets the criteria in paragraph 11c(1) of GASB 84.

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 the PEBB and LEOFF 1 per GASB 75 and schedules required per GASB 68 including a schedule of employer contributions and 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 \$590 million at the end of 2019. This reflects an increase of \$31 million from prior year and is mainly in the cash and investments account. This was due to property and sales tax collections exceeding budget, an increase in investment valuations because the economy was in good shape at year-end, and a stabilization of the expenses for the year compared to last year.

Of the County's total Net Position, \$454.6 million, or 77.1%, 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, \$68.5 million, or 11.6%, 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. Of this amount, 46% is restricted to Internal Service funds. The remaining \$66.9 million, or 11.3%, is unrestricted and represents the amount that is not restricted by outside sources. This increase was mainly due to annual depreciation, debt payments, and more cash collections without spending restrictions.

Thurston County reported \$776.2 million of total assets as of December 31, 2019, compared to \$753 million for 2018. This represents an increase of \$23.2 million and was mainly a result of the Cash and Pooled Investments increasing by \$18.7 million.

Thurston County's total liabilities decreased in 2019 compared to 2018, by just \$3.2 million, or 1.7%. The decrease was the net result of several increases and decreases. For instance, the Bonds Payable decreased by \$5.9 million for annual debt service payments with no corresponding sale of bonds and the Net Pension Liability decreased by \$7.6 million 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 OPEB Liability increased by \$9 million mainly due to increased medical costs.

The County reported a Total Deferred Outflow of Resources of \$15.5 million in 2019 compared to \$9.2 million at the end of 2018. The increase in this account was related to Pensions and the balance of this account is out of the county's control. Likewise, Pensions is also the reason why the reported Total Deferred Inflow of Resources increased by \$1.5 million, to \$18.3 million in 2019.

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 2019 compares with 2018:

Thurston County Net Position

Account	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current & Non-Capital Assets	\$ 190,169,715	\$ 175,141,521	\$ 76,786,369	\$ 69,749,435	\$ 266,956,084	\$ 244,890,956
Capital Assets	476,903,958	476,226,127	32,290,380	31,896,808	509,194,338	508,122,935
Total Assets	667,073,673	651,367,648	109,076,749	101,646,243	776,150,422	753,013,891
Total Deferred Outflow of Resources	13,705,459	8,509,576	1,795,213	726,107	15,500,672	9,235,683
Current Liabilities	19,778,313	18,648,157	4,461,755	4,067,903	24,240,068	22,716,060
Long Term Liabilities	133,397,337	140,484,327	25,711,659	23,337,263	159,108,996	163,821,590
Total Liabilities	153,175,650	159,132,484	30,173,414	27,405,166	183,349,064	186,537,650
Total Deferred Inflow of Resources	16,015,621	15,241,339	2,252,021	1,515,386	18,267,642	16,756,725
Net Investment in Capital Assets	422,610,081	417,421,171	32,013,331	30,295,391	454,623,412	447,716,562
Restricted	68,277,233	61,570,890	185,497	431,544	68,462,730	62,002,434
Unrestricted	20,700,547	6,511,340	46,247,699	42,724,863	66,948,246	49,236,203
Total Net Position	\$ 511,587,861	\$ 485,503,401	\$ 78,446,527	\$ 73,451,798	\$ 590,034,388	\$ 558,955,199

Governmental activities – During 2019, the total net position for Governmental activities realized an increase of \$26.1 million due to activity over prior year. \$422.6 million in total net position was invested in capital assets, which is an increase of \$5.2 million over prior year. \$68.3 million in net position is restricted and \$20.7 million is unrestricted net position. The unrestricted amount increased by \$14.2 million over prior year mainly due to increase in collection of unrestricted sources of cash (taxes) reduction of debt service, and an increase in Pension related Deferred Outflows or Resources. 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 2019, the Business-type activity accounts remained fairly constant compared to prior year balances even though the county added a new major Enterprise Fund during 2019. The new fund is titled Environmental Health. The activity in this fund was previously reported in the county's Public Health Special Revenue fund. Overall, the Net Position did increase by \$5 million, to \$78.4 million. Net Invested in Capital Assets was \$32 million. Restricted Net Position and Unrestricted Net Position were \$185,000 and \$46.2 million respectively. The latter category of net position is available for future spending in the Business-Type funds and increased by \$3.5 million because of cash collections in the county's Solid Waste fund that were \$4.4 million greater than prior year.

Analysis of the Statement of Activities

The following chart presents key elements in the Statement of Activities. In 2019, total County primary government revenues increased by \$6.6 million, up to \$253.9 million, compared to prior year. The several reasons for this include increased tax collections, solid waste charges for services, and increased investment valuations by way of required market value adjustments. These increases were partially offset by a decrease in Capital Contributions from developers compared to prior year. Total Primary County governmental expenses increased by \$8.1 million to \$223.8 million mainly due to more Transportation related expenses.

Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for Services	\$ 27,562,688	\$ 30,964,726	\$ 43,173,430	\$ 39,509,998	\$ 70,736,118	\$ 70,474,724
Operating Grants & Contrib.	27,716,227	23,489,002	310,747	131,367	28,026,974	23,620,369
Capital Grants & Contrib.	14,333,409	22,261,488	1,308,381	366,364	15,641,790	22,627,852
General Revenues:						
Taxes	129,492,194	124,373,225	-	-	129,492,194	124,373,225
Interest and Invest. Earnings	8,457,483	4,980,211	260,372	213,927	8,717,855	5,194,138
Other General Revenues	461,770	946,432	779,306	58,230	1,241,076	1,004,662
Total Revenues	208,023,771	207,015,084	45,832,236	40,279,886	253,856,007	247,294,970
Program Expenses: (Net)						
General Government	9,834,970	11,326,493	-	-	9,834,970	11,326,493
Culture and Recreation	3,173,850	3,007,329	-	-	3,173,850	3,007,329
Economic Environment	8,144,766	7,710,811	-	-	8,144,766	7,710,811
Health and Human Services	36,836,311	39,271,956	-	-	36,836,311	39,271,956
Utilities and Environment	1,413,981	1,425,547	-	-	1,413,981	1,425,547
Public Safety	85,673,513	86,360,254	-	-	85,673,513	86,360,254
Transportation	33,285,354	29,951,132	-	-	33,285,354	29,951,132
Interest	1,894,437	2,042,183	-	-	1,894,437	2,042,183
Solid Waste	-	-	22,645,386	22,309,307	22,645,386	22,309,307
Water	-	-	1,026,871	933,885	1,026,871	933,885
Sewer	-	-	2,126,989	1,975,390	2,126,989	1,975,390
Stormwater	-	-	4,990,767	4,877,917	4,990,767	4,877,917
Environmental Health	-	-	7,604,202	-	7,604,202	-
Land Use & Permitting	-	-	5,128,747	4,463,126	5,128,747	4,463,126
Total Expenses	180,257,182	181,095,705	43,522,962	34,559,625	223,780,144	215,655,330
Excess (Deficiency) of Revenues Over (Under) Expenses Before Transfers	27,766,589	25,919,379	2,309,274	5,720,261	30,075,863	31,639,640
Transfers	(2,685,455)	(1,183,980)	2,685,455	1,183,980	-	-
Special Item - Transfer to BHO	-	(5,229,766)	-	-	-	(5,229,766)
Change in Net Position	25,081,134	19,505,633	4,994,729	6,904,241	30,075,863	26,409,874
Net Position as of January 1	485,503,401	471,416,275	73,451,798	67,267,261	558,955,199	538,683,536
Cumulative Effect of Change in Accounting Principle & Prior Period Adj.	1,003,326	(5,418,507)	-	(719,704)	1,003,326	(6,138,211)
Restated Net Position as of January 1	486,506,727	465,997,768	73,451,798	66,547,557	559,958,525	532,545,325
Ending Net Position	\$ 511,587,861	\$ 485,503,401	\$ 78,446,527	\$ 73,451,798	\$ 590,034,388	\$ 558,955,199

In 2019 Governmental activities provided \$208 million in revenues (81.9% of total county revenues), while business type activities provided \$45.8 million (18.1% of total county revenues). The three largest governmental revenues are - taxes at \$129.5 million, or 62.3%, of total governmental revenues, charges for services at \$27.6 million, or 13.3%, of total governmental revenues, and operating grants & contributions at \$27.7 million, or 13.3% of total governmental revenues. The remaining 11.1% of governmental revenues include capital grants, interest and investment earnings and other general revenues.

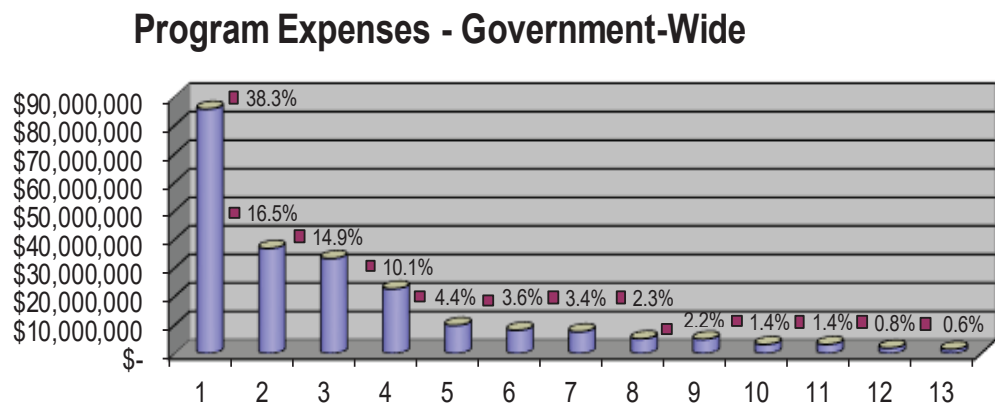
In 2019, charges for services were \$43.2 million, or 94.3%, of total business-type revenues, which were \$45.8 million. This represents an increase of \$3.7 million over 2018 and is mainly due to the new Environmental Health Enterprise Fund created in 2019. The Solid Waste fund makes up the majority the revenues for the Business-Type Activities.

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

The governmental and business-type expense distribution of \$180.3 million, or 80.6%, and \$43.5 million, or 19.4%, closely resembles the distribution from the prior year.

The county recorded another prior period adjustment related to year-end tax accruals in 2019. The amount this year was just over \$1 million.

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. Land Use & Permitting | 10. Environmental Health |
| 2. Health & Human Serv. | 5. General Government | 8. Stormwater | 11. Culture & Recreation |
| 3. Transportation | 6. Economic Environment | 9. Water & Sewer | 12. Interest |
| | | | 13. Utilities & Environment |

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

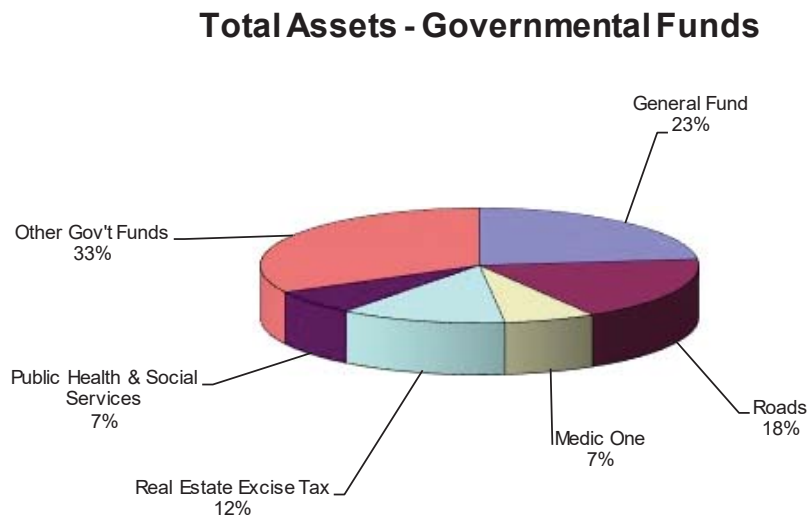
Following is an analysis of the County's major governmental and proprietary funds.

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 \$115 million, an increase of \$12.2 million from prior year (\$102.8 million). Most of this increase was due to an increase in the Cash account of \$10.5 million. This was due to the more tax collections in the governmental funds and a reduction of expenditures in the General Fund.

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

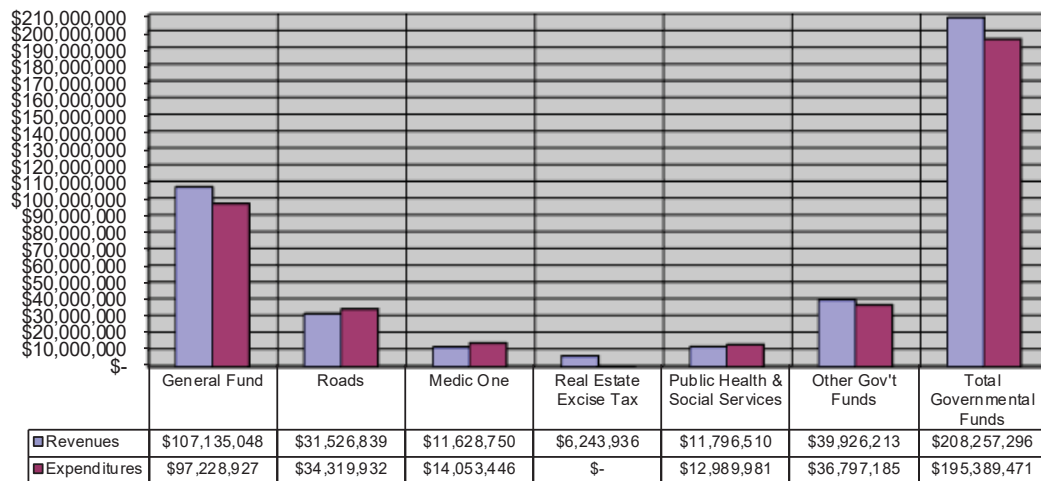


Governmental Fund revenues in 2019 increased vs. 2018 by \$8.7 million, mainly in the Taxes category. Taxes increased due to the expansion of the regional economy during 2019.

Governmental expenditures in 2019 were lower than 2018 by \$6.2 million, or 3.1%, mainly in the Capital Outlay and Public Health categories. The county's Roads fund, the Salaries and Benefits accounts in several departments increased. For Capital Outlay, the Roads fund had a large number of road overlay project activity that happened in 2018 compared to other years. In the Public Health area, the county's Environmental Health activity, previously reported in the Public Health Special Revenue fund, is now reported as a major Enterprise Fund. Expenses in the Environmental Health fund were \$7.4 million in 2019.

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 2019, the General Fund and the Roads Fund accounted for 66.5% of total revenues and 67.3% of total expenditures.

For 2019 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 2019:

The **General Fund** is the chief operating fund of the County. The General Fund's total ending fund balance was \$22 million at the end of 2019, compared to \$12.8 million at the end of 2018. This represents an increase of \$9.2 million compared to prior year. This increase was due to several factors including: 1) tax receipts for mainly sales and property taxes increased by \$4.4 million due to a strong economy, 2) a reduction of Public Safety expenditures due to the shifting of allowable expenditures to a restricted revenue source causing a reduction in interfund charges, 3) an increase of central service indirect cost allocation revenue collections, 4) a one-time accrual adjustment of tax revenue received from the State of Washington in early 2020 for revenues earned in the last two months of 2019 of \$1.2 million, and 5) A \$1.1 million payment from the State for court impact fees that were not paid in 2018.

Total Unassigned fund balance was \$21.8 million compared to \$12.7 million at the end of 2018. 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 \$31.1 million and total liabilities were \$5.1 million at the end of 2019. Compared to 2018, assets increased by \$9 million, or 40.7%, and liabilities increased by just 2%. The main increase in assets was in the Cash and Pooled Investments and Customer Account Receivable accounts as previously discussed.

General Fund revenues increased by \$12 million, or 12.6%, from 2018 to 2019 due to increases in property and sales taxes and charges for services. General Fund expenditures decreased by \$5 million, or 4.9%. This decrease, explained earlier, was due to recording allowable expenditures directly to a restricted revenue source and the underlying indirect costs.

The General Fund also had a \$1.1 million prior period adjustment increase to beginning Fund Balance. This is related to the recognition of tax revenue previously described. Beginning in 2018, the County began recognizing the first two months of sales tax collections in the new year as revenues of the prior year in accordance with GASB 33. An adjustment had to be made to beginning year fund balance so as to only have 12 months of revenue reported for 2018. In 2019 the county included additional tax accounts that were not included in the initial adjustment in prior year.

Transfers-in to the General fund decreased by \$6 million in 2019. The decrease was mainly due to two different instances. In 2018 the General Fund transferred \$4.5 million to its Treatment Sales Tax (TST) and Detention Facility Sales Tax (DFST) funds for allowable costs incurred by the General Fund (mostly payroll related). These transfers were a result of interfund billings paid by the TST and DFST funds to the General Fund. In 2019, the county discontinued this practice in favor of directly charging the allowable activity to both the TST and the DFST funds. In so doing, the transfers in were eliminated. Additionally, in 2018 there was a one-time \$1.7 million transfer-in to the General Fund from the county's Unemployment Compensation Internal Service fund for internal service overpayment billing adjustments the past several years.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. Balance Sheet activity in this fund remained constant compared to prior year. There was very little fluctuation in total assets and total liabilities. As a result, Fund Balance in this fund increased by only \$300,000 compared to last year.

Compared to 2018, revenues in the Roads fund decreased by \$2.9 million, or 8.4%. Expenditures also decreased \$5.1 million, or 12.9% in 2019 mainly due to less road construction activity being performed than prior year. Grant funds, and the spending thereof, contributed to these decreases. Additionally, this fund also had \$2.2 million less in transfers-in as a result in less construction activity.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2019, Medic One's total assets decreased by \$1.8 million, or 16.7% compared to prior year. Additionally, the fund balance in this fund has been steadily decreasing the last several years down to \$7.1 million at the end of 2019. The reason for this continued decrease has been a series of purchases centered on a replacement of the county's outdated medic units, software and hardware upgrades, and other equipment upgrades.

Both revenues and expenditures in this fund remained very constant, increasing by just \$500,000 and decreasing by \$400,000 respectively.

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. Assets, Liabilities, Revenues, Expenditures, Other Financing Sources, and Fund Balance all stayed constant compared to 2018 activity. Fund Balance increased by \$900,000, to \$15.9 million in 2019.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Total assets and total liabilities remained constant in 2019 decreasing by just \$1.5 million and \$200,000 respectively. However, compared to prior year, revenues decreased by \$3.6 million, or 23.7% and expenditures decreased by \$4.7 million, or 26.6%. Decreases in these nominal accounts was due to the county moving its Environmental Health activity out of the Public Health and creating a separate Enterprise Fund. It was determined this activity meets the definition of an Enterprise Fund because the revenues are derived by imposing a fee on the public who use its services. In 2019, the Environmental Health fund was a major Enterprise Fund. Fund Balance in the Public Health fund decreased by only \$1.3 million from 2018 despite the adjustment described above.

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 \$4.8 million mainly in the Cash account due to more tax collections in certain funds and higher investment values spread across most funds. As such, Fund Balance increased by \$5.4 million. Expenditures increased by \$9.4 million. This was due to more tax dollars being passed through to the county's TCOMM fund and an increase in direct charges to the Treatment Sales Tax and the Detention Facility Sales Tax funds as previously described. Likewise, transfers out decreased by \$4.6 million because of the direct billing as previously described.

Proprietary Funds Net Position Analysis

The county's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities and are 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	Environmental Health	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds
Cash & Pooled Investments	\$ 37,148,085	\$ 1,362,129	\$ 13,589,128	\$ 2,483,256	\$ 1,964,080	\$ 1,588,872	\$ 58,135,550
Other Current Assets	1,746,622	194,673	1,470,982	396,468	301,713	135,753	4,246,211
Restricted Assets:							
Cash and Pooled Investments	-	800	-	-	-	22,488	23,288
Total Current Assets	38,894,707	1,557,602	15,060,110	2,879,724	2,265,793	1,747,113	62,405,049
Long-Term Assets:							
Receivables	-	-	-	-	-	192,644	192,644
Capital Assets	7,593,469	14,125,382	7,753,815	-	29,960	2,787,754	32,290,380
Restrict Assets: Cash and Pooled Investments	13,207,569	-	-	-	-	-	13,207,569
Total Long Term Assets	20,801,038	14,125,382	7,753,815	-	29,960	2,980,398	45,690,593
Total Assets	59,695,745	15,682,984	22,813,925	2,879,724	2,295,753	4,727,511	108,095,642
Total Deferred Outflow of Resources	383,034	131,509	332,051	462,825	433,485	52,309	1,795,213
Liabilities							
Current Liabilities:							
Accounts Payable/ Due To's	3,264,969	237,411	900,017	263,409	223,657	124,418	5,013,881
Restricted Laibilities - Debt	-	-	-	-	-	78,282	78,282
Total Current Liabilities	3,264,969	237,411	900,017	263,409	223,657	202,700	5,092,163
Long-Term Liabilities:							
Restricted Laibilities - Debt	-	157,207	-	-	-	34,847	192,054
Comp Abs & OPEB Payable	1,697,354	294,187	1,287,868	1,996,863	1,810,442	179,542	7,266,256
Intergov. Loans & Contracts Payable	8,911	30,990	-	-	6,805	356,227	402,933
Accumulated Landfill Closure Costs	13,850,238	-	-	-	-	-	13,850,238
Net Pension Liability	803,994	187,150	823,836	1,045,049	1,006,645	133,504	4,000,178
Total Long Term Liabilities	16,360,497	669,534	2,111,704	3,041,912	2,823,892	704,120	25,711,659
Total Liabilities	19,625,466	906,945	3,011,721	3,305,321	3,047,549	906,820	30,803,822
Total Deferred Inflow of Resources	462,436	103,118	456,354	590,938	565,653	73,522	2,252,021
Net Position							
Net Investment in Capital Assets	7,579,690	13,989,995	7,753,815	-	15,206	2,674,625	32,013,331
Restricted For:							
Debt Service	-	3,966	-	-	-	181,531	185,497
Unrestricted (Deficit)	32,411,187	810,469	11,924,086	(553,710)	(899,170)	943,322	44,636,184
Total Net Position	\$ 39,990,877	\$ 14,804,430	\$ 19,677,901	\$ (553,710)	\$ (883,964)	\$ 3,799,478	\$ 76,835,012

The Solid Waste, Grand Mound, Storm & Surface Water Utility, Environmental Health, and Land Use and Permitting Funds are the major enterprise funds for Thurston County in 2019.

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. The **Environmental Health Fund** accounts for activity in the county related to preventing pollution, human exposure to environmental hazards, and ensuring safe and clean drinking water. This is a newly created fund in 2019 that broke off from the Public Health Special Revenue Fund. **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 95.7% of enterprise assets and 97.1% of enterprise liabilities.

The total Net Position in these funds increased by \$5.2 million, or 7.3% mainly in the Cash account in Solid Waste which saw an increase of \$4.4 million due to normal operations. The total Net Position at the end of 2019 is \$76.8 million. The addition of the Environmental Health fund did not have much of an effect on Total Net Position. This fund had a \$550,000 negative Net Position at the end of 2019, However, \$2.8 million of Liabilities in this fund are liabilities related to Pensions and OPEB and not due to normal operations.

Of the total enterprise funds' net position, \$32 million, or 41.7%, is invested in capital assets net or related debt, whereas \$44.8 million, or 58.3%, is restricted for debt service or is unrestricted. Total liabilities for all enterprise funds remained constant vs. prior year.

All other 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.

Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2019.

Thurston County Washington Enterprise Funds Revenues and Expenses

	Solid Waste	Grand Mound	Storm Water	Environmental Health	Land Use And Permitting	Other Enterprise Funds	Total Enterprise Funds
Revenues:							
<i>Operating:</i>							
Charges for Services	\$ 25,972,911	\$ 1,993,543	\$ 7,017,510	\$ 4,745,466	\$ 3,894,685	\$ 846,136	\$ 44,470,251
Miscellaneous	135,137	46,262	108	582,896	95	14,808	779,306
<i>Non-Operating:</i>							
Interest Revenue	-	64,114	40,264	30,990	76,944	48,060	260,372
Operating & Capital Grant Proceeds	58,858	-	58,704	193,185	-	-	310,747
Other Non-Operating Revenues	-	-	-	-	-	-	-
Total Revenues	26,166,906	2,103,919	7,116,586	5,552,537	3,971,724	909,004	45,820,676
Expenses:							
<i>Operating:</i>							
Salaries and Benefits	2,429,040	615,076	2,570,327	6,850,000	3,352,171	400,988	16,217,602
Other Supplies and Expenses	94,316	94,979	194,739	118,649	59,688	80,678	643,049
Contractual Services	3,252,144	407,809	527,420	128,238	118,936	188,712	4,623,259
Longhaul Contract	14,687,582	-	-	-	-	-	14,687,582
Interfund Services and Charges	2,052,224	396,193	1,552,472	320,848	1,620,377	126,599	6,068,713
Depreciation/Amortization	1,037,038	646,390	489,158	-	7,820	156,421	2,336,827
<i>Non-Operating:</i>							
External & Internal Tax Payments	-	-	-	-	-	-	-
Interest Expense & Fiscal Charges	1,914	29,983	-	-	559	11,152	43,608
Other Including Capital Asset Gain/Loss	-	-	3,819	-	-	-	3,819
Total Expenses	23,554,258	2,190,430	5,337,935	7,417,735	5,159,551	964,550	44,624,459
Income (Loss) before contrib. and trans.	2,612,648	(86,511)	1,778,651	(1,865,198)	(1,187,827)	(55,546)	1,196,217
Capital Contributions	-	172,721	1,105,553	-	-	30,107	1,308,381
Transfers In (Out)	3,838	925,676	(182,832)	1,311,488	594,470	32,815	2,685,455
Change in Net Position	2,616,486	1,011,886	2,701,372	(553,710)	(593,357)	7,376	5,190,053
Net Position as of January 1	37,374,391	13,792,544	16,976,529	-	(290,607)	3,792,102	71,644,959
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-	-	-
Restated Net Position as of January 1	37,374,391	13,792,544	16,976,529	-	(290,607)	3,792,102	71,644,959
Net Position as of December 31	\$ 39,990,877	\$ 14,804,430	\$ 19,677,901	\$ (553,710)	\$ (883,964)	\$ 3,799,478	\$ 76,835,012

For all enterprise funds, total operating revenues from charges for services in 2019 are \$44.5 million and comprise 97.2% of total enterprise operating and non-operating revenues. Compared to prior year, total charges for services for enterprise funds increased by \$5 million. The main driver for this is the addition of the Environmental Health fund in 2019. This fund added \$4.7 million in charges for services revenues. Please note that non-operating revenues and expenses are not segregated within the accompanying summarized table above 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 57% of total enterprise revenues and 52.9% of total enterprise expenses. Net Position increased in this fund by \$2.7 million over 2018. This increase was due to total revenues exceeding total expenses by \$2.6 million. Net Position in this fund has been steadily increasing each year for the past several years with charges for services consistently exceeding expenses. The Net Position in 2009 was \$16.9 million and the net position at the end of 2019 is \$40 million. This represents an increase of \$23.1 million, or 136.7% since that time.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 4.6% of total enterprise revenues and 4.9% of total enterprise expenses. In 2019 both revenues and expenses remained fairly constant over prior year. Net Position was nearly identical in 2019 vs. 2018, increasing by just \$1 million, or 7.2%, up to \$14.8 million.

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 15.5% of total enterprise revenues and 11.9% of total enterprise expenses. Net Position increased by \$2.7 million in this fund over prior year due to normal operations of revenues exceeding expenses.

The **Land Use and Permitting Fund** provides planning, permitting, and development inspection services to citizens living in unincorporated Thurston County. Revenues comprise 8.7% of total enterprise revenues and 11.7% of total enterprise expenses. Revenues decreased by \$1 million, or 20.4% in 2019 mainly due to less permitting activity driven by the local construction market. The charges for services revenue collection activity in 2018 appears to be an outlier as it was nearly 30% higher than the few years preceding 2018 as well as in 2019. Total expenses in 2019 increased by \$700,000, or 15.6% due to normal salary increases and increases in interfund central service charges. Net Position decreased by \$593,000 to a negative \$884,000 at year end. This fund has been in a negative Net Position since the inception of GASB 68. Now, with an increased OPEB Liability per GASB 75, Net Position is further affected.

The **Environmental Health Fund** was a newly created enterprise fund in 2019. The activity in this fund was previously recorded in the county's Public Health Special Revenue fund. This fund accounts for the activity in the county related to preventing pollution, human exposure to environmental hazards, and ensuring safe and clean drinking water and meets the definition of an enterprise fund. Year to year comparisons in this fund is not possible in 2019 given that it is a new fund. The Net Position in this fund was a negative \$554,000 at year's end. The fund realized an operating loss of \$1.9 million in 2019 and it received a one-time \$1.3 million transfer in from Public Health to set up the fund.

General Fund Budgetary Highlights

Beginning in 2019, 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, 2019. 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	\$ 64,661,600	\$ 64,661,600	\$ -
Licenses & Permits	1,663,000	1,663,000	-
Intergovernmental	9,217,518	10,587,405	1,369,887
Charges for Services	15,067,358	15,526,002	458,644
Fines & Forfeitures	2,395,250	2,395,250	-
Miscellaneous	4,673,354	4,595,354	(78,000)
Total General Revenues	97,678,080	99,428,611	1,750,531
Other Financing Sources	529,824	584,845	55,021
Total Revenues	98,207,904	100,013,456	1,805,552
Expenditures by Department:			
Assessor's Office	4,348,489	4,348,489	-
Auditor's Office	6,466,434	6,466,434	-
Assigned Counsel	6,518,352	6,725,574	(207,222)
Clerk's Office	3,744,412	3,901,445	(157,033)
Commissioner's Office	2,387,679	2,387,682	(3)
Coroner's Office	1,236,573	1,274,737	(38,164)
Corrections	18,471,789	18,632,790	(161,001)
District Court	3,422,260	3,402,425	19,835
Emergency Management	1,693,196	1,633,611	59,585
Human Resources	1,997,433	1,997,433	-
Juvenile Probation	7,079,873	7,086,930	(7,057)
Non-Departmental	4,672,170	4,768,501	(96,331)
Planning	2,091,530	2,151,529	(59,999)
PreTrial Services	625,246	630,598	(5,352)
Prosecuting Attorney	9,393,746	9,492,027	(98,281)
State Examiner	131,000	149,000	(18,000)
Sheriff	19,258,297	19,863,938	(605,641)
Superior Court	5,530,896	5,530,577	319
Treasurer's Office	1,244,662	1,242,162	2,500
WSU Extension	494,911	494,911	-
General Fund Expenditures	100,808,948	102,180,793	(1,371,845)
Fair	577,419	577,419	-
Election Stabilization Reserve	20,048	20,048	-
Historic Preservation	115,458	115,458	-
Prisoner Concession	344,147	344,147	-
Public, Educational & Governmental Access:	95,267	95,267	-
Reported General Fund Expenditures	101,961,287	103,333,132	(1,371,845)
Net Changes in Fund Balances	(3,753,383)	(3,319,676)	433,707
Fund Balances as of January 1	10,360,132	14,143,467	3,783,335
Fund Balances as of December 31	\$ 6,606,749	\$ 10,823,791	\$ 4,217,042

The County's original and final General Fund budgets were similar with a \$1.8 million increase in budgeted revenues and a \$1.4 million increase in budgeted expenditures.

The final budget ending fund balance was \$10.8 million, an increase of \$4.7 million over 2018.

General Fund Budget to Actual Variances

The following table summarizes differences between budget and actual revenues and expenditures in the General Fund for 2019. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2019 show actual total revenues (including other financing sources) at \$108 million, which is \$8 million, or 8%, above the final budget. Actual expenditures were \$99 million, which is \$3.2 million or 3.1% under budget. This percentage underspend is in line with annual historic percentages.

The largest revenue variance between budget and actual was in the Miscellaneous, receiving \$3 million more than planned. Most of this balance is related to an unbudgeted market value adjustment of the county's marketable securities. Taxes was next receiving \$1.7 million more than budgeted due to a strong economy during 2019. All offices/departments had a positive expenditure variance in 2019, meaning no office or department over-spent its budget authority. The largest budget under-expenditure by a department was in the County's Juvenile department with a \$553,000 under-expenditure, mostly in salary related expenditures.

Thurston County
General Fund Revenues, Expenditures & Fund Balance

	Final Budget	Actuals	Variance Pos (Neg)
Revenues:			
Taxes	\$ 64,661,600	\$ 66,398,838	\$ 1,737,238
Licenses & Permits	1,663,000	2,227,282	564,282
Intergovernmental	10,587,405	12,221,446	1,634,041
Charges for Services	15,526,002	16,064,549	538,547
Fines & Forfeitures	2,395,250	2,656,552	261,302
Miscellaneous	4,595,354	7,566,381	2,971,027
Total General Revenues	99,428,611	107,135,048	7,706,437
Total Other Financing Sources	584,845	841,904	257,059
Total Revenues	100,013,456	107,976,952	7,963,496
Expenditures by Department:			
Assessor's Office	4,348,489	4,325,234	23,255
Auditor's Office	6,466,434	6,173,703	292,731
Assigned Counsel	6,725,574	6,665,110	60,464
Clerk's Office	3,901,445	3,767,326	134,119
Commissioner's Office	2,387,682	2,311,972	75,710
Coroner's Office	1,274,737	1,274,735	2
Corrections	18,632,790	18,397,908	234,882
District Court	3,402,425	3,294,372	108,053
Emergency Management	1,633,611	1,416,775	216,836
Human Resources	1,997,433	1,749,561	247,872
Juvenile Probation	7,086,930	6,533,864	553,066
Non-Departmental	4,768,501	4,524,859	243,642
Planning	2,151,529	1,825,705	325,824
PreTrial Services	630,598	589,571	41,027
Prosecuting Attorney	9,492,027	9,206,808	285,219
State Examiner	149,000	138,338	10,662
Sheriff	19,863,938	19,758,957	104,981
Superior Court	5,530,577	5,374,760	155,817
Treasurer's Office	1,242,162	1,214,404	27,758
WSU Extension	494,911	450,743	44,168
General Fund Expenditures	102,180,793	98,994,705	3,186,088
Fair	577,419	546,650	30,769
Election Stabilization Reserve	20,048	48	20,000
Historic Preservation	115,458	58,736	56,722
Prisoner Concession	344,147	100,368	243,779
Public, Educational & Governmental Access:	95,267	84,267	11,000
Reported General Fund Expenditures	103,333,132	99,784,774	3,548,358
Net Changes in Fund Balances	(3,319,676)	8,192,178	11,511,854
Fund Balances as of January 1	14,143,467	12,767,084	(1,376,383)
Prior Period Adjustments	-	1,056,441	1,056,441
Fund Balances as of January 1 - Restated	14,143,467	13,823,525	(319,942)
Fund Balances as of December 31	\$ 10,823,791	\$ 22,015,703	\$ 11,191,912

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 \$509.2 million at year end. Of this total, \$276.9 million (54.4%) are non-depreciable assets and \$232.3 million (45.6%) are depreciable. Capital assets comprise 65.6% of total assets. A capital asset breakdown is provided in Note VII within the financial statement section. Total capital assets in both governmental and business-type increased by just \$1.1 million over prior year.

At year-end the County had \$9.5 million in commitments for capital expenditures related to a large Road Fund construction project.

Long-Term Debt

Total general obligation debt outstanding at year end was \$54.7 million (\$54.6 million in governmental activities and \$150,000 in Business-type activities). This total represents a decrease of \$5.9 million over 2018 due to annual debt payments.

At the end of 2019, the County has the remaining capacity to issue \$516.4 million in debt without a vote and a remaining capacity of \$896.4 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.

OTHER SIGNIFIGANT MATTERS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The length of time these measures will be in place, and the full extent of the financial impact on the county is unknown at this time. However, the Board of County Commissioners (BOCC) are assessing the situation and are modeling potential loss of revenue impacts to the remainder of 2020 budget and beyond. The BOCC is expecting significant loss of revenue for the rest of 2020 and into 2021, especially in the sales taxes category as the economy has mostly shut down per direction of the governor. This unfortunate situation is being closely monitored and the BOCC is prepared to take action as new information arises.

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, 2019
Page 1 of 2

	Primary Government		
	Governmental	Business-Type	
ASSETS	Activities	Activities	Total
Current Assets:			
Cash & Pooled Investments	\$ 150,135,293	\$ 58,135,550	\$ 208,270,843
<i>Receivables:</i>			
Taxes Receivable	1,510,671	-	1,510,671
Special Assessment Receivables	27,324	383,725	411,049
Accrued Interest & Penalties	2,732,868	24,403	2,757,271
Customer Account Receivables	22,199,589	1,986,587	24,186,176
Internal Balances	(1,593,485)	1,593,485	-
Due from Other Government Units	4,303,848	1,237,453	5,541,301
Inventory	763,455	-	763,455
Prepayments	547,589	1,665	549,254
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	23,288	23,288
Total Current Assets	180,627,152	63,386,156	244,013,308
Long-Term Assets:			
Community Loans Receivable	-	77,081	77,081
Special Assessment Receivables	-	115,563	115,563
Investment in Joint Ventures, Net	1,766,240	-	1,766,240
Net Pension Asset	7,776,323	-	7,776,323
<i>Capital Assets:</i>			
Non-Depreciable	273,204,110	3,647,038	276,851,148
Depreciable, Net	203,699,848	28,643,342	232,343,190
<i>Restricted Assets: Cash and Pooled Investments</i>	-	13,207,569	13,207,569
Total Noncurrent Assets	486,446,521	45,690,593	532,137,114
Total Assets	667,073,673	109,076,749	776,150,422
Deferred Outflow of Resources:			
Loss on Refunding	1,739,376	57,975	1,797,351
Other Post Employment Benefits Payable	5,385,842	794,554	6,180,396
Pensions	6,580,241	942,684	7,522,925
Total Deferred Outflow of Resources	13,705,459	1,795,213	15,500,672

See accompanying notes to financial statements

Statement of Net Position
December 31, 2019
Page 2 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	12,892,776	4,120,038	17,012,814
Notes/Leases Payable	155,002	62,348	217,350
Due to Other Government Units	4,255	-	4,255
Compensated Absences	361,656	48,419	410,075
Claims & Judgments Payable	548,671	-	548,671
Total Other Post Employment Benefits Liability	869,337	89,490	958,827
Limited G.O. Bonds Payable	4,780,255	-	4,780,255
Special Assess. Debt - Gov. Commitment	-	78,282	78,282
Unearned Revenue	166,361	63,178	229,539
Total Current Liabilities	19,778,313	4,461,755	24,240,068
Long-Term Liabilities:			
Limited G.O. Bonds Payable	49,794,554	157,207	49,951,761
Special Assess. Debt - Gov. Commitment	-	34,847	34,847
Compensated Absences	6,754,600	904,317	7,658,917
Total Other Post Employment Benefits Liability	49,848,580	6,361,939	56,210,519
Other Non-Current Liabilities	809,247	-	809,247
Claims & Judgments Payable	3,568,515	-	3,568,515
Notes/Leases Payable	1,112,180	402,933	1,515,113
Accumulated Landfill Closure Costs	-	13,850,238	13,850,238
Net Pension Liability	21,509,661	4,000,178	25,509,839
Total Noncurrent Liabilities	133,397,337	25,711,659	159,108,996
Total Liabilities	153,175,650	30,173,414	183,349,064
Deferred Inflow of Resources:			
Gain on Refunding	320,907	-	320,907
Other Post Employment Benefits Payable	1,520,644	229,995	1,750,639
Pensions	14,174,070	2,022,026	16,196,096
Total Deferred Inflow of Resources	16,015,621	2,252,021	18,267,642
NET POSITION			
Net Investment in Capital Assets	422,610,081	32,013,331	454,623,412
Restricted For:			
Culture & Recreation	2,627,625	-	2,627,625
Economic Environment	754,640	-	754,640
General Government	15,461,760	-	15,461,760
Health and Human Services	5,007,404	-	5,007,404
Internal Service	27,698,446	-	27,698,446
Public Safety	2,262,079	-	2,262,079
Utilities & Environment	6,994,899	-	6,994,899
Transportation	7,470,380	-	7,470,380
Debt Service	-	185,497	185,497
Unrestricted (Deficit)	20,700,547	46,247,699	66,948,246
Total Net Position	\$ 511,587,861	\$ 78,446,527	\$ 590,034,388

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2019
Page 1 of 2

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants And Contributions	Capital Grants & Contributions
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 16,472,466	\$ (6,637,496)	\$ 8,755,218	\$ 3,670,489	\$ -
Culture & Recreation	3,030,378	143,472	2,342,825	55,495	-
Economic Environment	9,278,982	(1,134,216)	3,858,281	5,449,745	-
Health & Human Services	35,942,764	893,547	1,076,709	9,330,677	-
Public Safety	83,450,236	2,223,277	7,003,576	8,528,376	629,437
Transportation	31,006,004	2,279,350	3,690,664	515,182	13,703,972
Utilities & Environment	1,272,766	141,215	835,415	166,263	-
Interest and Fiscal Charges	1,894,437	-	-	-	-
Total Governmental Activities	182,348,033	(2,090,851)	27,562,688	27,716,227	14,333,409
Business-Type Activities:					
Solid Waste	22,123,807	521,579	25,972,911	58,858	-
Water	901,324	125,547	935,105	-	67,609
Sewer	1,875,895	251,094	1,904,574	-	135,219
Stormwater	4,596,267	394,500	6,977,472	58,704	1,105,553
Environmental Health	7,417,735	186,467	4,075,048	193,185	-
Land Use & Permitting	4,517,083	611,664	3,308,320	-	-
Total Business-Type Activities	41,432,111	2,090,851	43,173,430	310,747	1,308,381
Total Primary Government	\$ 223,780,144	\$ -	\$ 70,736,118	\$ 28,026,974	\$ 15,641,790

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2019
Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes In Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT			
<i>Governmental Activities:</i>			
General Government	\$ 2,590,737	\$ -	\$ 2,590,737
Culture & Recreation	(775,530)	-	(775,530)
Economic Environment	1,163,260	-	1,163,260
Health & Human Services	(26,428,925)	-	(26,428,925)
Public Safety	(69,512,124)	-	(69,512,124)
Transportation	(15,375,536)	-	(15,375,536)
Utilities & Environment	(412,303)	-	(412,303)
Interest and Fiscal Charges	(1,894,437)	-	(1,894,437)
Total Governmental Activities	(110,644,858)	-	(110,644,858)
<i>Business-Type Activities:</i>			
Solid Waste	-	3,386,383	3,386,383
Water	-	(24,157)	(24,157)
Sewer	-	(87,196)	(87,196)
Stormwater	-	3,150,962	3,150,962
Environmental Health	-	(3,335,969)	(3,335,969)
Land Use & Permitting	-	(1,820,427)	(1,820,427)
Total Business-Type Activities	-	1,269,596	1,269,596
Total Primary Government	(110,644,858)	1,269,596	(109,375,262)
General Revenues:			
<i>Taxes:</i>			
Property Taxes	75,694,663	-	75,694,663
Sales Taxes	45,181,800	-	45,181,800
Business & Harvest Taxes	1,183,055	-	1,183,055
Excise Taxes	7,432,676	-	7,432,676
<i>Other General Revenues:</i>			
Interest & Investment Earnings	8,457,483	260,372	8,717,855
Miscellaneous	461,770	779,306	1,241,076
Transfers In/(Out)	(2,685,455)	2,685,455	-
Total General Revenues and Transfers	135,725,992	3,725,133	139,451,125
Change in Net Position	25,081,134	4,994,729	30,075,863
Net Position as of January 1	485,503,401	73,451,798	558,955,199
Prior Period Adjustment	1,003,326	-	1,003,326
Net Position as of January 1 - Restated	486,506,727	73,451,798	559,958,525
Net Position as of December 31	\$ 511,587,861	\$ 78,446,527	\$ 590,034,388

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & Pooled Investments	\$ 17,380,739	\$ 21,196,734	\$ 8,794,550	\$ 16,373,877	\$ 8,294,042	\$ 38,020,299	\$ 110,060,241
Receivables:							
Taxes Receivable	802,182	458,447	202,099	-	15,432	32,511	1,510,671
Special Assessment Receivables	-	-	-	-	-	27,324	27,324
Accrued Interest & Penalties	2,513,521	-	25,881	-	23,479	134,817	2,697,698
Customer Account Receivables	7,205,348	972,491	1,177	-	2,375	4,733,931	12,915,322
Due from Other Funds	619,035	986,493	-	1,050	125,859	141,568	1,874,005
Due from Other Government Units	2,543,667	218,054	-	-	823,106	703,112	4,287,939
Inventory	-	478,121	-	-	-	-	478,121
Prepayments	78,343	5,046	-	-	1,740	14,250	99,379
Total Assets	\$ 31,142,835	\$ 24,315,386	\$ 9,023,707	\$ 16,374,927	\$ 9,286,033	\$ 43,807,812	\$ 133,950,700
LIABILITIES							
Accounts Payable	\$ 4,634,287	\$ 1,773,518	\$ 1,775,238	\$ -	\$ 974,523	\$ 2,299,576	\$ 11,457,142
Due to Other Funds	450,703	504,409	-	433,535	46,560	861,741	2,296,948
Due to Other Government Units	318	-	-	-	-	3,937	4,255
Unearned Revenues	18,938	3,650	-	-	14,858	128,915	166,361
Total Liabilities	5,104,246	2,281,577	1,775,238	433,535	1,035,941	3,294,169	13,924,706
Deferred Inflow of Resources:							
Property Taxes	2,392,226	397,568	176,068	-	13,427	28,318	3,007,607
Special Assessments	-	-	-	-	-	27,367	27,367
Courts	1,630,660	-	-	-	-	352,562	1,983,222
Total Deferred Inflow of Resources	4,022,886	397,568	176,068	-	13,427	408,247	5,018,196
FUND BALANCES							
Nonspendable	78,343	483,167	-	-	1,740	14,250	577,500
Restricted	158,164	-	-	14,324,592	-	26,096,031	40,578,787
Committed	-	-	-	-	-	533,782	533,782
Assigned	-	21,153,074	7,072,401	1,616,800	8,234,925	13,461,333	51,538,533
Unassigned	21,779,196	-	-	-	-	-	21,779,196
Total Fund Balance	22,015,703	21,636,241	7,072,401	15,941,392	8,236,665	40,105,396	115,007,798
Total Liabilities, Deferred Inflow of Resources & Fund Balances	\$ 31,142,835	\$ 24,315,386	\$ 9,023,707	\$ 16,374,927	\$ 9,286,033	\$ 43,807,812	\$ 133,950,700

See accompanying notes to financial statements

**Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Position
December 31, 2019**

	Governmental Funds
Fund balance as shown in the Governmental Funds Balance Sheet	\$ 115,007,798
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	441,589,214
Debt, which is not reported in governmental funds, is reported in the statement of net position	(55,002,173)
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	63,130,365
Deferred gains and losses on refunding, which is not reported in governmental funds, is reported in the statement of net position	1,418,470
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net position	14,179,360
Compensated absences, other post employment benefits and pensions, which are not reported in governmental funds, are reported as accrued liabilities in the statement of net position	(67,123,658)
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)	(1,611,515)
Net position for governmental funds as shown in statement of net position	\$ 511,587,861

See accompanying notes to financial statements

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2019

	General Fund	Roads	Medic One	Real Estate Excise Tax	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 66,398,838	\$ 19,536,437	\$ 11,223,660	\$ 6,243,816	\$ 987,443	\$ 24,055,093	\$ 128,445,287
Licenses & Permits	2,227,282	681,087	-	-	26,535	-	2,934,904
Intergovernmental	12,221,446	9,304,592	81,123	-	8,906,695	6,080,067	36,593,923
Charges for Services	16,064,549	1,897,197	28,044	-	1,271,089	7,840,722	27,101,601
Fines & Forfeits	2,656,552	-	-	-	-	235,190	2,891,742
Miscellaneous Revenue	7,566,381	107,526	295,923	120	604,748	1,715,141	10,289,839
Total Revenues	107,135,048	31,526,839	11,628,750	6,243,936	11,796,510	39,926,213	208,257,296
Expenditures:							
<i>Current:</i>							
General Government	16,423,526	-	-	-	-	779,196	17,202,722
Culture & Recreation	997,921	1,098,062	-	-	-	978,441	3,074,424
Economic Environment	2,166,273	-	-	-	-	7,647,674	9,813,947
Health & Human Services	-	-	13,504,108	-	12,981,741	11,762,500	38,248,349
Public Safety	76,476,017	-	-	-	-	8,371,979	84,847,996
Transportation	226,549	25,952,508	-	-	-	823	26,179,880
Utilities & Environment	739,058	-	-	-	-	709,409	1,448,467
Capital Outlay	102,521	7,167,323	545,385	-	-	412,632	8,227,861
<i>Debt Service:</i>							
Principal	82,803	68,988	3,307	-	5,783	3,964,417	4,125,298
Interest & Fiscal Charges	14,259	33,051	646	-	2,457	2,170,114	2,220,527
Total Expenditures	97,228,927	34,319,932	14,053,446	-	12,989,981	36,797,185	195,389,471
Excess (Deficiency) of Revenues Over Expenditures	9,906,121	(2,793,093)	(2,424,696)	6,243,936	(1,193,471)	3,129,028	12,867,825
Other Financing Sources (Uses)							
Capital Lease Financing	54,256	-	-	-	-	-	54,256
Sale of Capital Assets	497,828	516,393	136,926	-	10,550	21,654	1,183,351
Transfers In	289,820	3,480,737	2,500	-	1,170,612	7,171,467	12,115,136
Transfers Out	(2,555,847)	(1,134,196)	-	(5,292,154)	(1,277,693)	(5,067,188)	(15,327,078)
Total Other Financing Sources (Uses)	(1,713,943)	2,862,934	139,426	(5,292,154)	(96,531)	2,125,933	(1,974,335)
Net Changes In Fund Balances	8,192,178	69,841	(2,285,270)	951,782	(1,290,002)	5,254,961	10,893,490
Fund Balances as of January 1	12,767,084	21,485,940	9,357,671	14,989,610	9,526,667	34,719,929	102,846,901
Prior Period Adjustments	1,056,441	80,460	-	-	-	130,506	1,267,407
Fund Balances as of January 1-Restated	13,823,525	21,566,400	9,357,671	14,989,610	9,526,667	34,850,435	104,114,308
Fund Balances as of December 31	\$ 22,015,703	\$ 21,636,241	\$ 7,072,401	\$ 15,941,392	\$ 8,236,665	\$ 40,105,396	\$ 115,007,798

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, 2019**

		Governmental Funds
Change in fund balance as shown in the Governmental Funds		
Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 10,893,490
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	8,227,862	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(11,137,908)	
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>5,079,551</u>	2,169,505
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	4,165,698	
Costs related to debt, such as premiums, discounts, and other similar items, are reported as revenues or expenditures in governmental funds when debt is issued. They are deferred in the statement of net position and recognized over the life of the bond issue in the statement of activities	326,090	
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>(54,254)</u>	4,437,534
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	936,392	
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	(1,895,527)	
Unbilled internal service costs from the County's cost allocation plan, which is not allocated to service users in governmental fund statements, is allocated to service users in the statement of activities, resulting in a residual amount outstanding between governmental and business activities	<u>2,090,851</u>	1,131,716
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	(972,449)	
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>7,421,338</u>	6,448,889
Change in net position for governmental funds as shown in the		
Statement of Activities		<u><u>\$ 25,081,134</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, 2019
Page 1 of 7

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Revenues By Funding Source				
General Revenues:				
Taxes	\$ 64,661,600	\$ 64,661,600	\$ 66,398,838	\$ 1,737,238
Licenses & Permits	1,663,000	1,663,000	2,227,282	564,282
Intergovernmental	9,217,518	10,587,405	12,221,446	1,634,041
Charges for Services	15,067,358	15,526,002	16,064,549	538,547
Fines & Forfeits	2,395,250	2,395,250	2,656,552	261,302
Miscellaneous Revenue	4,673,354	4,595,354	7,566,381	2,971,027
Total General Revenues	97,678,080	99,428,611	107,135,048	7,706,437
Other Financing Sources:				
Capital Lease Financing	15,624	70,645	54,256	(16,389)
Other Finance Sources - Capital Asset Sales	300,700	300,700	497,828	197,128
Transfers In	213,500	213,500	289,820	76,320
Total Other Financing Sources	529,824	584,845	841,904	257,059
Total Revenues	\$ 98,207,904	\$ 100,013,456	\$ 107,976,952	\$ 7,963,496

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, 2019
Page 2 of 7

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Expenditures by Department				
Assessor's Office:				
General Government	\$ 4,348,489	\$ 4,348,489	\$ 4,325,234	\$ 23,255
Total Assessor's Office	4,348,489	4,348,489	4,325,234	23,255
Auditor's Office:				
General Government	6,328,857	6,328,857	6,041,610	287,247
Debt Service:				
Principal	6,300	6,300	6,394	(94)
Interest and Fiscal Charges	6,277	6,277	699	5,578
Transfers Out	125,000	125,000	125,000	-
Total Auditor's Office	6,466,434	6,466,434	6,173,703	292,731
Public Defense:				
Public Safety	6,515,378	6,711,848	6,642,856	68,992
Capital Outlay	-	10,752	10,752	-
Debt Service:				
Principal	2,894	2,894	9,278	(6,384)
Interest and Fiscal Charges	80	80	2,224	(2,144)
Total Public Defense	6,518,352	6,725,574	6,665,110	60,464
Clerk's Office:				
Public Safety	3,729,136	3,886,169	3,737,729	148,440
Capital Outlay	-	-	13,447	(13,447)
Debt Service:				
Principal	12,447	12,447	14,786	(2,339)
Interest and Fiscal Charges	2,829	2,829	1,364	1,465
Total Clerk's Office	3,744,412	3,901,445	3,767,326	134,119

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, 2019
Page 3 of 7

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Commissioner's Office:				
General Government	2,056,675	2,056,678	2,089,512	(32,834)
Transportation	210,111	210,111	206,723	3,388
Economic Environment	114,793	114,793	12,670	102,123
Debt Service:				
Principal	5,500	5,500	2,455	3,045
Interest and Fiscal Charges	600	600	612	(12)
Total Commissioner's Office	2,387,679	2,387,682	2,311,972	75,710
Coroner's Office:				
Public Safety	1,231,633	1,244,797	1,247,658	(2,861)
Capital Outlay	-	25,000	24,818	182
Debt Service:				
Principal	2,890	2,890	1,519	1,371
Interest and Fiscal Charges	2,050	2,050	740	1,310
Total Coroner's Office	1,236,573	1,274,737	1,274,735	2
Corrections:				
Public Safety	18,452,968	18,603,446	18,376,871	226,575
Capital Outlay	-	10,523	10,522	1
Debt Service:				
Principal	16,730	16,730	9,463	7,267
Interest and Fiscal Charges	2,091	2,091	1,052	1,039
Total Corrections	18,471,789	18,632,790	18,397,908	234,882
District Court				
Public Safety	3,419,409	3,399,574	3,294,372	105,202
Debt Service:				
Principal	2,686	2,686	-	2,686
Interest and Fiscal Charges	165	165	-	165
Total District Court	3,422,260	3,402,425	3,294,372	108,053

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, 2019
Page 4 of 7

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Emergency Management:				
Public Safety	1,691,196	1,631,611	1,414,775	216,836
Transfers Out	2,000	2,000	2,000	-
Emergency Management	1,693,196	1,633,611	1,416,775	216,836
Human Resources:				
General Government	1,837,346	1,837,346	1,630,126	207,220
Public Safety	147,573	147,573	115,951	31,622
Principal	9,858	9,858	2,896	6,962
Interest and Fiscal Charges	2,656	2,656	588	2,068
Total Human Resources	1,997,433	1,997,433	1,749,561	247,872
Juvenile Probation:				
Public Safety	7,064,249	7,059,191	6,516,355	542,836
Capital Outlay	15,624	27,739	11,351	16,388
Debt Service:				
Principal	-	-	5,015	(5,015)
Interest and Fiscal Charges	-	-	1,143	(1,143)
Total Juvenile Probation	7,079,873	7,086,930	6,533,864	553,066

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, 2019
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	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Non-Departmental:				
General Government	1,367,579	1,064,520	873,381	191,139
Public Safety	170,000	292,000	291,979	21
Utilities & Environment	708,240	708,240	739,058	(30,818)
Transportation	6,500	6,500	19,826	(13,326)
Economic Environment	308,500	381,559	327,898	53,661
Transfers Out	2,111,351	2,315,682	2,272,717	42,965
Total Non-Departmental	4,672,170	4,768,501	4,524,859	243,642
Planning:				
Economic Environment	2,091,530	2,151,529	1,825,705	325,824
Total Planning	2,091,530	2,151,529	1,825,705	325,824
Pretrial Services:				
Public Safety	625,246	622,098	579,899	42,199
Capital Outlay	-	8,500	8,500	-
Debt Service:				
Principal	-	-	850	(850)
Interest and Fiscal Charges	-	-	322	(322)
Total Pretrial Services	625,246	630,598	589,571	41,027
Prosecuting Attorney:				
Public Safety	9,337,546	9,452,696	9,173,753	278,943
Capital Outlay	30,000	13,131	13,131	-
Debt Service:				
Principal	21,300	21,300	16,409	4,891
Interest and Fiscal Charges	4,900	4,900	3,515	1,385
Total Prosecuting Attorney	9,393,746	9,492,027	9,206,808	285,219
State Examiner:				
General Government	131,000	149,000	138,338	10,662
Total State Examiner	131,000	149,000	138,338	10,662

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, 2019
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	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Sheriff:				
Public Safety	19,099,351	19,704,992	19,608,691	96,301
Capital Outlay	5,000	5,000	10,000	(5,000)
Principal	9,079	9,079	9,777	(698)
Interest and Fiscal Charges	2,867	2,867	489	2,378
Transfers Out	142,000	142,000	130,000	12,000
Total Sheriff	19,258,297	19,863,938	19,758,957	104,981
Superior Court:				
Public Safety	5,522,973	5,522,654	5,374,760	147,894
Debt Service:				
Principal	5,300	5,300	-	5,300
Interest and Fiscal Charges	2,623	2,623	-	2,623
Total Superior Court	5,530,896	5,530,577	5,374,760	155,817
Treasurer's Office				
General Government	1,244,662	1,242,162	1,214,404	27,758
Total Treasurer's Office	1,244,662	1,242,162	1,214,404	27,758
WSU Extension				
Culture and Recreation	491,879	491,879	447,679	44,200
Debt Service:				
Principal	1,417	1,417	2,358	(941)
Interest and Fiscal Charges	1,615	1,615	706	909
Total WSU Extension	494,911	494,911	450,743	44,168
Total General Fund Expenditures	100,808,948	102,180,793	98,994,705	3,186,088

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, 2019
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Reconciliation of Budgetary Perspective Differences Due to GASB 54:

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Final Budget Positive or (Negative)
Fair:				
Culture and Recreation	577,419	577,419	544,242	33,177
Debt Service:				
Principal	-	-	1,603	(1,603)
Interest and Fiscal Charges	-	-	805	(805)
Total Fair	577,419	577,419	546,650	30,769
Election Stabilization Reserve:				
General Government	48	48	48	-
Transfers Out	20,000	20,000	-	20,000
Total Election Stabilization Reserve	20,048	20,048	48	20,000
Historic Preservation:				
General Government	91,458	91,458	26,606	64,852
Culture and Recreation	-	-	6,000	(6,000)
Transfers Out	24,000	24,000	26,130	(2,130)
Total Historic Preservation	115,458	115,458	58,736	56,722
Public, Educational & Governmental Access:				
General Government	95,267	95,267	84,267	11,000
Total Public, Educational & Governmental Access	95,267	95,267	84,267	11,000
Prisoner Concession:				
Public Safety	344,147	344,147	100,368	243,779
Total Prisoner Concession	344,147	344,147	100,368	243,779
Total GASB 54 Expenditures	1,152,339	1,152,339	790,069	362,270
Total Reported General Fund Expenditures	101,961,287	103,333,132	99,784,774	3,548,358
Net Changes in Fund Balances	(3,753,383)	(3,319,676)	8,192,178	11,511,854
Fund Balances as of January 1	10,360,132	14,143,467	12,767,084	(1,376,383)
Prior Period Adjustments	-	-	1,056,441	1,056,441
Fund Balances as of January 1 - Restated	10,360,132	14,143,467	13,823,525	(319,942)
Fund Balances as of December 31	\$ 6,606,749	\$ 10,823,791	\$ 22,015,703	\$ 11,191,912

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, 2019

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 11,153,000	\$ 11,153,000	\$ 11,223,660	\$ 70,660
Intergovernmental	62,135	62,135	81,123	18,988
Charges for Services	24,030	24,030	28,044	4,014
Miscellaneous Revenue	304,370	304,370	295,923	(8,447)
Total Revenues	11,543,535	11,543,535	11,628,750	85,215
Expenditures:				
<i>Current:</i>				
Health & Human Services	13,977,557	13,977,557	13,504,108	473,449
Capital Outlay	1,281,066	1,281,066	545,385	735,681
Debt Service:				
Principal	4,532	4,532	3,307	1,225
Interest & Fiscal Charges	381	381	646	(265)
Total Expenditures	15,263,536	15,263,536	14,053,446	1,210,090
Excess (Deficiency) of Revenues Over Expenditures	(3,720,001)	(3,720,001)	(2,424,696)	1,295,305
Other Financing Sources (Uses)				
Sale of Capital Assets	33,000	33,000	136,926	103,926
Transfers In	2,500	2,500	2,500	-
Total Other Financing Sources (Uses)	35,500	35,500	139,426	103,926
Net Changes In Fund Balances	(3,684,501)	(3,684,501)	(2,285,270)	1,399,231
Fund Balances as of January 1	9,649,400	9,454,130	9,357,671	(96,459)
Fund Balances as of December 31	\$ 5,964,899	\$ 5,769,629	\$ 7,072,401	\$ 1,302,772

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, 2019

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 900,000	\$ 900,000	\$ 987,443	\$ 87,443
Licenses & Permits	27,000	27,000	26,535	(465)
Intergovernmental	8,571,735	8,571,735	8,906,695	334,960
Charges for Services	1,012,606	1,012,606	1,271,089	258,483
Miscellaneous Revenue	4,000	4,000	604,748	600,748
Total Revenues	10,515,341	10,515,341	11,796,510	1,281,169
Expenditures:				
<i>Current:</i>				
Health & Human Services	13,542,050	13,489,587	12,981,741	507,846
<i>Debt Service:</i>				
Principal	5,728	5,728	5,783	(55)
Interest & Fiscal Charges	2,512	2,512	2,457	55
Total Expenditures	13,550,290	13,497,827	12,989,981	507,846
Excess (Deficiency) of Revenues Over Expenditures	(3,034,949)	(2,982,486)	(1,193,471)	1,789,015
Other Financing Sources (Uses)				
Sale of Capital Assets	3,750	3,750	10,550	6,800
Transfers In	1,247,242	1,247,242	1,170,612	(76,630)
Transfers Out	(1,277,693)	(1,277,693)	(1,277,693)	-
Total Other Financing Sources (Uses)	(26,701)	(26,701)	(96,531)	(69,830)
Net Changes In Fund Balances	(3,061,650)	(3,009,187)	(1,290,002)	1,719,185
Fund Balances as of January 1	7,970,936	9,603,555	9,526,667	(76,888)
Fund Balances as of December 31	\$ 4,909,286	\$ 6,594,368	\$ 8,236,665	\$ 1,642,297

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, 2019

	Original 2019 Budget	Final 2019 Budget	Actual 2019	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 19,394,000	\$ 19,394,000	\$ 19,536,437	\$ 142,437
Licenses & Permits	680,000	700,000	681,087	(18,913)
Intergovernmental	12,763,010	10,714,635	9,304,592	(1,410,043)
Charges for Services	293,000	298,000	1,897,197	1,599,197
Miscellaneous Revenue	81,600	81,600	107,526	25,926
Total Revenues	33,211,610	31,188,235	31,526,839	338,604
Expenditures:				
<i>Current:</i>				
Culture & Recreation	907,503	961,203	1,098,062	(136,859)
Transportation	27,065,295	27,822,263	25,952,508	1,869,755
Capital Outlay	13,623,847	12,782,831	7,167,323	5,615,508
<i>Debt Service:</i>				
Principal	70,999	70,999	68,988	2,011
Interest & Fiscal Charges	34,685	34,685	33,051	1,634
Total Expenditures	41,702,329	41,671,981	34,319,932	7,352,049
Excess (Deficiency) of Revenues Over Expenditures	(8,490,719)	(10,483,746)	(2,793,093)	7,690,653
Other Financing Sources (Uses)				
Sale of Capital Assets	200,000	200,000	516,393	316,393
Transfers In	3,490,113	5,975,341	3,480,737	(2,494,604)
Transfers Out	(919,091)	(999,091)	(1,134,196)	(135,105)
Total Other Financing Sources (Uses)	2,771,022	5,176,250	2,862,934	(2,313,316)
Net Changes In Fund Balances	(5,719,697)	(5,307,496)	69,841	5,377,337
Fund Balances as of January 1	17,910,595	21,485,839	21,485,940	101
Fund Balances as of December 31	\$ 12,190,898	\$ 16,178,343	\$ 21,636,241	\$ 5,457,898

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2019
Page 1 of 2

	Business-Type Activities - Enterprise Funds						Governmental Activities	
	Major					Non-Major	Total	Internal
	Solid	Grand	Storm	Environmental	Land Use	Enterprise	Enterprise	Service
	Waste	Mound	Water	Health	& Permitting	Funds	Funds	Funds
ASSETS								
Current Assets:								
Cash & Pooled Investments	\$ 37,148,085	\$ 1,362,129	\$ 13,589,128	\$ 2,483,256	\$ 1,964,080	\$ 1,588,872	\$ 58,135,550	\$ 40,075,052
<i>Receivables:</i>								
Special Assessment Receivables	-	2,167	319,567	19,048	-	42,943	383,725	-
Accrued Interest & Penalties	-	6,720	-	5,848	6,694	5,141	24,403	35,170
Customer Account Receivables	1,723,072	172,983	-	3,667	2,602	84,263	1,986,587	123,103
Due From Other Funds	5,218	3,628	45,248	263,587	292,417	2,280	612,378	800,927
Due From Other Government Units	17,655	8,399	1,106,167	104,318	-	914	1,237,453	15,909
Inventory	-	-	-	-	-	-	-	285,334
Prepayments	677	776	-	-	-	212	1,665	448,210
<i>Restricted Assets:</i>								
Cash and Pooled Investments	-	800	-	-	-	22,488	23,288	-
Total Current Assets	38,894,707	1,557,602	15,060,110	2,879,724	2,265,793	1,747,113	62,405,049	41,783,705
Noncurrent Assets:								
Community Loans Receivable	-	-	-	-	-	77,081	77,081	-
Special Assessment Receivables	-	-	-	-	-	115,563	115,563	-
<i>Capital Assets:</i>								
Non-Depreciable	1,311,282	1,476,184	819,696	-	-	39,876	3,647,038	4,795,637
Depreciable, Net	6,282,187	12,649,198	6,934,119	-	29,960	2,747,878	28,643,342	32,285,347
<i>Restricted Assets:</i>								
Cash and Pooled Investments	13,207,569	-	-	-	-	-	13,207,569	-
Total Noncurrent Assets	20,801,038	14,125,382	7,753,815	-	29,960	2,980,398	45,690,593	37,080,984
Total Assets	59,695,745	15,682,984	22,813,925	2,879,724	2,295,753	4,727,511	108,095,642	78,864,689
Deferred Outflow of Resources:								
Loss on Refunding	-	57,975	-	-	-	-	57,975	-
Other Post Employment Benefits Payable	193,566	29,426	137,905	216,549	196,260	20,848	794,554	517,845
Pensions	189,468	44,108	194,146	246,276	237,225	31,461	942,684	681,360
Total Deferred Outflow of Resources	383,034	131,509	332,051	462,825	433,485	52,309	1,795,213	1,199,205

See accompanying notes to financial statements

Statement of Net Position
Proprietary Funds
December 31, 2019
Page 2 of 2

	Business-Type Activities - Enterprise Funds						Governmental
	Major					Non-Major	Internal
	Solid	Grand	Storm	Environmental	Land Use	Enterprise	Enterprise
	Waste	Mound	Water	Health	& Permitting	Funds	Funds
ASSETS							
Current Liabilities:							
Accounts Payable	2,984,351	174,060	496,140	224,937	180,785	59,765	1,435,635
Notes/Leases Payable	4,868	5,165	-	-	7,949	44,366	5,254
Due To Other Funds	243,064	5,517	378,510	-	20	3,297	359,954
Compensated Absences	7,897	3,135	9,834	14,081	12,797	675	33,763
Claims and Judgments Payable	-	-	-	-	-	-	548,671
Total Other Post Employment Benefits Liability	21,802	3,312	15,533	24,391	22,106	2,346	58,325
Unearned Revenue	2,987	46,222	-	-	-	13,969	-
Lim. Tax G. O. Bond - Current Portion	-	-	-	-	-	-	112,500
Spec Assessment Debt - Govern. Commitment	-	-	-	-	-	78,282	-
Total Current Liabilities	3,264,969	237,411	900,017	263,409	223,657	202,700	2,554,102
Noncurrent Liabilities:							
Limited G.O. Bonds Payable	-	157,207	-	-	-	-	1,525,350
Special Assess. Debt - Gov. Commitment	-	-	-	-	-	34,847	-
Compensated Absences	147,489	58,563	183,678	262,981	239,000	12,606	630,573
Total Other Post Employment Benefits Liability	1,549,865	235,624	1,104,190	1,733,882	1,571,442	166,936	4,146,329
Claims and Judgments Payable	-	-	-	-	-	-	3,568,515
Notes/Leases Payable	8,911	30,990	-	-	6,805	356,227	5,961
Accumulated Landfill Closure Costs	13,850,238	-	-	-	-	-	-
Net Pension Liability	803,994	187,150	823,836	1,045,049	1,006,645	133,504	2,891,301
Total Noncurrent Liabilities	16,360,497	669,534	2,111,704	3,041,912	2,823,892	704,120	12,768,029
Total Liabilities	19,625,466	906,945	3,011,721	3,305,321	3,047,549	906,820	15,322,131
Deferred Inflow of Resources:							
Other Post Employment Benefits Payable	56,030	8,518	39,918	62,683	56,810	6,036	149,895
Pensions	406,406	94,600	416,436	528,255	508,843	67,486	1,461,503
Total Deferred Inflow of Resources	462,436	103,118	456,354	590,938	565,653	73,522	1,611,398
NET POSITION							
Net Investment in Capital Assets	7,579,690	13,989,995	7,753,815	-	15,206	2,674,625	35,431,919
Restricted For:							
Debt Service	-	3,966	-	-	-	181,531	-
Unrestricted (Deficit)	32,411,187	810,469	11,924,086	(553,710)	(899,170)	943,322	27,698,446
Total Net Position	\$ 39,990,877	\$ 14,804,430	\$ 19,677,901	\$ (553,710)	\$ (883,964)	\$ 3,799,478	\$ 63,130,365

See accompanying notes to financial statements

**Reconciliation of The Statement of
Net Position of Proprietary Funds
To The Statement of Net Position
*December 31, 2019***

	Business Type Funds
	<hr/>
Enterprise net position as shown in the Proprietary Funds Statement of Net Position	\$ 76,835,012
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<hr/>
	1,611,515
Net position for business-type funds as shown in Statement of Net Position	<hr/>
	\$ 78,446,527
	<hr/>

See accompanying notes to financial statements

Statement of Revenues, Expenses and Changes In Fund Net Position
Proprietary Funds
For The Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds							Governmental Activities
	Major					Non-Major	Total	Internal
	Solid Waste	Grand Mound	Storm Water	Environmental Health	Land Use & Permitting	Enterprise Funds	Enterprise Funds	Service Funds
Operating Revenues:								
Charges for Services	\$ 25,972,911	\$ 1,993,543	\$ 7,017,510	\$ 4,745,466	\$ 3,894,685	\$ 846,136	\$ 44,470,251	\$ 20,757,317
Equipment Rental	-	-	-	-	-	-	-	8,244,132
Miscellaneous	135,137	46,262	108	582,896	95	14,808	779,306	16,093
Total Operating Revenues	26,108,048	2,039,805	7,017,618	5,328,362	3,894,780	860,944	45,249,557	29,017,542
Operating Expenses:								
Salaries and Benefits	2,429,040	615,076	2,570,327	6,850,000	3,352,171	400,988	16,217,602	9,993,783
Other Supplies and Expenses	94,316	94,979	194,739	118,649	59,688	80,678	643,049	3,123,318
Contractual Services	3,252,144	407,809	527,420	128,238	118,936	188,712	4,623,259	7,643,260
Longhaul Contract	14,687,582	-	-	-	-	-	14,687,582	-
Interfund Services and Charges	2,052,224	396,193	1,552,472	320,848	1,620,377	126,599	6,068,713	2,258,897
Depreciation/Amortization	1,037,038	646,390	489,158	-	7,820	156,421	2,336,827	4,387,454
Claims Payments	-	-	-	-	-	-	-	1,725,013
Total Operating Expenses	23,552,344	2,160,447	5,334,116	7,417,735	5,158,992	953,398	44,577,032	29,131,725
Operating Income (Loss)	2,555,704	(120,642)	1,683,502	(2,089,373)	(1,264,212)	(92,454)	672,525	(114,183)
Nonoperating Revenue (Expenses):								
Interest Revenue	-	64,114	40,264	30,990	76,944	48,060	260,372	333,465
Operating Grants & Contributions	58,858	-	58,704	193,185	-	-	310,747	30,406
Gain/Loss on Disposition of Capital Assets	-	-	(3,819)	-	-	-	(3,819)	160,099
Insurance Recoveries	-	-	-	-	-	-	-	82,830
Interest Expense & Fiscal Charges	(1,914)	(29,983)	-	-	(559)	(11,152)	(43,608)	(85,455)
Total Nonoperating Revenue (Expense)	56,944	34,131	95,149	224,175	76,385	36,908	523,692	521,345
Income Before Contributions and Transfers	2,612,648	(86,511)	1,778,651	(1,865,198)	(1,187,827)	(55,546)	1,196,217	407,162
Capital Grants & Contributions	-	172,721	1,105,553	-	-	30,107	1,308,381	2,743
Interfund Capital Contributions	-	-	-	-	-	-	-	219,198
Special Item:								
Transfers In	8,000	961,424	5,250	1,327,488	594,470	32,815	2,929,447	1,679,749
Transfers Out	(4,162)	(35,748)	(188,082)	(16,000)	-	-	(243,992)	(1,153,262)
Change in Net Position	2,616,486	1,011,886	2,701,372	(553,710)	(593,357)	7,376	5,190,053	1,155,590
Net Position as of January 1	37,374,391	13,792,544	16,976,529	-	(290,607)	3,792,102	71,644,959	61,974,775
Net Position as of December 31	\$ 39,990,877	\$ 14,804,430	\$ 19,677,901	\$ (553,710)	\$ (883,964)	\$ 3,799,478	\$ 76,835,012	\$ 63,130,365

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, 2019**

	Business-Type Funds
	<hr/>
Change in enterprise net position as shown in the Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 5,190,053
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	1,895,527
Allocated direct and indirect costs from the County's cost plan	<hr/> (2,090,851)
 Change in net position for business-type funds as shown in the Statement of Activities	 \$ <u>4,994,729</u>

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2019
Page 1 of 2

	Business-Type Activities - Enterprise Funds						Governmental Activities	
	Major					Non-Major	Total	Internal
	Solid Waste	Grand Mound	Storm Water	Environmental Health	Land Use & Permitting	Enterprise Funds	Enterprise Funds	Service Funds
Cash Flows from Operating Activities:								
Cash Received from Customers	\$ 25,792,999	\$ 2,463,397	\$ 6,925,609	\$ 5,189,221	\$ 3,698,907	855,303	44,925,436	\$ -
Cash Received from Interfund Services	-	-	-	-	-	-	-	28,610,361
Cash Paid for Goods & Services	(17,265,222)	(820,799)	(313,503)	(21,950)	(190,281)	(267,346)	(18,879,101)	(13,081,368)
Cash Paid for Interfund Services	(2,052,224)	(396,193)	(1,552,472)	(320,848)	(1,620,377)	(126,599)	(6,068,713)	(2,258,897)
Cash Paid to Employees	(2,419,103)	(587,655)	(2,569,901)	(3,769,616)	(3,301,141)	(425,160)	(13,072,576)	(9,873,315)
Net Cash Provided (Used) by Operating Activities	4,056,450	658,750	2,489,733	1,076,807	(1,412,892)	36,198	6,905,046	3,396,781
Cash Flows from Noncapital Financing Activities:								
Transfers In	8,000	961,424	5,250	1,327,488	578,470	32,815	2,913,447	1,662,259
Transfers Out	(4,162)	(35,748)	(181,776)	-	-	-	(221,686)	(1,142,078)
Grant Proceeds	104,946	-	58,704	88,867	-	-	252,517	30,406
Community Loans Issued to Homeowners	-	-	-	-	-	34,826	34,826	-
Community Loan Financing Payments	-	-	-	-	-	(48,250)	(48,250)	-
Insurance Recoveries	-	-	-	-	-	-	-	82,830
Interest Payments	-	-	-	-	-	(11,152)	(11,152)	-
Net Cash Provided (Used) by Noncapital Financing Activities	108,784	925,676	(117,822)	1,416,355	578,470	8,239	2,919,702	633,417
Cash Flows from Capital & Related Financing Activities:								
Cash Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	587,083
Capital Asset Purchases	(20,405)	(1,303,238)	(1,339,009)	(16,000)	-	(58,328)	(2,736,980)	(3,827,783)
Bond/Loan Payments	(4,302)	(1,244,165)	-	-	(7,718)	(78,282)	(1,334,467)	(113,946)
Grant Proceeds	-	-	277,412	-	-	-	277,412	-
Contributed Capital	-	172,721	-	-	-	30,107	202,828	219,198
Assessment Receipts	-	96,818	-	(19,048)	-	50,413	128,183	-
Interest Payments	(1,914)	(19,884)	-	-	(559)	-	(22,357)	(85,455)
Net Cash Provided (Used) by Capital & Related Financing Activities	(26,621)	(2,297,748)	(1,061,597)	(35,048)	(8,277)	(56,090)	(3,485,381)	(3,220,903)
Cash Flows from Investing Activities:								
Interest Receipts	-	73,358	40,264	25,142	81,086	49,115	268,965	331,557
Net Cash Provided (Used) by Investing Activities	-	73,358	40,264	25,142	81,086	49,115	268,965	331,557
Net Increase (Decrease) in Cash & Cash Equivalents	4,138,613	(639,964)	1,350,578	2,483,256	(761,613)	37,462	6,608,332	1,140,852
Cash & Cash Equivalents as of January 1	46,217,041	2,002,893	12,238,550	-	2,725,693	1,573,898	64,758,075	38,934,200
Cash & Cash Equivalents as of December 31	\$ 50,355,654	\$ 1,362,929	\$ 13,589,128	\$ 2,483,256	\$ 1,964,080	\$ 1,611,360	\$ 71,366,407	\$ 40,075,052

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2019
Page 2 of 2

	Business-Type Activities - Enterprise Funds						Governmental Activities	
	Major					Non-Major	Total	Internal
	Solid Waste	Grand Mound	Storm Water	Environmental Health	Land Use & Permitting	Enterprise Funds	Enterprise Funds	Service Funds
Reconciliation of Operating Income To Net Cash Provided (Used) by Operating Income:								
Operating Income	\$ 2,555,704	\$ (120,642)	\$ 1,683,502	\$ (2,089,373)	\$ (1,264,212)	\$ (92,454)	\$ 672,525	\$ (114,183)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:								
Depreciation Expense	1,037,038	646,390	489,158	-	7,820	156,421	2,336,827	4,387,454
(Increase) Decrease in:								
Customer Account Receivables	(135,605)	7,824	-	(3,667)	17	(10,723)	(142,154)	31,150
Special Assessment Receivables	-	-	50,597	-	-	-	50,597	-
Due from Other Funds	(2,219)	441,262	(37,240)	(263,587)	(40,600)	12,953	110,569	(75,481)
Due from Other Government Units	-	(8,399)	-	-	-	(466)	(8,865)	27,073
Inventories	-	-	-	-	-	-	-	11,355
Prepaid Expense	-	-	-	-	105	-	105	(424,949)
Increase (Decrease) in:								
Accounts Payable	1,377,212	(300,511)	296,771	224,937	(11,362)	(456)	1,586,591	(40,521)
Due to Other Funds	(19,438)	(17,500)	111,885	-	(400)	2,500	77,047	200,873
Claims and Judgments	-	-	-	-	-	-	-	(336,535)
Unearned Revenue	1,021	3,589	-	-	-	3,692	8,302	-
Compensated Absences Payable	(39,563)	25,429	11,677	277,062	20,760	(44,370)	250,995	14,367
Other Post Employment Benefits	180,828	13,482	64,050	1,604,407	89,847	9,552	1,962,166	273,393
Net Pension Liability	(309,574)	(32,174)	(180,667)	1,327,028	(214,867)	(451)	589,295	(557,215)
Accumulated Landfill Closure	(588,954)	-	-	-	-	-	(588,954)	-
Total Adjustments	1,500,746	779,392	806,231	3,166,180	(148,680)	128,652	6,232,521	3,510,964
Net Cash Provided (Used) by Operating Activities	\$ 4,056,450	\$ 658,750	\$ 2,489,733	\$ 1,076,807	\$ (1,412,892)	\$ 36,198	\$ 6,905,046	\$ 3,396,781
Noncash Investing, Capital, and Financing Activities:								
Disposition of Capital Assets:								
Gain of Disposition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 684,966
Loss on Disposition	\$ -	\$ -	\$ (3,819)	\$ -	\$ -	\$ -	\$ (3,819)	\$ (1,111,950)
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ 16,000	\$ -	\$ 16,000	\$ 17,490
Transfers Out	\$ -	\$ -	\$ (6,306)	\$ (16,000)	\$ -	\$ -	\$ (22,306)	\$ (11,184)
Transfers To Governmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,091,295

See accompanying notes to financial statements

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

			Custodial Funds	
	Investment Trust Funds	Private Purpose Trust Funds	Custodial	External Investment Pools
ASSETS				
<i>Cash & Pooled Investments:</i>				
Pooled Investments At Fair Value	\$ 624,083,808	\$ -	\$ 1,887,583	\$ 1,082,033
Trust Funds	-	4,446,600	-	-
Cash in Transit	186,634	-	10,976	-
Revolving Funds	13,650	-	-	-
Advance Travel	4,000	-	-	-
Petty Cash	16,750	-	-	-
<i>Receivables:</i>				
Taxes Receivable	3,726,906	-	1,554,419	608,566
Special Assessment Receivables	8,699	-	31,353	98,526
Accrued Interest & Penalties	1,873,225	-	-	30
Due From Other Funds	319	-	-	-
Total Assets	629,913,991	4,446,600	3,484,331	1,789,155
LIABILITIES				
Accounts Payable	5,667,479	-	-	-
Taxes & Regulatory Fees Payable	-	-	1,645,181	1,080,359
Notes Payable	-	-	7,545	-
Total Liabilities	5,667,479	-	1,652,726	1,080,359
NET POSITION				
Restricted for:				
Pool Participants	624,246,512	-	-	-
Other Governments	-	4,446,600	1,831,605	708,796
Total Net Position	\$ 624,246,512	\$ 4,446,600	\$ 1,831,605	\$ 708,796

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2019

			Custodial Funds	
	Investment Trust Funds	Private Purpose Trust Funds	Custodial	External Investment Pools
ADDITIONS:				
Contributions				
Taxes and Assessments Collected	\$ 195,531,172	\$ -	\$ 126,957,288	\$ 52,107,632
Administrative Revenues	308,131	-	932	534
Deposits from Inmates	-	-	208,141	-
Additions by Participants	995,315,083	19,984,703	14,502,401	1,297,206
Total Contributions	1,191,154,386	19,984,703	141,668,762	53,405,372
Investment Income	13,329,317	-	5,987	66,380
Total Additions	1,204,483,703	19,984,703	141,674,749	53,471,752
DEDUCTIONS:				
Distributions to Participants	-	19,554,569	141,396,538	53,709,745
Administrative Costs	308,131	-	932	534
Purchases of Merchandise	-	-	169,324	-
Distributions by Participants	1,167,495,306	-	-	-
Total Deductions	1,167,803,437	19,554,569	141,566,794	53,710,279
Change in Net Position	36,680,266	430,134	107,955	(238,527)
Net Position as of January 1, 2019	582,869,212	23,192,126	-	-
Cumulative Effect of Change in Accounting Principle	4,697,034	(19,614,258)	1,723,650	947,323
Prior Period Adjustment	-	438,598	-	-
Net Position as of January 1 - Restated	587,566,246	4,016,466	1,723,650	947,323
Net Position as of December 31, 2019	\$ 624,246,512	\$ 4,446,600	\$ 1,831,605	\$ 708,796

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

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 2019, 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 2019 because an agreement on a funding mechanism has not been finalized. Therefore, there were no financial operations for the TBD to report in 2019. 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 have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. All other revenue items are 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.
- *Environmental Health* – accounts for activity in the county related to preventing pollution, human exposure to environmental hazards, and ensuring safe and clean drinking water. This is a newly created fund in 2019 that broke off from the Public Health Special Revenue Fund.

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 in trust (as defined by paragraph 11c(1) of GASB 84) by the County Treasurer on behalf of external participants in the County's investment program.
- *Private Purpose Trust Funds* report amounts not required to be reported in investment trust funds and are held in trust per paragraph 11c(1) of GASB 84. These represent amounts deposited with the County Clerk through Superior Court trust arrangements and agreements and the county's District Court.
- *Custodial Funds* are used to report fiduciary activities that are not required to be reported in investment trust funds or private-purpose trust funds. The external portion of the County's investment pool not held in a trust that meets the criteria in paragraph 11c(1) of GASB 84 are reported within these funds as well.

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 and is currently in the 2019/2020 budget period. While the County is on a biennial budget, the budget authority does not carryforward into the second 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. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

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, 2019, 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 \$8,675,900.

The County's cash and cash equivalents are 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 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, Investment Administration, Treatment Sales Tax, Medic One, Roads, Conservation Futures, Real Estate Excise Tax, Solid Waste, Stormwater, Unemployment Compensation, Insurance Risk, Central Services, and Equipment Rental & Revolving. 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 VIII – Receivable Balances)

Taxes receivable consist of delinquent property taxes and related interest and penalties (See Property Taxes Note VI) 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 IX 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 VII – 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
Intangible	3 – 11 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 IX – 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 IX – 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 three items as deferred outflows of resources. These items are deferred charge on refunding and amounts related to pensions and OPEB. 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 three items as deferred inflows of resources. These items are deferred charge on refunding and amounts related to pensions and OPEB. On the fund balance sheets the County reports deferred inflows of resources related to property taxes and related penalties/interest, special assessments, and court fees. These amounts 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, 2019. 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 XV – 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 \$441,589,213 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	\$ 439,902,988
Gains (Losses) and Adjustments on Dispositions of Capital Assets	4,860,353
Prior Period Adjustment	(264,081)
Governmental Capital Outlays	8,227,861
Governmental Depreciation & Amortization Expense	<u>(11,137,908)</u>
Governmental Net Book Value - End of Current Year	<u>\$ 441,589,213</u>

Another element of the reconciliation, as detailed below, was for \$55,002,173 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	\$ 58,754,626
Bond/Note Proceeds	863,501
Refunding, Amortization, Deferrals & Debt Issue Costs	(450,256)
Principal Payments	<u>(4,165,698)</u>
Computed Governmental Debt - End of Current Year	<u>\$ 55,002,173</u>

A third element of the reconciliation, as detailed below, was for \$63,130,365 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	\$ 61,974,775
Net Transfers In/Out	526,487
Capital Distributions	219,198
Prior Period Adjustments	-
Net Profit and Adjustments	409,905
Net Position - End of Current Year	<u>\$ 63,130,365</u>
Cash	\$ 40,075,052
Capital Assets	37,080,984
Other Assets	1,708,653
Claims and Judgments Payable	(3,568,515)
Other Liabilities	(11,753,616)
Deferrals	(412,193)
Net Position - End of Current Year	<u>\$ 63,130,365</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 2019.

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, 2019 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 cash on hand at the bank on December 31, 2019 was \$12,104,574.

B. Investments

Investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute. These include U.S. Treasury Obligations, Federal Agencies, supernationals, corporate notes, bankers' acceptances, 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>.

D. Thurston County Investment Pool (TCIP)

Also see Note V County's External Investment Pool for more information.

The Thurston County Investment Pool (TCIP) operates on an amortized cost-book value basis and reports on a fair value basis. 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 increase in the fair market value of the investments during 2019. At 12/31/2019, the market value of investments was \$1,311,635 higher than the amortized cost. Approximately 26% of this amount is applicable to County funds with the remainder applicable to outside entities participating in the pool. These unrealized losses have been recognized in the county funds per GASB 72. Management intends to hold these investments to maturity, unless value is gained by swapping out securities at a premium, recognizing income and reinvesting in a replacement security that balances out specific categories such as maturities, effective duration or types of investments. During 2019, TCIP did not sale any investments.

Fair market value of the TCIP is reviewed by the County Investment Officer, on a monthly basis, and quarterly by the County Finance Committee. Fair value is determined using information from "FinSer", an Investment Portfolio Reporting software provider. Fair Value classification levels shown are based on FinSer's interpretation of the fair value hierarchy established by ASC 820.

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. This option is only available if they meet liquidity and volume requirements. Currently, there is only one district with investments outside the TCIP.

E. Investments Measured at Amortized Cost

As of December 31, 2019, 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	\$ 39,552,372	\$ 112,447,628	\$ 152,000,000
Money Market Accounts	7,806,389	22,193,611	30,000,000
Total Investments at Amortized Cost	\$ 47,358,761	\$ 134,641,239	\$ 182,000,000

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.

F. 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: Quoted market prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2019, the County had the following investments measured at fair value:

Investment Type	Fair Value	Fair Value Measurements Using			
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturity (Years)	Interest Rate Ranges
Municipal Bonds	5,647,763		5,647,763	0.50	2.850%-4.062%
US Treasurer Securities	40,124,219	10,065,625	30,058,594	0.75	1.375%-2.500%
US Agency Securities	561,951,220	26,938,112	535,013,108	2.00	1.125%-5.200%
Supernationals	23,037,270		23,037,270	1.33	1.860%-2.125%
Corporate Securities	23,500,176	1,898,050	21,602,126	1.33	1.700%-3.000%
Total Investments by Fair Value Level	\$ 654,260,648	\$ 38,901,787	\$ 615,358,861		

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. The weighted average maturity of the county investments is 1.46 years as of December 31, 2019. During 2019 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, 2019 are:

US Agency Securities	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+

Municipal Bonds	S&P Rating
Metro OR GO	AAA
Snohomish Co BABS GO	AA+

Corporates and Supranationals Securities	S&P Rating
International Bank Recon & Development	AAA
Pepsi Co Inc Corp	A+
Inter-American Development Bk	AAA
Apple Inc Corp	AA+
US Bank	AA-
Intel Corp	A+
Costco Wholesale Corp	A+
Amazon Com Inc Corp	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, agency securities, municipal investments, money market accounts, and the State Local Government Investment Pool. The investments held are in compliance with this requirement.

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.

G. Summary of Deposit and Investment Balances

Reconciliation of the county's deposits and investment balances as of December 31, 2019 is as follows:

Schedules of Deposits and Investments
Composition of Cash & Investments
December 31, 2019

	Total	Pooled Cash Investments	Non-Pooled Cash & Investments
State Investment Pool	\$ 152,000,000	\$ 152,000,000	\$ -
Municipal Bonds	5,605,000	5,605,000	-
US Treasury & Agency Securities	600,755,000	600,755,000	-
Money Market Accounts	30,000,000	30,000,000	-
Supernationals	23,000,000	23,000,000	-
Corporate Securities	23,345,000	23,345,000	-
Total Investment Pool Investments	834,705,000	834,705,000	-
Deposits With Financial Institutions	12,104,574	12,104,574	-
Net Increase (Decrease) in Fair Value of Investments	1,311,635	1,311,635	-
Pool Accruals	378,024	378,024.00	-
Total Investment Pool Cash & Investments	848,499,233	848,499,233	-
Fiscal and Petty Cash	55,891	-	55,891
Clerk's Trust Funds	4,446,600	-	4,446,600
Total Reported Cash & Investments	\$ 853,001,724	\$ 848,499,233	\$ 4,502,491

Reconciliation of Cash & Investments to Statements
December 31, 2019

	Total	Statements of	
		Fiduciary Net Position	Net Position
Cash & Pooled Investments - County Funds	\$ 221,445,809	\$ -	\$ 221,445,809
Cash & Pooled Investments - Investment Trust Fund	624,083,808	624,083,808	-
Cash & Pooled Investments - Investments Not In Trust	1,082,033	1,082,033	-
Cash & Pooled Investments - Custodial Funds	1,887,583	1,887,583	-
Total Investment Pool Cash & Investments	848,499,233	627,053,424	221,445,809
Fiscal and Petty Cash	55,891	-	55,891
Private Purpose Trust Funds	4,446,600	4,446,600	-
Total Reported Cash & Investments	\$ 853,001,724	\$ 631,500,024	\$ 221,501,700

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 and District Court's private purpose trust funds at December 31, 2019 is reported in the following schedule:

Condensed Statement of Net Position
December 31, 2019

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 629,913,991	\$ 4,446,600
Total Assets	629,913,991	4,446,600
Pool Liabilities	5,667,479	-
Total Liabilities	5,667,479	-
Net Position Held in Trust for Pool Participants	\$ 624,246,512	\$ 4,446,600

Condensed Statement of Changes in Net Position
December 31, 2019

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Position Resulting from Operations	\$ 13,329,317	\$ -
Earnings Distributions to Participants	(13,329,317)	-
Changes in Net Position Resulting from Depositor Transactions	36,680,266	430,134
Net Position Available	36,680,266	430,134
Net Position Beginning of Year as Restated and Adjusted	587,566,246	4,016,466
Net Position End of Year	\$ 624,246,512	\$ 4,446,600

NOTE V – EXTERNAL INVESTMENT POOL

The External Investment Pool sponsored by the County was established on January 1, 1992. Revised Code of Washington (RCW) [36.29.022](#), [36.29.010](#), [36.29.020](#), authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the county treasurer. The External Investment Pool's investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW [36.29.024](#).

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a quarterly basis. Additionally, the County treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 2020, to support the value of shares in the Pool.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the County Finance Committee. The Committee is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Committee's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

The interest or other earnings of income from the funds of any municipal corporation of which the governing body has not taken any action pertaining to the investment of funds and that have been invested in accordance with state statutes, shall be deposited in the General Fund of the county and may be used for general county purposes. The total amount of income from the External Investment Pool assigned to the County's general fund for the year was \$348,013. These investments made by the County Treasurer on behalf of the participants is involuntary participation in the County Treasurer's Investment Pool as they are required to be invested by statute.

85% of the County Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County Treasurer's Pool include Housing Authority, Olympic Region Clean Air Agency, Thurston Regional Planning Council, 911 Communications, Lewis-Mason-Thurston Area Agency on Aging, Thurston Mason Behavioral Health Organization, Transit Authorities, and LOTT Clean Water Alliance. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund.

NOTE VI – 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 2018 for collection in 2019:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.2161	\$ 35,031,856,677	\$ 42,602,886
Medic One	\$ 0.3169	\$ 35,031,856,677	\$ 11,101,512
Roads	\$ 1.2235	\$ 16,827,970,617	\$ 20,589,108

NOTE VII – CAPITAL ASSETS AND COMMITMENTS

A. Capital Assets

Capital assets activity for the year ended December 31, 2019 was as follows:

	Beginning Balance 01/01/2019	Prior Period Adjustment	Revised Beginning Balance 01/01/2019	Increases	Decreases & Adjustments	Ending Balance 12/31/2019
<u>GOVERNMENTAL TYPE ACTIVITIES</u>						
Capital Assets - Non-Depreciable:						
Land	\$ 259,894,807	\$ -	\$ 259,894,807	\$ 4,735,046	\$ (89,897)	\$ 264,539,956
Construction in Progress	33,741,120	(270,728)	33,470,392	6,399,735	(34,183,790)	5,686,337
Intangible Assets	2,953,017	-	2,953,017	24,800	-	2,977,817
Capital Assets - Non-Depreciable	296,588,944	(270,728)	296,318,216	11,159,581	(34,273,687)	273,204,110
Capital Assets - Depreciable:						
Buildings	138,991,445	-	138,991,445	453,425	(93,239)	139,351,631
Intangible Assets	2,270,266	-	2,270,266	944,906	(900,210)	2,314,962
Improvements Other Than Buildings	5,483,872	-	5,483,872	350,608	(31,989)	5,802,491
Machinery & Equipment	49,283,393	-	49,283,393	8,884,963	(7,705,299)	50,463,057
Infrastructure	133,725,357	-	133,725,357	38,282,573	(8,137,291)	163,870,639
Original Cost	329,754,333	-	329,754,333	48,916,475	(16,868,028)	361,802,780
Less Accumulated Depreciation:						
Buildings	(48,620,194)	-	(48,620,194)	(3,821,679)	-	(52,441,873)
Improvements Other Than Buildings	(4,978,274)	-	(4,978,274)	(123,084)	12,162	(5,089,196)
Machinery & Equipment	(30,610,076)	-	(30,610,076)	(3,817,143)	2,657,297	(31,769,922)
Intangible Assets	(2,050,116)	-	(2,050,116)	(31,130)	6,213	(2,075,033)
Infrastructure	(63,858,489)	-	(63,858,489)	(7,732,325)	4,863,904	(66,726,910)
Accumulated Depreciation	(150,117,149)	-	(150,117,149)	(15,525,361)	7,539,576	(158,102,934)
Capital Assets - Depr, Net	179,637,184	-	179,637,184	33,391,114	(9,328,452)	203,699,846
Total Original Cost	626,343,277	(270,728)	626,072,549	60,076,056	(51,141,715)	635,006,890
Total Accumulated Depreciation	(150,117,149)	-	(150,117,149)	(15,525,361)	7,539,576	(158,102,934)
Governmental Capital Assets, Net	\$ 476,226,128	\$ (270,728)	\$ 475,955,400	\$ 44,550,695	\$ (43,602,139)	\$ 476,903,956

Depreciation expense was charged to functions as follows:

Depreciation Expense was charged to functions as follows:	
General Government	\$ 220,456
Public Safety	2,348,801
Utilities and Environment	790
Transportation	8,253,030
Economic Environment	-
Health and Human Services	170,695
Culture and Recreation	144,136
Subtotal	11,137,908
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.	4,387,454
Total Governmental Activities Depreciation Expense	\$ 15,525,362

Business Type Activities for the year ended December 31, 2019 was as follows:

	Beginning Balance 01/01/2019	Revised Beginning Balance 01/01/2019	Increases	Decreases & Adjustments	Ending Balance 12/31/2019
<u>BUSINESS TYPE ACTIVITIES</u>					
Capital Assets, not being depreciated:					
Land	\$ 1,503,649	\$ 1,503,649	\$ -	\$ -	\$ 1,503,649
Construction In Progress	1,551,351	1,551,351	2,695,970	(3,611,744)	635,577
Intangible	1,500,969	1,500,969	6,843	-	1,507,812
Total Capital Assets, not being depreciated	4,555,969	4,555,969	2,702,813	(3,611,744)	3,647,038
Capital Assets, being depreciated:					
Buildings	24,809,107	24,809,107	46,476	-	24,855,583
Intangible	1,858,553	1,858,553	32,000	(16,000)	1,874,553
Improvements other than buildings	22,246,270	22,246,270	2,032,201	-	24,278,471
Machinery & Equipment	4,337,230	4,337,230	19,043	(50,852)	4,305,421
Infrastructure	18,377,458	18,377,458	1,531,912	(28,840)	19,880,530
Total Capital Assets, being depreciated	71,628,618	71,628,618	3,661,632	(95,692)	75,194,558
Less Accumulated Depreciation For:					
Buildings	(12,678,976)	(12,678,976)	(726,445)	-	(13,405,421)
Improvements other than buildings	(20,741,130)	(20,741,130)	(197,038)	-	(20,938,168)
Machinery & Equipment	(2,755,294)	(2,755,294)	(291,316)	44,546	(3,002,064)
Intangible - M&E	(1,007,454)	(1,007,454)	(143,981)	-	(1,151,435)
Infrastructure	(7,104,931)	(7,104,931)	(978,047)	28,850	(8,054,128)
Total Accumulated Depreciation	(44,287,785)	(44,287,785)	(2,336,827)	73,396	(46,551,216)
Total Capital Assets being depreciated, net	27,340,833	27,340,833	1,324,805	(22,296)	28,643,342
Business Type Activities Capital Assets, net	\$ 31,896,802	\$ 31,896,802	\$ 4,027,618	\$ (3,634,040)	\$ 32,290,380

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:		
Solid Waste	\$	1,037,038
Water		690,497
Sewer		112,314
Stormwater		489,158
Land Use & Permitting		7,820
Total	\$	2,336,827

B. Construction and Other Significant Commitments

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, 2019:

	Spent-to-Date	Remaining Commitment
Project:		
Mullen Road - Lacey City Limits to Carpenter Road	\$ 85,462	\$ 9,382,005
Courthouse Bldg #3 Infrastructure	46,884	487,018
Total	\$ 132,346	\$ 9,869,023

The Mullen Road – Lacey City Limits to Carpenter Road project is financed with local road funds, City of Lacey and Federal funding.

NOTE VIII – RECEIVABLE BALANCES

Receivables as of December 31, 2019 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	\$ 802,182	\$ -	\$ 2,513,521	\$ 7,205,348	\$ 2,543,667	\$ -	\$ 13,064,718
Roads	458,447	-	-	972,491	218,054	-	1,648,992
Medic One	202,099	-	25,881	1,177	-	-	229,157
Real Estate Excise Tax	-	-	-	-	-	-	-
Public Health and Social Services	15,432	-	23,479	2,375	823,106	-	864,392
Other Governmental	32,511	27,324	134,817	4,733,931	703,112	-	5,631,695
Internal Service	-	-	35,170	123,103	15,909	-	174,182
Total Governmental Activities	\$ 1,510,671	\$ 27,324	\$ 2,732,868	\$ 13,038,425	\$ 4,303,848	\$ -	\$ 21,613,136
<u>Business-Type Activities:</u>							
Solid Waste	\$ -	\$ -	\$ -	\$ 1,723,072	\$ 17,655	\$ -	\$ 1,740,727
Grand Mound	-	2,167	6,720	172,983	8,399	-	190,269
Storm Water	-	319,567	-	-	1,106,167	-	1,425,734
Environmental Health	-	19,048	5,848	3,667	104,318	-	132,881
Land Use and Permitting	-	-	6,694	2,602	-	-	9,296
Other Enterprise Funds	-	158,506	5,141	84,263	914	77,081	325,905
Total Business-Type Activities	\$ -	\$ 499,288	\$ 24,403	\$ 1,986,587	\$ 1,237,453	\$ 77,081	\$ 3,824,812

NOTE IX – 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.

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 2019 were \$98,985. The amount paid was \$96,818, leaving a delinquent amount in 2019 of \$2,167. The remaining debt balance portion of the Grand Mound Utility was paid off in 2016. The balance at December 31, 2019 was \$2,150,000.

\$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, 2019 was \$11,095,000.

\$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, 2019 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, 2019 was \$836,636.

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, 2019 is \$4,100,000.

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, 2019 is \$30,930,000.

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
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	4,650,000	1,282,710
2025 - 2029	22,950,000	3,429,930
2030	4,440,000	140,378
Total	\$ 50,315,000	\$ 12,020,818

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 final payment was made in 2019. 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, 2019 is \$17,255. The fourth loan is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2019 is \$2,909. 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, 2019 is \$29,175. 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, 2019 was \$85,422. 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, 2019 was \$171,098. 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, 2019 was \$81,255. 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, 2019 is \$13,479.

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, 2019 was \$36,155.

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, 2019 was \$1,037,069.

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, 2019 was \$113,129. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2019, the amount of delinquent assessment principal was \$3,823.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	65,778	21,835	39,555	5,505
2025 - 2029	357,955	80,109	151,035	17,265
2030 - 2034	367,873	26,385	63,427	4,642
2035 - 2036	-	-	10,832	300
Total	\$ 1,037,070	\$ 233,316	\$ 549,878	\$ 57,739

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 thirteen leases that will come to expire over the course of the next five years. Operating lease expenditures for the year ended December 31, 2019 were \$613,440. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2020	\$ 597,680
2021	512,892
2022	402,693
2023	297,001
2024	144,637
2025	-
Total	\$ 1,954,903

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	\$ 564,505	\$ 71,391
Less: accumulated depreciation	(334,392)	(42,858)
Present Value of Minimum Lease Payments	230,113	28,533
Plus amount representing interest	25,528	3,370
Total Invested in Capital Leases	\$ 255,641	\$ 31,903

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2019 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2020	\$ 110,385	\$ 14,493
2021	74,686	10,502
2022	51,147	3,604
2023	17,201	3,304
2024	2,220	
Total Minimum Lease Payments	255,641	31,903
Less: Interest	(25,528)	(3,370)
Present Value of Minimum Lease Payments	\$ 230,113	\$ 28,533

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, 2019:

Asset	Governmental Activities
Land	\$ 1,175,162
Buildings	7,461,460
Less: Accumulated Depreciation	(3,319,748)
Total Invested in Long Term Leases	\$ 5,316,874

The County received \$284,020 of operating lease revenues from these contracts in 2019. Amounts that will be received in future years under these lease agreements are noted below:

Year Ending December 31	Amount
2020	\$ 227,707
2021	194,258
2022	194,258
2023	194,258
2024	4
2025-2050	100
Total Lease Receivable	\$ 810,585

The \$100 receivable from 2025 through 2050 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 allowed per collective bargaining agreements and personnel policies. 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 150 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 12-20.50 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 212 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 \$8,068,993 at December 31, 2019 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Position. This liability includes \$6,451,920 for governmental funds, \$664,336 for internal service funds and \$952,737 for enterprise funds. \$410,074 of this liability is expected to be incurred in 2019. 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.

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, 2019

	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	\$ 54,427,413	\$ -	\$ 4,112,413	\$ 50,315,000	\$ 4,330,000
For Issuance Premiums	4,710,066	-	450,255	4,259,811	450,255
Total Bonds Payable	59,137,479	-	4,562,668	54,574,811	4,780,255
<u>Notes Payable:</u>					
Loans Payable	1,094,263	-	57,194	1,037,069	58,816
Capital Leases Payable	285,895	54,255	110,037	230,113	96,186
Total Notes Payable	1,380,158	54,255	167,231	1,267,182	155,002
Claims and Judgments Payable	4,453,721	57,501	394,036	4,117,186	548,671
Compensated Absences	7,341,534	145,123	370,401	7,116,256	361,656
Other Post Employment Benefits (OPEB)	44,496,018	7,061,804	839,905	50,717,917	869,337
Other Non-Current Liabilities	809,247	-	-	809,247	
Net Pension Liability	29,289,055	-	7,779,394	21,509,661	
Total Governmental Activities	\$ 146,907,212	\$ 7,318,683	\$ 14,113,635	\$ 140,112,260	\$ 6,714,921
<u>Business-type Activities:</u>					
<u>Bonds Payable:</u>					
General Obligation Bonds	\$ 1,212,587	\$ -	\$ 1,212,587	\$ -	\$ -
For Issuance Premiums	183,620		26,413	157,207	-
Total Bonds Payable	1,396,207	-	1,239,000	157,207	-
<u>Notes Payable:</u>					
Loans Payable	490,163	-	53,415	436,748	49,531
Capital Leases Payable	40,553	-	12,020	28,533	12,817
Total Notes Payable	530,716	-	65,435	465,281	62,348
Special Assessments Payable	191,411	-	78,282	113,129	78,282
Compensated Absences	701,741	286,400	35,405	952,736	48,419
Accumulated Landfill Closure Costs	14,439,192	-	588,954	13,850,238	-
Other Post Employment Benefits (OPEB)	3,768,126	2,771,174	87,871	6,451,429	89,490
Net Pension Liability	3,789,450	210,728	-	4,000,178	-
Total Business-type Activities	\$ 24,816,843	\$ 3,268,302	\$ 2,094,947	\$ 25,990,198	\$ 278,539

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$664,335 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$1,637,850 of general obligation bonds payable and \$4,204,654 of other post-employment benefits payable. Claims and judgments are generally liquidated by the Insurance Risk Management Internal Service Fund and compensated absences are liquidated by the funds incurring the liability. Enterprise segment information is not disclosed since revenue streams are not pledged to support proprietary long-term debt.

Compensated absence liabilities for governmental funds are typically liquidated by the fund in which the employee is being compensated reports his/her time. Additionally, the County liquidates and funds past and future pension and OPEB obligations through employee and employer paid pension and medical benefit obligations. Therefore, only funds with FTEs would fund these types of obligations which would exclude the following reported County Funds: Anti-Profitteering, Auditor Election Reserve, Basin Planning, Conservation Futures, Law Library, Detention Facilities Sales Tax Holding, Emergency Management Council, Superior Court Family Services, Trial Court Improvement, Stadium/Convention/Art Center, Tax Refunds, Tourism Promotion, Communications, Historic Preservation, 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, 2019, the County had \$940,363 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, 2019 the County also had \$185,497 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 2019:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 570,104,933	\$ 516,367,984
General Government (With 3/5-majority vote)	\$ 950,174,889	\$ 896,437,940

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 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, 2019 are as follows:

Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities
As of December 31, 2019

	01/01/19	Increases	Decreases	12/31/19
Refunded & Defeased Bonds Outstanding	\$ 51,863,188	\$ -	\$ (7,325,700)	\$ 44,537,487.50

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. The final payment on this refunding was paid in 2019.

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 X – 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, 2019 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	Environmental Health	Non-Maj Enter	Total
General Fund		\$ 181,611	\$ -	\$ -	\$ 40,518	\$ 80,381	\$ -	\$ -	\$ 5,210	\$ 142,983	\$ -	\$ -	\$ 450,703
Roads	41,999		2,275	-	89,000	333,248	2,302	8	35,462	-	115	-	\$ 504,409
Medic One	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Public Health	46,464	-	-	-	-	-	96	-	-	-	-	-	\$ 46,560
REET	-	382,510	-	-	-	45,207	-	3,570	-	-	-	2,248	\$ 433,535
Non-Major Governmental	405,605	398,990	51,942	-	2,869	870	1,465	-	-	-	-	-	\$ 861,741
Internal Service	75,598	11,339	-	-	9,000	264,017	-	-	-	-	-	-	\$ 359,954
Solid Waste	37,756	7,005	71,642	-	-	1,677	-	-	-	-	124,984	-	\$ 243,064
Grand Mound	-	1,414	-	-	-	133	135	-	3,661	-	174	-	\$ 5,517
Stormwater	11,613	2,705	-	-	181	75,370	1,130	50	-	149,434	137,995	32	\$ 378,510
Land Use & Permitting	-	-	-	-	-	20	-	-	-	-	-	-	\$ 20
Non-Major Enterprise	-	919	-	1,050	-	4	90	-	915	-	319	-	\$ 3,297
Total Due to/Due from	\$ 619,035	\$ 986,493	\$ 125,859	\$ 1,050	\$ 141,568	\$ 800,927	\$ 5,218	\$ 3,628	\$ 45,248	\$ 292,417	\$ 263,587	\$ 2,280	\$ 3,287,310

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 2019.

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 mostly comprise subsidies and support service payments from the General Fund. 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, 2019 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	Environmental Health	Non-Major Enterprise	Total
General Fund		\$ 170,000			\$ 1,083,735	\$ 655,638	\$ 130,000			\$ 466,679		\$ 49,795	\$ -	\$ 2,555,847
Roads						794,797	339,399							\$ 1,134,196
Medic One														\$ -
REET		1,907,004				2,108,461	284,200		961,424				31,065	\$ 5,292,154
Public Health												1,277,693		\$ 1,277,693
Non-Major Govt	20,000	1,373,508			66,877	3,598,821	7,982							\$ 5,067,188
Internal Service	269,820	30,000	2,500		20,000	13,750	794,692	8,000		7,500	5,250		1,750	\$ 1,153,262
Solid Waste		225					3,937							\$ 4,162
Ground Mound							35,748							\$ 35,748
Land Use and Permitting														\$ -
StormWater							83,791			104,291				\$ 188,082
Environmental Health										16,000				\$ 16,000
Health														\$ -
Total Transfers	\$ 289,820	\$ 3,480,737	\$ 2,500	\$ -	\$ 1,170,612	\$ 7,171,467	\$ 1,679,749	\$ 8,000	\$ 961,424	\$ 594,470	\$ 5,250	\$ 1,327,488	\$ 32,815	\$ 16,724,332

NOTE XI – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (25,509,839)
Pension assets	\$ 7,776,323
Deferred outflows of resources	\$ 7,522,920
Deferred inflows of resources	\$ (16,196,095)
Pension expense/expenditures	\$ 2,278,323

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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2019		
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%
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The County's actual PERS plan contributions were \$3,689,985 to PERS Plan 1 and \$4,762,500 to PERS Plan 2/3 for the year ended December 31, 2019.

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 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2019		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%
July – December 2019		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%

The County's actual plan contributions were \$868,354 to PSERS Plan 2 for the year ended December 31, 2019.

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 2019. 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 state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2019		
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%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	
Administrative Fee	0.18%	
Total	8.77%	8.59%

The County's actual contributions to the plan were \$512,382 for the year ended December 31, 2019.

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, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$333,790.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, 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.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
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 6.40%	Current Discount Rate 7.40%	1% increase 8.40%
PERS 1	25,168,973	20,097,902	15,698,080
PERS 2/3	41,507,410	5,411,937	(24,206,783)
PSERS 2	3,457,820	(334,933)	(3,314,461)
LEOFF 1	(848,119)	(1,036,752)	(1,199,619)
LEOFF 2	(1,190,892)	(6,404,637)	(10,660,246)

* 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, 2019, the County reported a total pension liability of \$25,509,839 and a total net pension asset of \$7,776,323 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 20,097,902
PERS 2/3	\$ 5,411,937
PSERS 2	\$ (334,933)
LEOFF 1	\$ (1,036,752)
LEOFF 2	\$ (6,404,637)

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	\$ 1,036,752	\$ 6,404,637
Washington State's proportionate share of the net pension liability/(asset) associated with Thurston County	\$ 7,012,566	\$ 4,194,179
TOTAL	\$ 8,049,319	\$ 10,598,816

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion current year less prior year
PERS 1	0.5271%	0.5227%	-0.0045%
PERS 2/3	0.5565%	0.5572%	0.0007%
PSERS 2	2.8594%	2.5756%	-0.2838%
LEOFF 1	0.0516%	0.0525%	0.0009%
LEOFF 2	0.2698%	0.2765%	0.0066%

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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the county recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 718,663
PERS 2/3	973,144
PSERS	543,611
LEOFF 1	(68,895)
LEOFF 2	111,800
TOTAL	\$ 2,278,323

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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	\$ -	\$ (1,342,709)
Contributions subsequent to the measurement date	1,779,058	-
TOTAL	\$ 1,779,058	\$ (1,342,709)

PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,550,533	\$ (1,163,537)
Net difference between projected and actual investment earnings on pension plan investments	-	(7,877,577)
Changes of assumptions	138,582	(2,270,669)
Changes in proportion and differences between contributions and proportionate share of contributions	100,690	(240,308)
Contributions subsequent to the measurement date	2,442,759	-
TOTAL	\$ 4,232,565	\$ (11,552,089)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 282,844	\$ (29,623)
Net difference between projected and actual investment earnings on pension plan investments	-	(581,627)
Changes of assumptions	2,695	(180,004)
Changes in proportion and differences between contributions and proportionate share of contributions	21,813	(79,419)
Contributions subsequent to the measurement date	448,218	-
TOTAL	\$ 755,570	\$ (870,673)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (107,480)
TOTAL	\$ -	\$ (107,480)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 460,871	\$ (115,172)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,313,151)
Changes of assumptions	10,551	(720,727)
Changes in proportion and differences between contributions and proportionate share of contributions	26,696	(174,094)
Contributions subsequent to the measurement date	257,610	-
TOTAL	\$ 755,728	\$ (2,323,144)

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, 2020. 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
2020	\$ (296,410)	\$ (2,453,757)	\$ (104,488)	\$ (24,965)	\$ (345,981)
2021	\$ (702,111)	\$ (4,064,408)	\$ (195,948)	\$ (55,024)	\$ (678,758)
2022	\$ (250,554)	\$ (1,814,405)	\$ (122,801)	\$ (19,967)	\$ (318,312)
2023	\$ (93,633)	\$ (980,984)	\$ (66,408)	\$ (7,524)	\$ (179,052)
2024	\$ -	\$ (480,017)	\$ (12,661)	\$ -	\$ (73,834)
Thereafter	\$ -	\$ 31,287	\$ (61,016)	\$ -	\$ (229,089)

NOTE XII – 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, 2019, 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 2019, Thurston County selects a per-occurrence deductible of \$250,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the amount of the layer of coverage below. For 2018-19, the Pool's SIR was \$1,000,000 (for 2019-20, the Pool's SIR increased to \$2,000,000). More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2018-19, the "corridor" increased the SIR to \$2,000,000, with losses between \$1,000,000 and \$2,000,000 having an annual aggregated stop loss of \$2.5 million. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$20 million (lowest reinsured layer), \$30 million, (second layer), and \$50 million (third layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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 2018-19, 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 2018-19, the WCRP's assets increased to \$60.6 million while its liabilities increased to \$40.6 million. The Pool's net position remained at \$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, 2019 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Thurston County paid general claims costs of \$781,079 during 2019. 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 \$4,117,186. 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		
	2019	2018
Beginning claims liability	\$ 4,453,721	\$ 4,509,222
Claims incurred during the year (including IBNRs)*	444,544	617,778
Claims payments	(781,079)	(673,279)
Ending claims liability	\$ 4,117,186	\$ 4,453,721

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

B. OTHER

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

NOTE XIII – 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 2019:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 57,169,346
Deferred outflows of resources	\$ 6,180,396
Deferred inflows of resources	\$ 1,750,639
OPEB expense/expenditures	\$ 3,964,174

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 – The PEBB is a cost-sharing multiple-employer defined benefit healthcare plan. 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 \$168 or 50% of the monthly premiums. As of January 1, 2020, the subsidy will be increased to \$183 per month. The retirees and spouses currently pay the premium minus \$168 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, 2019, 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, 2019, for the measurement period, was \$681,197.

Assumptions and Other Inputs

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	7/1/2018
Actuarial measurement date	6/30/2019
Reporting date	12/31/2019
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 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 4.5% by 2096
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 3.87% for the 6/30/2018 measurement date and was 3.50% for the 6/30/2019 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 Discount Rate - The following presents the total OPEB liability of the County calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

Sensitivity Analysis - Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
Total June 30, 2019 OPEB Liability	\$ 59,845,425	\$ 49,105,899	\$ 40,790,475

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%) than the current rate.

Sensitivity Analysis - Healthcare Trend			
	1% Decrease	Current Discount Rate	1% Increase
	5.80%	6.80%	7.80%
Total June 30, 2019 OPEB Liability	\$ 39,520,250	\$ 49,105,899	\$ 61,983,562

Total OPEB Liability – As of December 31, 2019, the County reported a total OPEB Liability of \$49,105,899.

Changes in the Total OPEB Liability – the following table presents the change in the total OPEB Liability as of the June 30, 2019, the measurement date:

	2019	2018
Total Beg OPEB Liability 6/30	\$ 39,784,991	\$ 39,040,229
Service Cost	2,049,606	2,164,431
Interest on total OPEB liability	1,605,943	1,463,658
Effect on plan changes	-	-
Effect on economic/demographic gains or losses	3,024,244	-
Effect of assumptions changes or inputs	3,322,312	(2,236,927)
Expected benefit payments	(681,197)	(646,400)
Total End OPEB Liability	\$ 49,105,899	\$ 39,784,991

OPEB Expense – As of the measurement date of June 30, 2019, the County recognized OPEB expense of \$4,102,248.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – On December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,695,522	\$ -
Changes of assumptions	2,961,191	1,750,639
Payments subsequent to the measurement date	391,144	-
TOTAL	\$ 6,047,857	\$ 1,750,639

Deferred outflows of resources total \$6,047,857. Of that \$391,144 resulted from payments subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources are related to changes in assumptions and the difference between original estimations and actuals:

Year ended December 31:	Amount
2019	\$ 446,699
2020	\$ 446,699
2021	\$ 446,699
2022	\$ 446,699
2023	\$ 446,699
Thereafter	\$ 1,672,579

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 cost-sharing multiple-employer defined benefit 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, 2019, 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, 2019, for the measurement period, was \$277,637.

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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Methodology	
Actuarial Valuation Date	6/30/2019
Actuarial Measurement Date	6/30/2019
Actuarial Cost method	Entry age
Assumptions	
Discount rate (1)	
Beginning of measurement year	3.87%
End of measurement year	3.50%
Health Care Trend Rates (2)	
Medical costs	Initial rate is approximately 6%, trends down to about 5% in the 2020's (assumes Excise Tax)
Long-Term Care	4.50%
Medicare Part B Premiums	Approximately 5%, varies by year.
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 2018 LEOFF 1 Medical Benefits Actuarial Valuation Report

The following presents the total OPEB liability of the County calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current rate. A Discount Rate of 3.87% 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
	2.50%	3.50%	4.50%
Total June 30, 2019 OPEB Liability	\$ 9,196,095	\$ 8,063,447	\$ 7,123,464

The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 6 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 percent) or 1-percentage point higher (7 percent) than the current rate.

Sensitivity Analysis - Healthcare Trend			
	1% Decrease	Current Discount Rate	1% Increase
	5.00%	6.00%	7.00%
Total June 30, 2019 OPEB Liability	\$ 7,161,305	\$ 8,063,447	\$ 9,124,154

The following table presents the changes in Total LEOFF 1 OPEB Liability:

	2019	2018
Total OPEB Liability	\$ 8,479,158	\$ 8,763,230
Interest on total OPEB liability	322,822	308,731
Changes in experience data and assumptions	(460,896)	(311,425)
Estimated benefit payments	(277,637)	(281,378)
Total OPEB Liability at 6/30	\$ 8,063,447	\$ 8,479,158

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, 2019 was used in the calculation of Total OPEB Liability and the Actuarial Measurement Date used was June 30, 2019.

As of the June 30, 2019 measurement date, the County recognized OPEB expense of (\$138,074).

As of December 31, 2019, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$ 132,539	\$ -
TOTAL	\$ 132,539	\$ -

The \$132,539 reported as deferred outflows of resources related to OPEB benefits results from County contributions subsequent to the measurement date and will be recognized as a reduction of the TOL in the year ended December 31, 2020.

NOTE XIV – 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 an increase of \$75,064 to Net Position – Ending 12/31/2019. The adjustment is included in the Animal Control table below. The County contributed \$628,561 as its share of operations in 2019, which is 51.49% of the total contributions from participating agencies. The County's equity interest at December 31, 2019 is therefore \$1,766,241. 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 \$3,430,260. 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	\$ 3,910,831
Total Deferred Outflows of Resources	105,452
Total Liabilities:	(391,141)
Total Deferred Inflows of Resources	(194,882)
Net Position	\$ 3,430,260
Total Revenues	\$ 1,849,100
Total Expenses	1,774,036
Change in Net Position	75,064
Net Position - Beginning 12/31/2019	3,355,196
Net Position - Ending 12/31/2019	\$ 3,430,260

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.

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, 2019 was \$479,698.

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 \$110,497 as its share of operations in 2019. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2019. 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 \$204,059 as its share of operations in 2019 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2019. 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. The assessment is based on 50% populations of communities prone to flooding and 50% on historic FEMA flood insurance payments. In 2019, Thurston County contributed \$8,478.74 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 2019, the County contributed \$78,175.43 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.

The Water Conservancy Board of Thurston County is a related organization to the county. The board is a separate unit of local government in the state. The board's duties are to act on applications for changes to existing water rights and its decisions are subject to final action by the Washington State Department of Ecology. The board is governed by state statute, RCW 90.80.050. Board members are appointed by the Board of County Commissioners. The county does not have a financial relationship, nor can it impose its will on this board.

NOTE XV – 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 \$13,850,238 on December 31, 2019.

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, 2019 cash and pooled investments of \$13,207,569 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 XVI – 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, 2019.

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2019
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	\$ -	\$ 478,121	\$ -	\$ -	\$ -	\$ -
Prepayments	78,343	5,046	-	-	1,740	14,250
Total Non-Spendable	78,343	483,167	-	-	1,740	14,250
Restricted for:						
Capital Projects	-	-	-	14,324,592	-	980,091
Conservation Futures	-	-	-	-	-	6,397,952
Economic Development	-	-	-	-	-	85,687
Elections	-	-	-	-	-	-
General Obligation Debt	-	-	-	-	-	3,955
Health and Social Services	-	-	-	-	-	379,338
Historic Preservation	-	-	-	-	-	975,587
Housing Services	-	-	-	-	-	302,989
Judicial	-	-	-	-	-	955,693
Law Enforcement	-	-	-	-	-	170,526
Legislative/Admin/Support Services	-	-	-	-	-	155,231
Life Support and Transport Services	-	-	-	-	-	-
Mental Health	-	-	-	-	-	4,628,066
Noxious Weed Control	-	-	-	-	-	93,635
Parks and Recreation	-	-	-	-	-	2,567,178
Public Safety	-	-	-	-	-	-
Purchases on Order	158,164	-	-	-	-	-
Roads Construction	-	-	-	-	-	7,470,380
Roads Operations	-	-	-	-	-	-
Special assessments	-	-	-	-	-	501,615
Veteran's Relief	-	-	-	-	-	426,411
Water Management	-	-	-	-	-	1,697
Total Restricted	158,164	-	-	14,324,592	-	26,096,031

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2019
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	-	-	-	-	-	533,782
Total Committed	-	-	-		-	533,782
Assigned to:						
Capital Projects	-	-	-	1,616,800	-	3,369,508
Conservation Futures	-	-	-	-	-	818,934
Economic Development	-	-	-	-	-	134,131
Elections	-	-	-	-	-	57,962
General Obligation Debt	-	-	-	-	-	936,577
Health and Social Services	-	-	-	-	8,234,925	1,467,088
Historic Preservation	-	-	-	-	-	577,635
Housing Services	-	-	-	-	-	3,259,196
Judicial	-	-	-	-	-	428,424
Law Enforcement	-	-	-	-	-	44,774
Legislative/Admin/Support Services	-	-	-	-	-	318,270
Life Support and Transport Services	-	-	7,072,401	-	-	-
Mental Health	-	-	-	-	-	990,810
Noxious Weed Control	-	-	-	-	-	191,148
Parks and Recreation	-	-	-	-	-	-
Public Safety	-	-	-	-	-	602,430
Purchases on Order	-	-	-	-	-	-
Roads Construction	-	-	-	-	-	-
Roads Operations	-	21,153,074	-	-	-	-
Special assessments	-	-	-	-	-	92,308
Veteran's Relief	-	-	-	-	-	161,140
Water Management	-	-	-	-	-	10,998
Total Assigned	-	21,153,074	7,072,401	1,616,800	8,234,925	13,461,333
Unassigned	21,779,196	-	-	-	-	-
Total Fund Balance	\$ 22,015,703	\$ 21,636,241	\$ 7,072,401	\$ 15,941,392	\$ 8,236,665	\$ 40,105,396

NOTE XVII – 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	\$ 476,903,958	\$ 32,290,380
Less: Total Reported Outstanding Debt	(55,841,991)	(735,617)
Net Investment in Capital Assets Before Adjustments	421,061,967	31,554,763
Adjustments: Non-County Agency Debt	129,645	-
Loss on Refunding	1,739,376	57,975
Gain on Refunding	(320,907)	-
Non-Capital Debt	-	400,593
Net Investment in Capital Assets	\$ 422,610,081	\$ 32,013,331

NOTE XVIII – OTHER DISCLOSURES

A. Prior Period Adjustments

The County reported a \$1,003,326 prior period adjustment in Governmental Activities. A detail discussion of this balance is as follows:

- A total adjustment of \$1,357,890 was recorded in six 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 2019 revenues, Sales Tax collections in January/February 2020. Additionally, a prior period adjustment to beginning Fund Balance was made for Sales Tax collections in January/February 2019. The funds affected are as follows:
 - General Fund - \$1,146,924
 - Roads - \$80,460
 - REET Technology - \$2,963
 - TCOMM - \$817
 - Tourism Promotion - \$120,100
 - Hotel/Motel - \$6,626
- An adjustment of (\$264,081) was recorded in the Government Wide Statement of Activities for recognizing prior year capital asset adjustments previously unrecorded.
- An adjustment of (\$90,483) was recorded to fix an accounting adjustment related to an overpayment to the Thurston Mason Behavioral Health Organization during the 2018 contract with the county's Superior Court.

B. Fund Changes

The following funds were established in 2019 and added to the 2019 financial statements:

- Environmental Health – major Enterprise Fund. Previously reported in Public Health major Special Revenue Fund
- Courthouse Project – Non-major Capital Projects Fund

C. 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.

D. Accounting and Reporting Changes

During the year, the County early implemented one GASB statement, GASB 84, *Fiduciary Activities* – The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement will improve financial reporting by enhancing consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The original implementation date of this statement was for the county's 2019 CAFR. However, because of the COVID-19 virus, the Governmental Accounting Standards Board (GASB) has moved the implementation date back one year. At the time of this notification by GASB, the county was substantially complete with its GASB 84 implementation. Therefore, it was decided to early implement this standard with the 2019 CAFR.

NOTE XIX – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The length of time these measures will be in place, and the full extent of the financial impact on the county is unknown at this time. The Board of County Commissioners are assessing the situation and are modeling potential loss of revenue impacts to the remainder of 2020 budget and beyond.

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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.52265%	0.52712%	0.53694%	0.53414%	0.54111%
Employer's proportionate share of the net pension liability	\$ 20,097,902	\$ 23,541,403	\$ 25,478,222	\$ 28,685,834	\$ 28,305,295
Covered payroll	\$ 72,903,952	\$ 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	27.57%	34.48%	38.09%	45.70%	46.79%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.55716%	0.55650%	0.56401%	0.56076%	0.56903%
Employer's proportionate share of the net pension liability	\$ 5,411,937	\$ 9,501,674	\$ 19,596,756	\$ 28,233,771	\$ 20,331,695
Covered payroll	\$ 60,622,605	\$ 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	8.93%	16.75%	35.34%	53.77%	40.23%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	2.57562%	2.85940%	2.98852%	2.83819%	2.97578%
Employer's proportionate share of the net pension liability (asset)	\$ (334,933)	\$ 35,428	\$ 585,541	\$ 1,206,174	\$ 543,139
Covered payroll	\$ 11,877,813	\$ 10,914,664	\$ 10,622,021	\$ 9,245,155	\$ 8,732,083
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-2.82%	0.32%	5.51%	13.05%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	101.85%	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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.05245%	0.05158%	0.05158%	0.05040%	0.04875%
Employer's proportionate share of the net pension (asset)	\$ (1,036,752)	\$ (936,400)	\$ (782,506)	\$ (519,223)	\$ (587,485)
State's proportionate share of the net pension liability (asset) associated with the employer	(7,012,566)	(6,333,784)	(5,292,853)	(3,512,011)	(3,973,734)
TOTAL	\$ (8,049,319)	\$ (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	N/A	-1133.53%	-602.07%
Plan fiduciary net position as a percentage of the total pension liability	148.78%	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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.27646%	0.26981%	0.26170%	0.26031%	0.25764%
Employer's proportionate share of the net pension (asset)	\$ (6,404,637)	\$ (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	(4,194,179)	(3,546,688)	(2,355,690)	(987,060)	(1,750,899)
TOTAL	\$ (10,598,816)	\$ (9,024,358)	\$ (5,987,197)	\$ (2,501,125)	\$ (4,398,913)
Covered payroll	\$ 9,554,576	\$ 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%	-64.87%	-44.50%	-19.14%	-35.28%
Plan fiduciary net position as a percentage of the total pension liability	119.43%	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, 2019 Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 3,689,985	\$ 3,633,665	\$ 3,384,559	\$ 3,152,092	\$ 2,753,010
Contributions in relation to the contractually required contributions	3,689,985	3,633,665	3,384,559	3,152,092	2,753,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 74,161,632	\$ 71,176,239	\$ 68,176,847	\$ 64,911,819	\$ 61,270,546
Contributions as a percentage of covered employee payroll	4.98%	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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 4,762,500	\$ 4,442,192	\$ 3,984,624	\$ 3,464,070	\$ 2,973,565
Contributions in relation to the contractually required contributions	4,762,500	4,442,192	3,984,624	3,464,070	2,973,565
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 61,696,101	\$ 59,241,899	\$ 56,594,498	\$ 54,048,064	\$ 51,167,804
Contributions as a percentage of covered employee payroll	7.72%	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, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 868,354	\$ 789,666	\$ 749,164	\$ 676,123	\$ 596,718
Contributions in relation to the contractually required contributions	868,354	789,666	749,164	676,123	596,718
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,171,466	\$ 11,524,593	\$ 10,945,641	\$ 9,987,030	\$ 8,965,975
Contributions as a percentage of covered employee payroll	7.13%	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*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 512,382	\$ 480,660	\$ 458,853	\$ 422,633	\$ 401,274
Contributions in relation to the contractually required contributions	512,382	480,660	458,853	422,633	401,274
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,656,997	\$ 9,155,412	\$ 8,541,674	\$ 8,080,915	\$ 7,672,529
Contributions as a percentage of covered employee payroll	5.31%	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, 2019
Last 10 Fiscal Years*

	2019	2018
Total OPEB Liability		
Service Cost	\$ 2,049,606	\$ 2,164,431
Interest on total OPEB liability	1,605,943	1,463,658
Effect on plan changes	-	-
Effect on economic/demographic gains or losses	3,024,244	-
Effect of assumptions changes or inputs	3,322,312	(2,236,927)
Expected benefit payments	(681,197)	(646,400)
Net changes in Total OPEB Liability	9,320,908	744,762
Total OPEB liability, beginning	39,784,991	39,040,229
Total OPEB liability, ending	<u>\$ 49,105,899</u>	<u>\$ 39,784,991</u>
Covered payroll	\$ 82,433,135	\$ 78,377,467
Total OPEB liability as a percentage of covered employee payroll	59.6%	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, 2019
Last 10 Fiscal Years*

	2019	2018
Total OPEB Liability		
Interest on total OPEB liability	\$ 322,822	\$ 308,731
Effect on plan changes	(460,896)	(311,425)
Expected benefit payments	(277,637)	(281,378)
Net changes in Total OPEB Liability	(415,711)	(284,072)
Total OPEB liability, beginning	8,479,158	8,763,230
Total OPEB liability, ending	<u>\$ 8,063,447</u>	<u>\$ 8,479,158</u>
Covered payroll	\$ -	\$ -
Total OPEB liability as a percentage of covered employee payroll	N/A	N/A

** 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, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of the Superintendent of Public Instruction)	School Breakfast Program	10.553	N/A	7,867	-	7,867	-	3
	National School Lunch Program	10.555	N/A	12,382	-	12,382	-	3
Total Child Nutrition Cluster:				20,249	-	20,249	-	
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	524	-	524	-	3
	Total Forest Service Schools and Roads Cluster:				524	-	524	-
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	-	21,721	21,721	21,721	
	Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-53- 0007	-	16,257	16,257	16,257	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

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-16-UC-53- 0007	-	296,199	296,199	296,199	
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	-	241,267	241,267	241,267	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-UC-53- 0007	-	947,486	947,486	805,551	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-UC-53- 0007	-	57,571	57,571	12,095	4
Total CDBG - Entitlement Grants Cluster:				-	1,580,501	1,580,501	1,393,090	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-17-DC-53- 0207	-	134,537	134,537	122,754	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-18-DC-53- 0207	-	505,742	505,742	470,627	4, 6
Total CFDA 14.239:				-	640,279	640,279	593,381	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

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		
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Department of Fish and Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	WDFW #132232	38,512	-	38,512	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	F17-31219-962	1,206	-	1,206	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	19-31219-037	126,226	-	126,226	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	20-31219-036	129,318	-	129,318	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	19-31101-530	39,115	-	39,115	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	20-31101-530	40,815	-	40,815	-	
Total CFDA 16.575:				336,680	-	336,680	-	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F18-31103-014	9,233	-	9,233	-
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F18-31103-100	73,575	-	73,575	-
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F18-31103-015	16,590	-	16,590	-
Total CFDA 16.588:				99,398	-	99,398	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	2019-AP-BX- 0216	-	60,521	60,521	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	2019-AP-BX- 1156	-	65,812	65,812	-
Total CFDA 16.606:				-	126,333	126,333	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F17-31440-014	56,059	-	56,059	-
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	WA0340000	-	16,772	16,772	-
Highway Planning and Construction Cluster							

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			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	BROS-2034 (081)	64,379	-	64,379	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (465)	15,912	-	15,912	8
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (506)	38,079	-	38,079	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	SRTS-9934 (023)	728,037	-	728,037	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-2034 (070)3	9,138	-	9,138	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5292 (004)	73,925	-	73,925	-

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note		
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards			Total	
Highway Safety Cluster	Total Highway Planning and Construction Cluster:					929,470	-	929,470	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs and Police Chiefs)	State and Community Highway Safety	20.600	N/A	16,880	-	16,880	-	3	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2020-HVE-3947	1,396	-	1,396	-		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2019-HVE-3241	3,353	-	3,353	-		
Total CFDA 20.600:				21,629	-	21,629	-		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-HVE-3241	5,017	-	5,017	-		
Total Highway Safety Cluster:				26,646	-	26,646	-		

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			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	51,183	-	51,183	4
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Pierce County Planning & Public Works)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	SC-105503	46,714	-	46,714	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WQNEP-2017- ThCoWR-00037	80,356	-	80,356	
Total CFDA 66.123:				178,253	-	178,253	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership)	National Estuary Program	66.456	CE-01J31901	54,169	-	54,169	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership)	National Estuary Program	66.456	CE-01J65401	9,643	-	9,643	
Total CFDA 66.456:				63,812	-	63,812	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				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)	Public Health Emergency Preparedness	93.069	CLH18264	270,641	-	270,641	4
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	21,475	-	21,475	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Injury Prevention and Control Research and State and Community Based Programs	93.136	CLH18264	1,104	-	1,104	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	K3944	591	-	591	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1863-25833	8,500	-	8,500	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, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, 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	96,000	-	96,000	-	3, 7
		Total CFDA 93.243:			105,091	-	105,091	-
		93.268	CLH18264	19,489	-	19,489	-	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.305	CLH18264	31,792	-	31,792	-	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)	93.354	GVS24187	25,000	-	25,000	-	
Department of Health and Human Services (via Washington State Department of Health)	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response							

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-803863	1,027,422	-	1,027,422	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	40,000	-	40,000	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	314,496	-	314,496	5
			Total Medicaid Cluster:	314,496	-	314,496	
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	93.870	DCYF 18- 1053/DCYF 20- 1176	151,817	-	151,817	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, 2019

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		
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	18,496	-	18,496	-	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	119,409	-	119,409	-	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1863-25833	101,553	-	101,553	23,499	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3944	72,555	-	72,555	-	
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	148,905	-	148,905	-	4
Total CFDA 93.959:				174,108	-	174,108	23,499	

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT	High Intensity Drug Trafficking Areas Program	95.001	G18NW0013A	-	61,562	61,562	-
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT	High Intensity Drug Trafficking Areas Program	95.001	G19NW0013A	-	13,264	13,264	-
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9001800036	6,183	-	6,183	-
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9001700080	14,982	-	14,982	-
Total CFDA 95.001:				21,165	74,826	95,991	-
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3319FAS19015 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	76,774	-	76,774	-

The accompanying notes are an integral part of this schedule.

Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

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)	Hazard Mitigation Grant	97.039	D17-010	19,299	-	19,299	-	
		Total CFDA 97.039:			96,073	-	96,073	-
		97.042	E19-158	58,988	-	58,988	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E20-129	79,245	-	79,245	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-064	23,656	-	23,656	-	
		Total CFDA 97.042:			138,233	-	138,233	-
		97.067	E18-170	128,734	-	128,734	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E18-170	128,734	-	128,734	-	

The accompanying notes are an integral part of this schedule.

Thurston County

Expenditures

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, 2019

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 exceptions.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal 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-18-UC-53-0007	Variable rate	\$48,406.79
14.218	B-19-UC-53-0007	Variable rate	\$18,033.54
14.239	M-17-DC-53-0207	Variable rate	\$3,028.58
14.239	M-18-DC-53-0208	Variable rate	\$12,597.72
66.123	CLH18264	36.21%	\$11,224.50
66.123	SC-105503	36.21%	\$2,161.68
93.069	CLH18264	36.21%	\$67,367.11
93.116	CLH18264	36.21%	\$6,407.80
93.136	CLH18264	36.21%	\$293.61
93.243	1863-25833	8%	\$499.42
93.243	K3944	8%	\$120.00
93.268	CLH18264	36.21%	\$5,180.89
93.305	CLH18264	36.21%	\$6,639.73

93.563	2110-803863	8.78-8.82%	\$29,935.00
93.758	CLH18264	36.21%	\$7,561.05
93.870	CLH18264	36.21%	\$34,293.37
93.889	CLH18264	36.21%	\$4,653.92
93.940	CLH18264	36.21%	\$20,505.40
93.994	CLH18264	36.21%	\$39,527.20

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 – PROGRAM INCOME

Equitable Sharing Program CFDA 16.922 requires the interest earned on equitable sharing funds to be added to the equitable sharing revenue account and used for law enforcement purposes. The total expenditure amount reported includes \$142.53 of interest earned and spent.

In 2019, the following expenditures were reimbursed with program income from a prior year:

CFDA #	Contract #	Amount
14.239	M-18-DC-53-0207	\$1,388.78

NOTE 7 – NONCASH AWARDS

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

NOTE 8 – FINAL SETTLEMENT PAYMENTS

The following grant received final settlement payment from the Department of Transportation in 2019. The payment is a result of a final administrative review of the federal funds received for the following project in the time period 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(465)	\$15,912.45	7/31/17 – 12/31/2020

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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