



**KIM WYMAN  
AUDITOR**

**TO THE COMMISSIONERS AND CITIZENS OF THURSTON COUNTY**

**June 22, 2007**

I am pleased to present the 2006 Comprehensive Annual Financial Report (CAFR) of the Thurston County government for your review. The CAFR is prepared in accordance with generally accepted accounting principles and provides detailed financial information on the revenues, expenditures, assets, and liabilities of Thurston County government for the fiscal year ending December 31, 2006. The major objectives of the CAFR are to describe the county's financial condition and the financial results of its operations. As such, it is designed to provide financial status information to our county commission, legislative bodies, creditors, investors, bond counsels, students of public finance, political researchers, and the public we serve.

This is the fifth year Thurston County is preparing their annual report in compliance with the Governmental Accounting Standards Board Statement 34, with the inclusion of entity wide statements and expanded capitalization of county assets. A full discussion of these statements is included in the Management Discussion and Analysis Section. I am very proud of the efforts of our county financial staff to be able to present this year's annual report as a Comprehensive Annual Financial Report, and to seek a certificate of achievement for excellence in financial reporting. Our 2006 financial information is prepared in a format that gives our readers and state auditor an objective and easily readable analysis of our county's financial performance for the year, including outside agency funds. The CAFR is available upon request in hard copy, or via the Internet at the following address: <http://www.co.thurston.wa.us/auditor>.

**REPORT SECTIONS**

The CAFR is presented in four sections: introductory, financial, supplementary, and statistical. The introductory section includes a transmittal letter, the county's organization chart, and a list of principal elected officials. The transmittal letter will present an overview of the report, the county's economic conditions and outlook, and identifies current issues that affect the government's financial circumstances. The financial section contains the financial statements, the management discussion and analysis (MD&A), notes, the entity wide/major fund financial statements, and required supplemental information. The supplementary section contains information on non-major funds and agencies. The statistical section presents a history of selected financial and demographic information over the past ten years.

This report is management's representation of the finances of the county. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of Thurston County.

## **THE COUNTY**

Thurston County, Washington is located at the southern end of Puget Sound in the beautiful Pacific Northwest. Majestic Mount Rainier and the rugged Cascade Mountains are nearby to the east, while Washington's Pacific Ocean coast is just an hour's drive to the west. Thurston County is 60 miles south of Seattle, Washington and is 100 miles north of Portland, Oregon. Thurston County is home to more than 200,000 residents. Nearly 100,000 residents live in the more urban north county areas in and around the cities of Lacey, Olympia, and Tumwater. The rest live in and around the smaller towns of Bucoda, Tenino, Rainier, and Yelm and in the more rural areas of Thurston County. Thurston County is the eighth most populated county among Washington State's 39 counties and is among the fastest growing counties in the Pacific Northwest.

Thurston County was created on January 12, 1852, by the Oregon Territorial Legislature and operates under the laws of the State of Washington applicable to county governments. The county is managed by a three member board of commissioners and provides a full range of municipal services, including: public safety (sheriff, judicial, and emergency services), construction and maintenance of roads and bridges, water and waste management, public health and social services, cultural and recreational facilities and activities, planning and zoning services, job training, and general administrative services. The financial statements present Thurston County as the primary government as required by generally accepted accounting principles.

Thurston County is a statute county, which means the organization of the county is prescribed by state statute. Locally elected officials include the county assessor, auditor, clerk, prosecuting attorney, sheriff, treasurer, coroner, eight superior court judges, three district court judges and the three-member board of county commissioners. These elected officials govern the county and establish policies on the basis of the local community's needs and preferences. The board of county commissioners acts as the county's legislative body and appoints a county administrator who acts as the chief administrative officer of the county and oversees twelve major departments. By virtue of the county's authority over their operations, this annual financial report includes financial data for all the funds individually and on an entity wide basis of the county, including activities considered to meet the entity definition criteria established in Governmental Accounting Standards Board Statement Numbers 14, 34 and 39.

## **ECONOMIC CONDITIONS**

Economic conditions play a significant role in the financial stability of Thurston County. The economy is dependent on many factors, including (a) population and demographic trends; (b) employment and housing factors; (c) per capita income and inflation; and (d) retail sales. From 1990 to 2000, the Thurston County economy continued to increase steadily, but not at the same rate as the prior two decades. The economy took a downturn in 2001 and 2002, fueled first by the cutbacks in Boeing and then by the aftermath of the tragic events of September 11, 2001. This was somewhat mitigated by the opening of two large retail stores and two large warehouse distribution centers. In 2003 the economy in Thurston County began a slow recovery, peaking in 2006. An emphasis was placed on business recruitment and retention and the creation of quality jobs in technology-based businesses, light manufacturing, educational services, and real estate services. The statistics and information that follows highlight the changes in the county's economic conditions for 2004 through 2006.

## **Population and Demographic Trends**

The population of Thurston County has grown from 186,400 in 1995 to 231,100 in 2006. This is an increase of 44,700 residents and an average growth rate of 2.2 percent per year. Over 70 percent of the population increase has been due to the continued in-migration of people into the county. Thurston County continues to be a desirable place to live, and has been one of the fastest growing of our state's 39 counties over the past decade. In 2006 the county's population increased slightly from 224,100 to 231,100. This is a growth rate from the previous year of 3.1 percent and reflects the recent strong economic recovery and new housing strength for the region.

Seniors continue to be one of the fastest growing segments of Thurston County's population. For the past two decades, Thurston County has been fifth in the state for in-migration of people 55 or older. From 1980 to 2000, the population age 65 and older increased from 12,230 to 23,629, basically doubling in number. Today our senior citizens population is 26,802 and constitutes 11.6 percent of our total population. Projections show that by the year 2010, the population of people aged 65 or over will have increased to 13 percent of our total population and by the year 2020 to 19 percent. This is a trend that will place increased pressures on our public health care services and retirement facilities.

During the twenty year period 1980 to 2000, population growth in Thurston County has been fairly evenly distributed between the incorporated and unincorporated areas of the county. In recent years however, the growth has been concentrated in the unincorporated areas. In 2006, approximately 57 percent of our population lives in unincorporated areas and 43 percent in incorporated jurisdictions. This is a slight increase from 56 percent and 44 percent respectively in 2005.

The growth within our municipal cities has not been constant however. During the decade from 1995 to 2005, the average growth rate for Thurston County cities was 1.9 percent. The city of Yelm was by far the fastest growing area, with an annual rate of 7 percent. Average annual growth in other cities, including Tumwater, Olympia, and Lacey, ranged from .7 to 2.5 percent. Excluding Yelm, the average rate of growth was at or very near the statewide average of 1.1 percent. In 2006, the overall population growth rate in Thurston County cities was 1.7 percent, with the city of Rainier showing the largest increase at 5 percent.

## **Employment and Housing**

Between 1990 and 2000, the number of jobs available in the county has increased by 32 percent. By far, the largest percentage of increase over this 10-year span occurred in the service industry, showing an increase of over 50 percent. In 2004 (the latest statistical year) the number of full-time and part-time jobs in Thurston County was 120,592. For the period 2003 to 2004, the administrative sector showed by far the greatest growth rate, increasing by 1,163 employees or 30 percent. The wholesale sector showed the next greatest rate of growth in covered employment, increasing from 2,147 jobs to 2,605 jobs or 23 percent. The increase in employment in the government sector in Thurston County was exclusively in state government. Within the government sector, state government employment increased by 268 jobs, while local government employment actually reduced in size by 190 jobs.

While administration and warehousing were the fastest growing job sectors in Thurston County in 2004, manufacturing and information system companies continued to be job losers. Even though real estate employment decreased slightly, new housing starts and related real estate excise taxes continued to grow rapidly.

## Thurston County, Washington 2006

Over the past decade, new housing starts in Thurston County have fluctuated significantly. There was a constant downward trend from 1990 to 2000. There were 2,789 residential housing permits in 1990, 2,026 in 1995, and 1,532 in 2000. That trend has reversed itself in the last few years and new housing starts increased from 2,417 in 2004 to 2,713 in 2005. Fifty-six percent of these permits were located within Thurston County cities, 11 percent in the urban growth boundaries, and 33 percent in the unincorporated areas of the county.

The average sales price for a home in 1990 was \$91,568. In 2000, the average sales price was \$160,606. In 2004 it was \$209,165, and in 2005 the average sales price rose sharply to \$252,452. This is an increase of 21 percent over the previous year. Housing affordability continues to be relatively good compared to the statewide average. In the first quarter of 2006, the index was 111.6 (an index of 100.0 is considered a good balance between monthly income and housing costs). However the affordability index dropped considerably from 141.9 in the corresponding time period in the previous year. The higher the index is, the more affordable the housing. For first time homebuyers, the index was 65.9 vs. 83.7 in 2005. A drop in both measures reflects less accessibility to affordable housing.

### **Household and Per Capita Income**

In 2004 (the last year of complete data), the estimated median household income for Thurston County was \$52,079, an increase of 1.3 percent from an updated estimate of \$51,389 in 2003. Projections for 2005 show a slight rise of 2 percent to \$53,127. Compared with adjacent counties, Thurston County continues to experience a higher median household income than adjacent Lewis, Mason, and Grays Harbor counties, but remains slightly lower than Pierce County. Thurston County is projected to be approximately \$1,300 higher than the overall median household income average for Washington State in 2005.

Real personal income for Thurston County, which is measured by dividing total personal income by population and adjusted for inflation, has increased from \$25,937 to \$31,841 during the ten year period from 1993 to 2003. This is a real per capita increase of \$5,904, using 2004 dollars. During the same time period, Washington State's real personal income increased from \$27,401 to \$33,737, an increase of \$6,336. In 2004 (the latest statistical year), Thurston County's per capita income increased slightly by \$339 to \$32,180. This is the first year of increase after two consecutive year of decrease, and compares with an overall statewide increase from 2003 to 2004 of \$1,304.

### **Taxable Retail Sales**

Another indication of economic conditions, especially as it applies to local government, is "taxable retail sales". This indicator measures purchasing and consumption activity in the county. In the last reported year, from 2004 to 2005, the rate of growth in taxable retail sales took a substantial swing upward due to the building and service industries. During this one year period, the county experienced an amazing 16 percent increase in taxable retail sales. This compares to a growth in taxable retail sales of 7 percent from 2003 to 2004. The "taxable retail sales" for the county has increased by an average of 6 percent annually from 1990 to 2000, and by an average of 7 percent over the five year period, 2000 to 2005. During the corresponding ten and five year time periods, the unincorporated sector of the county increased by approximately 4 percent and 1 percent, while the city of Yelm increased by 11 percent and 10 percent respectively.

Most of the 2003 to 2004 sales growth took place in the three largest urban cities. The three major cities, Olympia, Lacey, and Tumwater accounted for 55 percent of the annual growth. The fastest growing area is the small city of Bucoda, with an annual growth rate in excess of 70 percent.

## **Future Economic Outlook**

Thurston Regional Planning Council predicts that the population will increase from 231,100 in 2006 to 255,000 in the year 2010 and by 2030 will be at 373,000, an average increase of 2.5 percent over this twenty-four year period. The economy and employment growth is also expected to continue to grow, but not at the same rate as recent years. Thurston Regional Planning Council projects an increase in employment for Thurston County from 116,000 persons in 2005 to 182,000 by the year 2030. This is an increase of 57 percent over the twenty-five year period or 2.2 percent per year. The number of local government jobs is expected to increase at rate of approximately 3 percent per year, with state government continuing at a slightly slower growth rate of 2 percent. The service industry is expected to be the most dominant employment base, with an expected 62,000 jobs in 2030 compared with 37,000 in 2005.

Thurston County's economic vitality has traditionally come from being the state capital. Growth in state government has slowed over the past decade, with only 2,400 jobs added to the local economy during this ten-year period. With the passage of Governor Gregoire's budget, state hiring will jump substantially. Her budget for the 2007-09 Biennium will add approximately 3,500 new government jobs, a third of which would be in Thurston County.

State government, with its substantial employment base, has significant ripple effects in the consumer business trade and services sectors. However, Thurston County continues to have more people who commute outside of the county each day than commute into our county. With a slow down in state government growth, Thurston County has been very active in solidifying its role as a regional retail and service center. The new shopping center on Marvin Road in Lacey has added thousands of jobs, and the Gateway Project at Hawks Prairie is expected to open in 2009. Tumwater has just completed a major annexation that will be compatible with their several new office buildings in Town Square. Plans for additional big box retail stores are in the works for Lacey, Olympia, Tumwater, and Yelm. The trend is expected to continue over the next 25 years. One of the keys to Thurston County's economy will be the success of efforts to have Thurston County residents purchase goods and services locally. Another is continued diversification in the work force, with a growth in business-to-business and home-based services.

Health care services, in particular, present the county with significant growth opportunities and challenges. Thurston County health care services are among the most comprehensive in southwest Washington, and Providence St. Peter Hospital has just completed a major expansion project.

Local governments in Thurston County, including the county, are also experiencing the challenges of rising public safety and health care costs. Passage of recent initiatives and potential for new voter-approved initiatives has placed tight limits on revenue increases from traditional sources such as property taxes. The reduction of state grant funds from motor vehicle excise taxes have caused many local cities and the county to experience slow growth or tight budgetary positions. This has been partially offset by a very robust real estate market and higher than expected real estate excise taxes.

The long-term outlook will depend on a combination of the strength in local economic recovery and the availability of dedicated revenue sources to support new and ongoing program growth opportunities. The 2005 and 2006 legislative sessions imposed new pension obligations that will need to be met in the forthcoming budgets, and the economy is slowing. The recent passage of the sales tax streamlining legislation and the likelihood of increased funding for public and mental health programs will help in supporting these important county programs. Thurston County governments' ability to retain an adequate reserve base will be a significant factor in offsetting future reductions in state and federal support.

## **MAJOR ACCOMPLISHMENTS AND SERVICE EFFORTS**

In 2006, the Board of County Commissioners summarized the results of a citizen's survey to determine top priorities in county government. The citizens of Thurston County named public safety as their top priority, with public health being number two. The Board of County Commissioners is working with elected officials and department managers to incorporate these priorities into the 2007 and future budgets, focusing on priorities for correctional programs and alternatives to incarceration.

The Sheriff's Office received \$92,000 in grant funds to purchase tactical, safety, and S.A.R. equipment for the Law Enforcement Terrorism Protection Program, and \$19,000 from the Nisqually Indian Tribe to purchase furniture and computer equipment for the Thurston County Identity Theft and Fraud Task Force.

Authorization was granted from the Board of County Commissioners to begin schematic design and permitting for the new Accountability and Restitution Center (ARC). The new ARC will be located on properties adjacent to the county's juvenile rehabilitation facility and will add an additional 320 beds. The Thurston County Sheriff's Office also received increased staffing within the Corrections Division, adding three correction deputies, one correction sergeant, and one correction technician to help reduce overtime. With the election of a new sheriff, the office reorganized to eliminate one captain position and two sergeants, converting these resources into four patrol division deputies.

Thurston County's Board of County Commissioners created and funded the eighth judicial position for the Superior Court. Anne Hirsch was elected to that position. With the addition of the eighth judge, the court is now able to move forward with a reorganization plan that will improve the efficiency of court activities related to criminal cases and family and children services. Funding enhancements in 2006 allowed for an expansion of court-appointed special advocate services, and drug court programs continued to effectively reduce recidivism in drug-related crimes. Also in 2006, Thurston County's Superior Court embarked on a ground-breaking pilot program that integrates risk and need assessments for defendants in local and state criminal justice systems. If successful, the pilot program will become the standard bearer for the state of Washington.

Year 2006 was the second year of the operation of mental health court to coincide with the very successful drug court, and both are helping to reduce recidivism. With funding provided by Thurston County Commissioners, security screening for District Court and other building residents commenced in August of 2006. This is an interim security measure until a centralized screening facility is constructed.

Juvenile Court continues to be involved in the Superior Court unification process, which attempts to identify procedures and problem solving methods to appropriately handle juvenile and family court issues. The coordination of court functions to assure consistent judicial treatment of families and children involved in multiple proceedings is a top priority. Consistent with community safety, Juvenile Court is continuing efforts to improve case management techniques while carefully considering detention alternatives and least restrictive consequences for youthful offenders. Dependency proceedings have been enhanced by the continued emphasis on the Family Treatment Court and the recruitment and training of additional CASA volunteers.

Family Court Services provide assistance, coordination, direction and services related to family law issues for litigants not represented by an attorney. In 2006, the Family Court Services expanded their facilitator program to provide for ex parte service where all paperwork is reviewed by a facilitator before presentation to the court. This process has also had a huge time saving impact on the judicial officer presiding over ex parte proceedings. The LFO (Legal Financial Obligations) Fund was created to account for the collection of court ordered financial obligations and associated expenses. Two new collection officers were added to increase revenue to county drug funds, public defense funds, and crime victim restitution funds.

## Thurston County, Washington 2006

The Office of Assigned Counsel's main program achievement in 2006 was a new alliance with the State Office of Public Defense. The Office of Assigned Counsel entered into a contract with the Public Defense Office for an 18 month pilot program beginning January 1, 2006 to enhance the delivery of public defense services to misdemeanants in the Thurston County District Court. The Office of Assigned Counsel hired three attorneys and one paralegal in anticipation of stronger collaboration with the state as they strive to guarantee constitutional protections for those who qualify for services, and obtain increased funding for indigent defense.

The Prosecuting Attorney's Office processed 3,274 felony cases. Of the 3,274 felony cases, 1,179 were related to domestic violence. The Prosecuting Attorney's Office also processed 4,519 misdemeanor cases for the citizens of Thurston County in 2006. A significant accomplishment was expanding victim advocacy services to victims of general felony crimes and working closely with Superior Court to expand drug court and mental health court hearings. The Family Support Division received 823 new cases and closed 600 cases where owed child support funds were returned to the State of Washington. Although federal funds from the Department of Justice are being cut back, funds were restored in 2006 for the Weed & Seed Program in Rochester School District.

The County Assessor is continuing to work with local media, senior centers, and service groups to provide easy-to-understand information about property assessments and the role of the assessor. This includes providing community presentations, web access and print publications to educate the public about property tax assessments and administration. In 2006, the County Assessor made some technology improvements of imaged materials in the Senior/Disabled Program and Board of Equalization records to reduce storage capacity and costs. Other efficiency moves included an Enhanced A+ Parcel Look-Up System.

The year 2006 was one of the busiest years in history for documents recorded in the County Auditor's Office. The licensing/recording division processed 123,600 license and title renewals, 93,500 new recorded documents, and 1,700 marriage licenses. Total revenues were \$4.3 million. A new Eagle Recorder software system was installed to help efficiently process documents and improve customer service. The new system provides on-line pre-recording of information for marriage licenses and auto indexing.

The County Auditor's elections division changed the type of voting system that was used for the past thirty five years in Thurston County. The Help America Vote Act eliminated punch card voting and required a compliant replacement system be in place by the beginning of 2006. The new voting system for Thurston County uses optical scan ballots. An aggressive voter outreach program was implemented to inform all voters on how to use it, and the elections division began using AutoMARK voting machines for the first time to enable disabled voters to vote independently.

The most significant accomplishment in 2006 for the Auditor's Office financial services division was the preparation of Thurston County's first "Comprehensive" Annual Financial Report (CAFR) under GASB 34, and using the new Windows-based MUNIS financial system. The annual report was prepared a month earlier than previous reports to qualify for recognition for excellence in financial reporting.

Several customer service enhancements were made in the Clerk's Office to improve access to records and eliminate the necessity to travel to the courthouse. These included internet access for attorneys, news media and title companies to image documents and view hearing calendars; an upgraded web site with links to other agencies and search capabilities to other counties; and an internet access that will allow the public to request a specific document, pay the cost for that document and have the information e-mailed directly to them.

## Thurston County, Washington 2006

The Coroner's Office provides a professional review and investigation for every death occurring in Thurston County; makes notifications to next-of-kin; inventories and returns personal property to its rightful heirs. The depth and complexity of death investigations have dramatically increased the time and expertise required for each case. Through a Homeland Security Grant obtained via local and state committees on terrorism, the Coroner's Office developed the first-of-its-kind-in-the-nation system for the recovery, handling, storage and disposition of multiple fatalities in a mass disaster. The system may be transported anywhere in the country.

Washington State University (WSU) Thurston County Extension partners with many organizations, including county government to advance knowledge and economic well-being by fostering inquiry, learning, and the application of research. Nearly 800 trained volunteers generated 44,000 volunteer hours in the community. This is equivalent to over 21 full time employees. Program & service areas include: 4-H Youth Development, Master Gardeners & Master Composters, Food Safety and Nutrition, Water Resources, and Community Outreach.

Recognizing the emerging county need to reduce solid waste, the Master Composter Program now has 39 trained Master Composters giving workshops and advice to the public. An additional 32 volunteers were trained in composting, soils, insects, and water-wise gardening. In 2006 4-H served 732 youth who were enrolled in traditional, year-long 4-H "club" programs and 346 in special one-time events. Volunteers and staff offered the first 4-H Creativity Festivity Day Camp, for youth, ages 6-12, and 40 youth campers participated.

The WSU Extension Office launched the "Winner's Circle Healthy Food Labeling Project" in collaboration with Thurston County Public Health and Social Services through the federally funded "Steps to a Healthier Washington in Thurston County." This project provides labeling of healthy food choices at cafeterias for selected public school students and employers locally. The office also developed and chaired a national satellite broadcast as part of the WSU Extension Engaged satellite program to offer recommendations for minimizing disease risks from petting zoos and public animal exhibits.

Thurston County's Public Health and Social Services Department continued its leadership in many local and statewide initiatives. The mental health division won a state award to implement "evidence based practices" for children enrolled in community Medicaid programs in Thurston and Mason counties. The chemical dependency division successfully implemented an intensive case management pilot for 600 adults and youth who are high utilizers of multiple systems, with the goal of improving chemical dependency treatment and reducing duplication and associated costs. The personal health division successfully implemented a new chronic disease management collaboration with local physicians targeted at reducing incidents of and complications from diabetes. Utilizing state and federal grant funds, the emergency preparedness division undertook an extensive readiness test for large disease outbreaks by vaccinating over 300 county employees for flu vaccines in less than four hours. The developmental disabilities division successfully placed over 215 adults with developmental disabilities into jobs in Thurston and Mason counties, an increase of 16 percent from 2005. The environmental health division was awarded a new Salmon Recovery Fund and Puget Sound Initiative grant to provide financial assistance of owners of failing or antiquated septic systems.

## Thurston County, Washington 2006

The Central Services Department provides preventive maintenance support to the other offices and departments in the county. The maintenance and operations division received 3481 total work orders, including the re-fastening of 38,990 square feet of ceiling tiles in the Juvenile Detention facility. Several major projects were accomplished in 2006. A new voice mail system was implemented in May, and a network security assessment was completed in July resulting in a report which will help shape future work plans for network improvements. A fiber optic connection was implemented to the Family and Juvenile Center which provided much needed bandwidth. A Request for Proposal (RFP) was prepared and a vendor chosen for a county-wide imaging system. Other significant projects included the installation of an upgraded recording system for the Auditor's Office, wireless network study, email archiving, and implementation of a new time keeping system for the Sheriff's Office.

The Thurston County Parks Department opened two new facilities in the previous year. Griffin Athletic Fields were opened for public use for soccer and baseball in June of 2005, and the Regional Athletic Complex (RAC) located in Lacey was opened for soccer use in September 2005. Over 25,000 users visited Griffin Athletics Field in 2006 and over 250,000 users visited the RAC facility throughout the year. In May 2006 the RAC held its first state soccer tournament. Phase II of the RAC is expected to be completed in 2007 with the support of Public Facilities District funding.

Park attendance in county parks exceeded 691,000 and attendance continues to grow in Park's specialized recreation programs by about 10% per year. Programs include the Summer Camp; Adventures Camp; Special Olympics, the Summer Weekday program; the Christmas Cruise in partnership with the Olympia Yacht Club; and the Bingo program in partnership with South Sound Senior Services.

The Thurston County Roads and Transportation Services had a very significant transportation improvement program, successfully completing the following projects:

- Constructed the Lackamas Bridge over Lackamas Creek.
- Constructed the "Welcome to Grand Mound" sign.
- Constructed the new intersection at Old-99 and 183rd Ave.
- Installed Traffic Calming in a section of the Tanglewilde subdivision.
- Upgraded Fennel Road from a gravel road to a chip sealed hard surface.
- Retrofitted the Hobson Road culvert.
- Re-constructed the Gate/Moon Road intersection.
- Cleaned up the Boulevard Road bull pen site.

Progress continues on the "bridging the gap" project on the Chehalis Western Trail, breaking ground on the new bridge over I-5 in July 2006. Roads also received \$4.1 million in Federal transportation funds to link the northern and southern segments of the Chehalis Western Trail near South Sound Center.

Water and Waste Management (W&WM) is one of the largest and most active departments in Thurston County. The water resources division conducted stormwater pond inspections in 92 home owner associations, completed 62 technical assistance responses to homeowners regarding recommended drainage actions, completed inspection of 35 stormwater facilities, performed contract maintenance on 10 major facilities under a pilot program, completed a "Long Lake Nutrient Reduction Study", developed a conditional permit for the use of Grass Carp as an option to control native nuisance plants at Lake Lawrence; and completed aquatic plant harvests for 85 surface acres. The engineering division completed design of the Lakemont/49th Stormwater Improvement Project., design and construction of Mallard Pond Stormwater Improvement Project, Part 1, Athens Beach Drainage Improvement Project, the Carolyn Beach Stormwater Management Plan, and Grand Mound Corrosion Control project. The division also entered into a contract for water and sewer uses and permitting for the new Great Wolf Resort.

## Thurston County, Washington 2006

The Department of Communications (CAPCOM) is an intergovernmental agency created by member local governments within Thurston County. The mission is to provide emergency communication countywide, including Enhanced 9-1-1 service. A combination of county, state, and federal grant funds were used to improve fire service radio frequencies in Lacey, Griffin, McLane, West Olympia, and Southeast Thurston County Fire Districts. CAPCOM installed the first narrowband frequency for law enforcement use for training and special events; expanded outside revenue support with the addition of an Intercity Transit lease for use of existing radio infrastructure; and expanded vendor capability to support broadband and network connectivity for mobile computer terminals (MCTs).

Development Services continued to experience near-record building permit activity in 2006. To accommodate continued workload increases, the department began several technology projects that focused on improving customer services. A Voice Permit System was implemented. The system provides customers with permit information, project status, and basic zoning information and inspection results 24/7. Development Services partnered with the Roads Geo Data Division to develop a mapping module to be implemented with the AMANDA permit tracking system. The department also completed a cost recovery effort in April, 2006 and revised their fee model to reflect the result of the multi year study. The fee model will eliminate general fund subsidies to the permit departments by 2009.

One of the highlights for the Fair Department in 2006 was a major renovation of Heritage Hall. The project included major structural work, bringing electrical systems up to code, and replacing many exterior logs. The Fair also continued a promotion to benefit food banks throughout the county. The promotion is called "One Buck Wednesday and generated over 3 1/2 tons of food and \$1,200 for the Food Bank. Fair attendance was at an all time high.

The Human Resources (HR) Department added a new training coordinator, a new labor relations manager and a new human resource analyst. With a full complement of staffing, HR conducted a county-wide training needs assessment, a comparative review of many county job classifications, and a major revision in personnel rules. The Board of Equalization continued to work with the Assessor's Office to reduce the number of outstanding assessment appeals. The HR personnel section started the final phase in upgrades to the EDEN payroll system, designed to be completed in mid 2007.

Pacific Mountain Workforce Consortium is responsible for administering the Workforce Investment Act with its partner, the Workforce Development Council, in the five-county area including: Grays Harbor, Lewis, Mason, Pacific and Thurston. The department operates and sub-contracts out formula-funded programs that serve low-income adults, dislocated workers, low-income youth, ex-offenders, disabled job seekers and Work First participants. Pacific Mountain received an innovation grant for \$10,000 to design an innovation zone at Satsop. As an innovation zone, Satsop was selected as 1 of the 12 recipients for \$5 million dollars in job development funds to assist in renovating the Turbine Building for the relocation of Brown-Minneapolis Tank Company. Pacific Mountain also received \$5,000 for grants to homeless veterans and \$20,000 for high demand scholarships. Pacific Mountain is partnering with the New Market Skill Center for placement of workers in their new health sciences program.

### **INTERNAL CONTROLS**

In developing and evaluating the county's accounting systems, the County Auditor's Office has continued giving special consideration to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance to citizens regarding: (1) accountability for assets, and safeguards against their loss through unauthorized use or disposition; and (2) the reliability of financial records as the basis for preparation of financial statements. The concept of "reasonable assurance" recognizes that: (a) the costs of control should not exceed the derived benefits; and (b) management is required to make estimates and use its judgment in evaluating all of the costs and benefits.

Thurston County management recognizes the importance of adequate internal controls and has an internal audit committee. The internal audit committee is comprised of the County Auditor, County Treasurer, and the Chief Administrative Officer. The county Internal Auditor reports to the committee, and works with county departments and offices to improve the effectiveness and efficiency of administrative and financial internal controls. We believe that the county's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording and presentation of financial transactions.

## **BUDGETARY CONTROLS**

The 2006 Thurston County revised budget is \$259 million in all funds and \$67 million in General Funds (including transfers to other financing sources and excluding fund balances). This is a decrease of approximately \$8 million in total funds from the 2005 budget and \$5 million more in General Funds. If the county would have received their General Fund budgeted revenues and spent their budgeted expenditures, reserves would have decreased by approximately \$3 million. A combination of \$400 thousand in slightly higher than expected revenues and a \$2 million expenditure savings, resulted in a decrease of only \$600 thousand in available General Fund reserves. This brings the county General Fund ending fund balance to \$8.4 million, and will be useful in meeting future budget challenges. Budgets are prepared and maintained by establishing detailed line items. Office and department heads have the authority to move budget authorizations between objects within their funds, but the chief administrative officer is the only position authorized to transfer budget authority between offices and departments within a fund.

On-line access reports are available for all elected officials and department managers, comparing current budget appropriation levels to actual revenues and expenditures by detailed line item. At year-end, the county utilizes a "13th month" accounting period to post all financial transactions attributable to the appropriate fiscal year. The county budget team reviews the budget status of offices and departments at the mid-point of the fiscal year. If there is a need for budget modifications, requests are submitted to the county auditor's office, chief administrative officer, and/or Board of County Commission (BoCC). Only the board can approve budget increases.

## **FINANCIAL INFORMATION**

The financial information section provides detailed data on revenues, expenditures, assets and liabilities. Various schedules in the supplementary section show comparisons and trends between budgets and actuals. Entity-wide information is summarized into two main categories entitled: Governmental Activities and Business-Type Activities in the statement of net assets. Thurston County's infrastructure, such as roads, bridges, and parks, has been capitalized and also included in the entity wide statements.

## **CASH MANAGEMENT**

In order to obtain maximum return on secure investments, the county treasurer invests cash in certificates of deposit with qualified Washington State public depositories, U.S. Treasury and agency securities, bankers' acceptances, commercial paper and investments in the Washington State Treasurer's Local Government Investment Pool. Over 80% of the cash investments held by the Thurston County Treasurer are in US agency and instrumentality securities. All investments at year-end 2006 were insured, registered, and/or held by the county treasurer or the treasurer's agent. All of these investments are classified in the lowest-risk category, as defined by the Governmental Accounting Standards Board (GASB).

## **RISK MANAGEMENT**

Thurston County is self-insured for the first \$250,000 of any single general liability loss and acquires excess liability insurance through the Washington Counties Risk Pool. Thurston County's insurance, loss expenditures, and accounting activities are centrally tracked within the county's Insurance Risk Internal Service Fund. The county presently also purchases insurance for workers' compensation liabilities and potential property losses.

## **INDEPENDENT AUDIT**

Washington State laws require an annual audit by the Washington State Auditor's Office (SAO) of the financial records and transactions of the county. The State Auditor's Office consistently performs this audit annually and I am pleased to report that Thurston County has continued to receive an unqualified opinion.

## **ACKNOWLEDGMENTS**

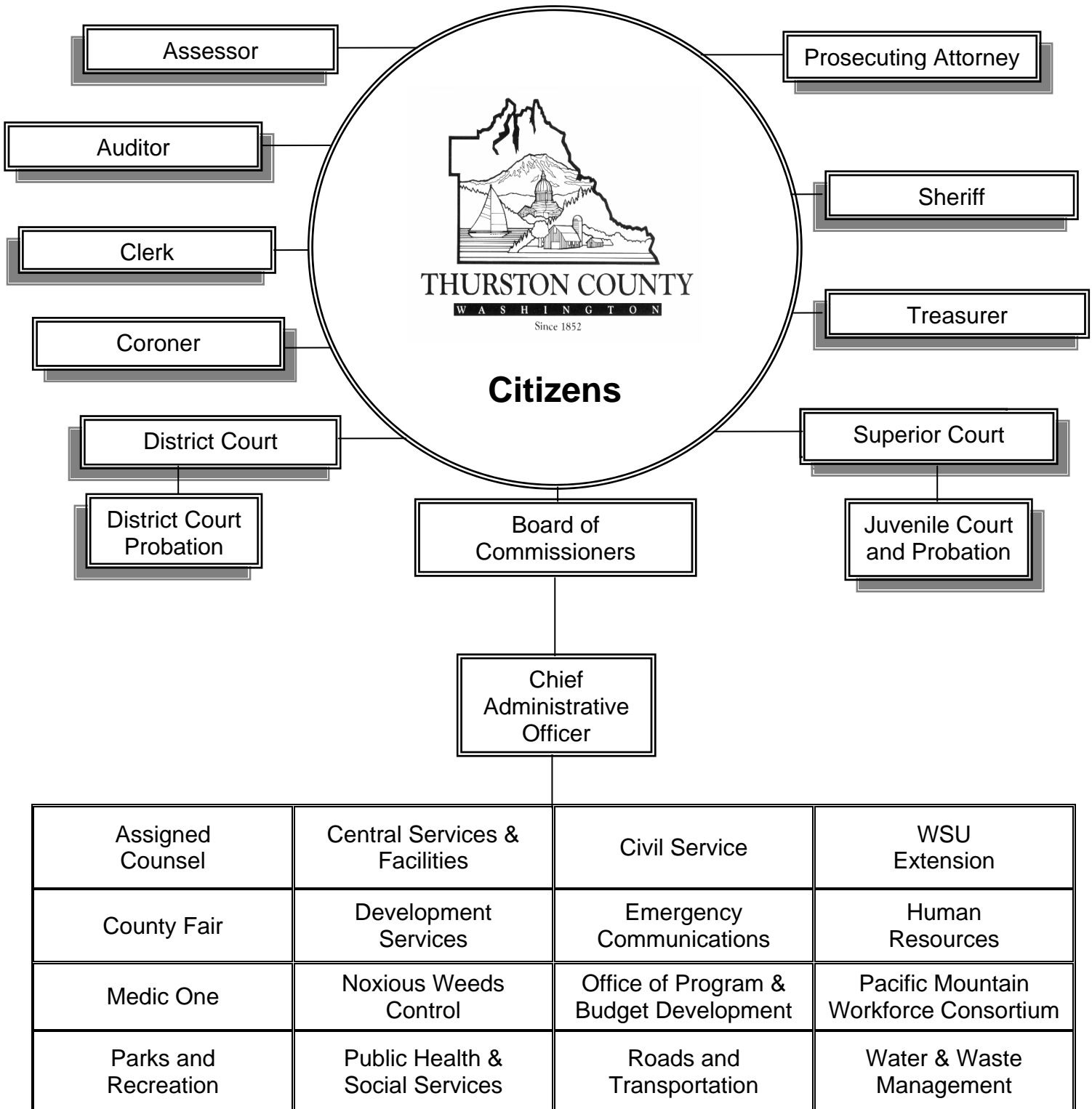
The professional and dedicated staff of the financial services division of the county Auditor's Office and the county Treasurer's Office jointly prepared this report. In addition, the report could not be accomplished without the valuable assistance of accounting personnel of other county departments. I appreciate their efforts, and appreciate also the sound and progressive approach of the board of county commissioners, in their conduct of the financial affairs of the county.

Respectfully Submitted,

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

**Kim Wyman**  
Thurston County Auditor

# THURSTON COUNTY ORGANIZATION CHART



## **Elected Officials**

December 31, 2006

### Thurston County Board of Commissioners

Honorable Cathy Wolfe, **District One**  
Honorable Diane Oberquell, **District Two**  
Honorable Robert N. Macleod, **District Three**

Honorable Patricia Costello, **Assessor**

Honorable Kim Wyman, **Auditor**

Honorable Betty J. Gould, **Clerk**

Honorable Judy Arnold, **Coroner**

Honorable Edward G. Holm, **Prosecuting Attorney**

Honorable Gary Edwards, **Sheriff**

Honorable Robin Hunt, **Treasurer**

### District Court Judges

Honorable Susan A. Dubuisson  
Honorable Clifford L. Stilz, Jr.  
Honorable M. Brett Buckley

### Superior Court Judges

Honorable Paula Casey  
Honorable Richard A. Strophy  
Honorable Wm. Thomas McPhee  
Honorable Richard D. Hicks  
Honorable Christine A. Pomeroy  
Honorable Gary R. Tabor  
Honorable Chris Wickham  
Honorable Anne Hirsch