

# Thurston County Washington

*Comprehensive Annual*

*Financial Report*

For Year Ending December 31, 2000

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Additional assistance provided by all county fiscal personnel.

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Report Prepared by:  
Thurston County Auditor  
Thurston County Treasurer

# Table of Contents

## Introductory Section

Table of Contents .....	i
Letters of Transmittal .....	1
Organization Table .....	7
Elected Officials .....	12

## Financial Section

Independent Auditor's Opinion .....	13
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### *General Purpose Financial Statements:*

Description of General Purpose Financial Statements .....	15
Combined Balance Sheet -- All Fund Types and Account Groups .....	16
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -- All Governmental Fund Types .....	18
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget (GAAP Basis) and Actual General, Special Revenue, Debt Service, and Capital Project Fund Types .....	19
Combined Statement of Revenues, Expenses, and Changes in Fund Equity -- All Proprietary Fund Types .....	21
Combined Statement of Cash Flows -- All Proprietary Fund Types .....	22
Notes to the Financial Statements .....	23

## Supplemental Combining, Individual, and Account Group Financial Statements and Schedules:

### *General Fund*

Description of General Fund .....	49
Comparative Balance Sheet .....	50
Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and actual .....	51
Schedule of Revenues -- Estimated (GAAP Basis) and Actual .....	52
Schedule of Expenditures Compared To Budget (GAAP Basis) .....	53

Thurston County, Washington  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2000

*Special Revenue Funds*

Description of Special Revenue Funds .....	55
Combining Balance Sheet .....	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	58
General Government .....	60
Culture and Recreation .....	62
Economic Environment .....	63
Physical Environment .....	64
¼% Real Estate Excise Tax Fund .....	65
Roads Fund .....	66
Pacific Mt. Job Training Fund .....	67
Medic One Fund .....	68
Public Health and Social Services .....	69
Criminal Justice .....	70

*Debt Service Funds*

Description of Debt Service Funds .....	71
Combining Balance Sheet .....	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	73
1992 G.O. Bond .....	74
1994 G.O. Bond .....	75
1995 G.O. Bond .....	76
1997 G.O. Bond .....	77
1998 G.O. Bond .....	78
2000 G.O. Bond .....	79

*Capital Project Funds*

Description of Capital Project Funds .....	81
Combining Balance Sheet .....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	83
Roads Construction in Progress .....	84
Detention Facilities .....	85
Jail Detention .....	86
Health Building .....	87

*Enterprise Funds*

Description of Enterprise Funds .....	89
Combining Balance Sheet .....	90
Combining Statement of Revenues, Expenses, and Changes in Fund Equity .....	91
Combining Statement of Cash Flows .....	92

*Internal Service Funds*

Description of Internal Service Funds .....	95
---	----

Thurston County, Washington  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2000

Combining Balance Sheet .....	96
Combining Statement of Revenues, Expenses, and Changes in Fund Equity .....	97
Combining Statement of Cash Flows .....	98

*Agency Funds*

Description of Agency Funds .....	101
Combining Balance Sheet .....	102
All Agency Funds	
Combining Balance Sheet .....	103
Combining Statement of Changes in Assets and Liabilities .....	105

*General Fixed Asset Account Group*

Description of General fixed Assets Account Group .....	109
Schedule of General Fixed Assets -- By Function and Activity .....	110
Schedule of Changes in General Fixed Assets -- By Function and Activity .....	111
Schedule of General Fixed Assets -- By Source .....	112

Statistical Section

General Government Expenditure By Function .....	113
General Revenues By Source .....	114
Assessed and Estimated Actual Value of Taxable Property .....	115
Weighted Average Taxable Property Tax Levy Rates -- Direct and Overlapping Governments .....	116
Property Tax Levies and Collections .....	117
Special Assessment Billings & Collections .....	118
Ratio of Net General Obligation Bonded Debt to	
Assessed Value and Net General Obligation Bonded Debt Per Capita .....	119
Ratio of Annual Debt Service Expenditures for	
General Bonded Debt to Total General Expenditures .....	120
Computation of Legal Debt Margin .....	121
Computation of Direct and Overlapping Bond Debt .....	122
Demographic Statistics .....	123
Construction Activity .....	124
Principal Taxpayers .....	125
Miscellaneous Statistical Information .....	126

Supplemental Information

Washington State BARS Schedule 16	
Schedule of Expenditures of Federal Awards .....	127
Schedule of Expenditures of State and Local Awards .....	134
Notes to the Schedule of Expenditures of Federal, State and Local Awards .....	137



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**TO THE CITIZENS OF THURSTON COUNTY:**

I am pleased to present the 2000 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, 2000. The major objective of the CAFR is to describe the County's financial condition and the financial results of its operations. As such, it is designed to provide information to our county commission, legislative bodies, creditors, investors, students of public finance, political scientists, and the public we serve on the financial status of the County.

Two transmittal letters are submitted. This first letter will present an overview of the report and its financial statements. A second letter, from Thurston County's Financial Policies Committee, outlines the County's economic conditions and outlook, and identifies current issues that affect the government's financial circumstances.

**REPORT SECTIONS**

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes the two transmittal letters, the County's organization chart, and a list of principal elected officials. The financial section contains the general-purpose financial statements (including the notes to the financial statements), and the combining, individual fund, and account groups' financial schedules. The statistical section presents a history of selected financial and demographic information over the past ten years.

**REPORTING ENTITY AND ITS SERVICES**

Thurston County government provides and delivers 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, health and social services, cultural and recreational facilities and activities, planning and zoning services, job training, and general administrative services.

By virtue of the County's authority over their operations, this CAFR includes financial data for all the funds and account groups of the County, including activities considered to meet the entity definition criteria established in Governmental Accounting Standards Board Statement No. 14.

## **INTERNAL CONTROLS**

In developing and evaluating the County's accounting systems, the County Auditor's Office has given 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 judgement 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 2000 Thurston County budget is \$292.3 million in all funds and \$51.7 million for the General Fund. This is less than the 1999 budget in both instances, due in part to the passage of Initiative 695. Budgetary control for the county is generally maintained at the "appropriation" level within a fund-department level. Budget overruns are prevented by manual and automatic controls as vouchers are processed. The County Commissioners must approve any budget extensions that would authorize expenditures over the original budget(s). For management purposes, budgets are maintained by establishing detailed line items. The Chief Administrative Officer is the only position authorized to transfer budgeted amounts between appropriation units within a fund.

Reports are prepared monthly for all department managers, comparing current budget appropriation levels to actual expenditures by detailed line items. The financial system also provides managers with on-line access to current expenditure and revenue balances, activities, and budgets. At year-end, the County utilizes a "13th month" accounting period to post all financial transactions attributable to the appropriate fiscal year.

## **FINANCIAL SUMMARY INFORMATION**

The financial information summarized in the next several paragraphs highlights the fiscal data from the various schedules and notes included in the 2000 CAFR. These highlights reflect comparisons and trends with prior years. The financial summary information is grouped into categories entitled: General Government Functions, Proprietary Operations, Fiduciary Operations, and Debt Administration.

**General Government Functions**

The General Fund is the major operating fund of the County. It is used to account for the majority of financial activities in Thurston County, including criminal justice. The principal revenue sources are property taxes and retail sales taxes. Revenues from all tax sources, including excise taxes, penalties, interest, and timber harvests accounted for 67 percent of the total General Fund revenues in Fiscal Year (FY) 2000.

Total General Fund revenues also include grants from federal, state, and other intergovernmental sources, charges for services, fines and forfeitures, interest earnings, and miscellaneous. General Fund revenues for FY 2000 were slightly lower than 1999, showing a decrease of \$383,468 or minus .86%. Tax proceeds were up by 3.8%, but intergovernmental revenues were down by 24.2%. The County also received a one time reimbursement for the Rupe Trial of \$417,261 under miscellaneous. For FY 2000, total revenues for the General Fund were \$458,000 more than budgeted.

The following schedule presents a summary of General Fund revenues for FY 2000 compared to the previous year.

**General Fund Revenues**

Revenues	FY 2000	Percent Of Total	\$ Increase	% Increase	FY 1999 Amount
	Amount		(Decrease) From 1999	(Decrease) From 1999	
Taxes	\$29,933,487	67.32%	\$1,091,818	3.79%	\$28,841,669
Licenses and Permits	33,839	0.08%	71	0.21%	33,768
Intergovernmental	5,642,094	12.69%	(1,798,126)	(24.17%)	7,440,220
Charges for Services	4,926,183	11.08%	(84,971)	(1.70%)	5,011,154
Fines and Forfeitures	1,323,871	2.98%	(22,503)	(1.67%)	1,346,374
Interest	2,087,831	4.70%	(37,211)	(1.75%)	2,125,042
Miscellaneous	515,161	1.16%	467,454	979.84%	47,707
<b>TOTAL</b>	<b>\$44,462,466</b>	<b>100.00%</b>	<b>(\$383,468)</b>	<b>(0.86%)</b>	<b>\$44,845,934</b>

General Fund expenditures increased by \$1,297,064 or 3.1% from 1999. The largest increase was in the area of public safety. Public safety, which includes a large portion of funding for the sheriff’s office, jails, and courts, comprises just under 49 percent of total General Fund expenditures. Expenses for public safety increased by \$2,726,453 from 1999, an increase of approximately 15%. This was partially offset by a decrease in General Fund expenditures for general government operations. Costs for general government operations decreased by \$1,725,422 or 7.9%, and reflected the reduced budget allowance initiated in part by the passage of I-695 and I-722.

Thurston County Washington 2000

The following schedule presents a summary of General Fund expenditures for FY 2000 compared to the previous year.

**General Fund Expenditures**

Expenditures	FY 2000 Amount	Percent Of Total	\$ Increase % Increase		FY 1999 Amount
			(Decrease) From 1999	(Decrease) From 1999	
General Government	\$20,184,357	46.59%	(1,725,442)	(7.88%)	\$21,909,799
Public Safety	21,038,872	48.56%	2,726,453	14.89%	18,312,419
Transportation	91,930	0.21%	(169,540)	(64.84%)	261,470
Utilities and Environment	425,106	0.98%	10,021	2.41%	415,085
Culture and Recreation	285,189	0.66%	58,452	25.78%	226,737
Economic Environment	500,170	1.15%	5,208	1.05%	494,962
Mental/Physical Health	360,492	0.83%	28,841	8.70%	331,651
Capital Outlay & Debt Srvc	439,864	1.02%	363,071	472.79%	76,793
<b>TOTAL</b>	<b>\$43,325,980</b>	<b>100.00%</b>	<b>\$1,297,064</b>	<b>3.09%</b>	<b>\$42,028,916</b>

Total current assets for the General Fund were \$10,399,001 in FY 2000, an increase of \$706,806 from 1999. The most significant increases occurred in two areas: Accrued Interest and Penalties of \$411,516 and Due from Other Governmental Units of \$213,144. As current revenues were increasing, current liabilities were decreasing. General Accounts Payables were down by \$145,474, and obligations to Other Funds were reduced by \$475,911. The net affect was an increase of \$936,238 in the unreserved fund balance of the General Fund to \$5.78 million. This is approximately 13% of the year's collected revenues (excluding "other financing sources"), which is significantly higher than the county's goal of maintaining at least 5 percent of ending fund balance to collected revenues.

For all the Governmental Funds (General, Special Revenue, Debt Service, and Capital Project), total revenues (excluding "other financing sources") increased to \$119,566,700, up slightly from \$119,187,745 in 1999. The largest categories of increase were in taxes, which increased by \$4 million or almost 8 percent, and in Miscellaneous Revenues, which increased by \$1.27 million or 25 percent. These increases were partially offset by reductions in Intergovernmental Revenues of \$4.1 million and Charges for Services of \$625,000 respectively.

Governmental Fund expenditures decreased from \$118,586,067 in 1999 to \$115,420,957 million in 2000. This is a reduction of \$3.165 million or 2.7 percent. The largest changes occurred in the category called Economic Environment, which decreased from \$16.2 million to \$13.3 million or \$2.9 million. Total unreserved fund balance for all the governmental funds increased from \$52.0 million to \$65.5 million. This is an increase of \$13.5 million or almost 26 percent.

***Proprietary Operations***

The Enterprise and Internal Service funds' total equity increased from \$53.6 million in 1999 to \$56.0 million in 2000. The increase was due primarily to an increase of \$2.9 million in non-operating revenues.

***Fiduciary Operations***

At year-end 2000, County Agency funds contained \$147 million in assets and liabilities. The County Treasurer makes investments in a custodial capacity for school districts, fire districts and other special districts. Other Agency Funds are "clearing" or "suspense" accounts for County financial activities.

***Debt Administration***

The County's conservative debt position and financial stability support its "A1" credit rating by Moody's Investor Services. The general bonded debt per capita for the Thurston County government had increased steadily up to \$163 in FY 1998. In 1999, it decreased to \$145 and then increased again to \$168 in FY 2000 (see Statistical Table 7).

The General Long-Term Debt Account Group has \$38.5 million in payables (bonds, leases, and compensated absences) and \$16.2 million in long-term proprietary fund liabilities for a total of \$54.7 million. In addition, long term liabilities include \$24.8 million in closure costs for the Thurston County Landfill. Thurston County's indebtedness for "other than voter-approved" debt is \$135.4 million, significantly below its statutory limit of \$183.1 million. The County's statutory debt limit for "voter-approved debts" is \$305.2 million.

**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 72.5% of the cash investments held by the County are in US Agency and Instrumentality Securities.

All investments at year-end 2000 were insured, registered, and/or held by the County or its agent in the County's name. All of these investments are classified in the lowest-risk category, as defined by the Governmental Accounting Standards Board (GASB).

**RISK MANAGEMENT**

Thurston County acquires insurance for general risk liability from Reliance Insurance Company. Thurston County's insurance, loss expenditures, and accounting activities are centrally tracked within the County's Insurance Risk Internal Service Fund. The County presently purchases insurance for workers' compensation liabilities. As of fiscal year-end 2000, Thurston County is a member of the Washington Counties Risk Pool.

## **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. SAO consistently performs this audit annually and I am pleased to report that Thurston County has continued to receive an unqualified opinion.

## **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Thurston County for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally acceptable accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## **MANAGEMENT RESPONSIBILITY**

The County Auditor is responsible to accurately, completely, and fairly present this financial data. I believe that the data contained in this CAFR is presented in a manner that fairly states the financial position and results of operations of the County, as measured by the financial activity of its various funds in accordance with generally accepted accounting principles. The CAFR also includes all disclosures necessary to enable the reader to gain an understanding of the County's financial affairs. To the best of my knowledge and belief, the enclosed statements are accurate in all material respects.

## **ACKNOWLEDGMENTS**

Thurston County Auditor's Division of Financial Services prepared the CAFR, with assistance from the staff of the Thurston County Treasurer's Office. I appreciate the efforts of accounting staff members in all County departments, who contributed information necessary for compilation of this report.

We also express our thanks to the Thurston County Board of Commissioners for their responsible interest in, and progressive support of, the conduct of financial operations and systems of Thurston County government.

Respectfully Submitted,

**KIM WYMAN**  
**THURSTON COUNTY AUDITOR**

**To The Citizens of Thurston County:**

**Economic Condition and Accomplishments for FY 2000**

The Thurston County Financial Policies Committee is pleased to submit this overview of the County's current economic conditions and a sample of several major program accomplishments and service efforts by County departments during calendar year 2000.

The Financial Policy Committee (FPC) was established in 1989 to oversee the development of financial and accounting policies and procedures for the overall county, and to serve as an internal audit committee to ensure that proper financial controls are being used in county departments and offices. FPC members are Thurston County Auditor (chair), Thurston County Treasurer, and Thurston County Chief Administrative Officer.

The work of the FPC in creating, maintaining, and updating relevant financial policies and procedures is ongoing. Accountants and financial managers participate in staff advisory capacities and developing drafts of financial procedures. Finalized policies and procedures are adopted by the FPC, published and are used throughout the organization.

**Summary of Economic Conditions**

Economic conditions are, in part, a product of (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 has continued to increase steadily, but not at the same rate as the prior two decades. The statistics and information that follows highlight the changes in these conditions.

***Population and Demographic Trends***

The population of Thurston County has grown from 161,238 in 1990 to 210,910 in 2000. This is an increase of 43,062 residents and an average growth rate of 2.4 percent per year. The majority 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 is the 7<sup>th</sup> fastest growing of our State's 39 counties over the past decade. This is the result of a relatively stable economy, high quality of life and a lower cost of living than in the Seattle/Tacoma area to the north.

The senior population continues to be one of the fastest growing segments of Thurston County's population. From 1980 to 2000, the population aged 65 and older increased from 12,230 to 24,081, almost doubling in number. Today our senior citizens constitute 11 percent of our total population. Projections show that by the year 2020, the population of people aged 65 or over will have increased to 17 percent of our total population. A change that will place increased pressures on our public health care services and retirement facilities.

Over the past twenty years, population growth has been fairly evenly distributed between the incorporated and unincorporated areas of the county. This is in stark contrast to the two previous decades of the 60's and 70's, when major shifts in population occurred in both directions. In calendar year 2000, approximately 57 percent of our population live in unincorporated areas and 43 percent in incorporated jurisdictions.

The growth within our municipal cities has not been constant however. The rural cities of Rainier, Yelm, and Grand Mound are all growing at an annual rate of 4 percent or better. Lacey and Tumwater are growing at a rate equivalent with statewide growth at 2.5 and 2.2 percent respectively. Olympia continues to grow at a slower pace, approximately 1.8 percent per year.

### ***Employment and Housing***

Between 1990 and 1998 (the most recent statistical year), the number of jobs available in the County has increased by 27 percent. The industry sector with the greatest rate of growth in 1998 was Transportation and Public Utilities, which grew 8.9 percent from 1,908 jobs in 1997 to 2,077 jobs in 1998. It was closely followed by the Construction sector that grew 8.3 percent from 3,184 jobs to 3,449 jobs in the same time period. The greatest overall increase in the actual number of jobs was in the Services sector, accounting for 730 new jobs, a 4.2 percent increase over 1997. The second largest number of new jobs was provided by the Government sector with 552 new jobs, a 1.8 percent increase.

Despite an increase in total jobs, the Manufacturing sector continues to lose overall market share in Thurston County. Manufacturing pays the third highest average wage but only accounts for about 5 percent of County jobs. In 1998, there was an absolute decline in manufacturing employment of 98 jobs. The majority of this is attributable to the closure of Olympia Cheese Company.

Over the past decade, housing starts in Thurston County have proven to be quite steady. There were 2,807 residential housing starts in 1990, 2,106 in 1995, and 2,175 in 1999. Over 60 percent of these permits were located within the urban growth boundaries. The average sales price for a home in 1990 was \$91,568. In 1999, the average sales price was \$152,030.

Housing affordability overall was relatively good for Thurston County with an index of 136.8 vs. 108.4 statewide. An index of 100.0 is considered a good balance between monthly income and housing costs. However, for first time homebuyers, the index was 80.9 and slightly lower than the previous year.

### ***Per Capita Income and Inflation***

In 2000 the median household income for Thurston County was \$44,934, up from \$43,475 in 1999. In comparison with adjacent counties, Thurston County continues to experience a higher median household income than Lewis, Mason, and Grays Harbor counties, but slightly less than Pierce County. Median household income in Thurston County continues to lag considerably behind the Washington State average of \$50,152, due to the concentration of higher paying technology and engineering jobs in the Central Puget Sound Region.

Real per capita income for Thurston County, which is measured by dividing total personal income by population and adjusted for inflation, has increased slightly from \$22,545 in 1990 to \$24,895 in 1998 (the latest statistical year). This is a real per capita increase of \$2,350 compared to a statewide per capita increase of \$4,420 during the same time period.

### ***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. Between 1998 and 1999, the County experienced a 9 percent increase in taxable retail sales. This is the same increase as the previous year, continuing a relatively steady trend of growth. Similar to population trends, retail sales

growth in the 1990's has occurred fastest in the smaller rural areas of Yelm, Bucoda, and Rainier. The "taxable retail sales" for the entire County has increased by an average of 6 to 7 percent annually since 1990.

### **Future Economic Outlook**

Currently more people commute out of the County to work every day than those who commute into the County do. The trend is expected to continue over the next 25 years. Thurston Regional Planning predicts that the population in the year 2025 will be over 334,000, an increase of 58 percent over this twenty-five-year period.

The Thurston Regional Planning Council also has projected an increase in employment for Thurston County from 102,300 persons to 148,800 by the year 2025. This is an increase of 45 percent over the twenty-five year period. The number of local jobs available is expected to increase at about the same rate as the labor force, with the service industry continuing to be the dominant employment base.

Thurston County's economic vitality has traditionally come from being the state capital. State government, with its substantial employment base, has significant ripple effects in the consumer business trade and services sectors. Most recently, Thurston County is working to solidify its role as a regional retail and services center as it attempts to draw customers from nearby counties. 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 St. Peters Hospital is undertaking a major expansion project. On the other hand, rising health care costs and reduced government reimbursement rates are driving private health care providers out of the county and state.

### **Major Accomplishments and Service Efforts**

The County made major progress in adding to the quality of life of our residents and to the efficiency of operations in calendar year 2000.

The Board of County Commissioners initiated a broad-based quality improvement program in 2000 called "Focus 2000". Through a series of brown bag lunches, focus groups, department meetings and individual suggestions, over 300 recommendations for improvements were received from the various departments and offices in the County. These suggestions were evaluated for feasibility, potential cost, and opportunities for savings and improved service delivery.

Departments have already implemented several of these suggestions. One of the recommendations that was implemented successfully in 2000 is the use of credit cards by county offices and employees for the purchase of general supplies and equipment, and for travel. The use of credit cards has made it more convenient for our employees in remote locations and has significantly reduced the paperwork for advanced travel requests and for processing monthly vouchers. To date the County has issued 65 cards for 15 agencies.

Four of these recommendations were determined to have organization-wide implications. The Board has appointed employee committees to review these and make recommendations for implementation. These are (1) improving the County's presence on the web, (2) allowing the use of credit cards for customers, (3) improving our purchasing practices, and (4) providing a drop box at the courthouse for payments and paperwork. Because of the success of this program, the Board plans to continue to solicit ideas from our employees on a continuing basis.

Effective May 1, 2000, the County began operation of its new solid waste transfer station at the Waste and Recovery Center (WARC) at Hawks Prairie. The new transfer station serves residents countywide, commercial haulers, and the city of Olympia. Waste materials are now long-hauled from the WARC to a major regional landfill in Eastern Washington. Simultaneously, the County initiated final closure of the previously active sanitary landfill. By year-end, the landfill had been capped with compacted soil and a new interim, gas collection system installed. New weight booths were installed and the overall process was streamlined. The closure project is expected to be complete in the fall of 2001.

Medic One, the countywide emergency medical support system, added a west Olympia paramedic unit one-year ahead of plans. The addition will improve paramedic response time for western Thurston County and help mitigate the emergency response time impact of the Fourth Avenue bridge closure and replacement.

In 1999, the Board of County Commissioners created a Countywide Information Technology Committee. In 2000, the Committee established and funded an Information Technology Replacement Plan and developed a strategic plan with mission, goals and guiding principles. This plan and associated procedures will help the Committee maximize the investment the County makes in information technology and be a resource for Board decision-making.

#### **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. We appreciate their efforts, and appreciate also the sound and progressive approach of the Board of Commissioners, in their conduct of the financial affairs of the County.

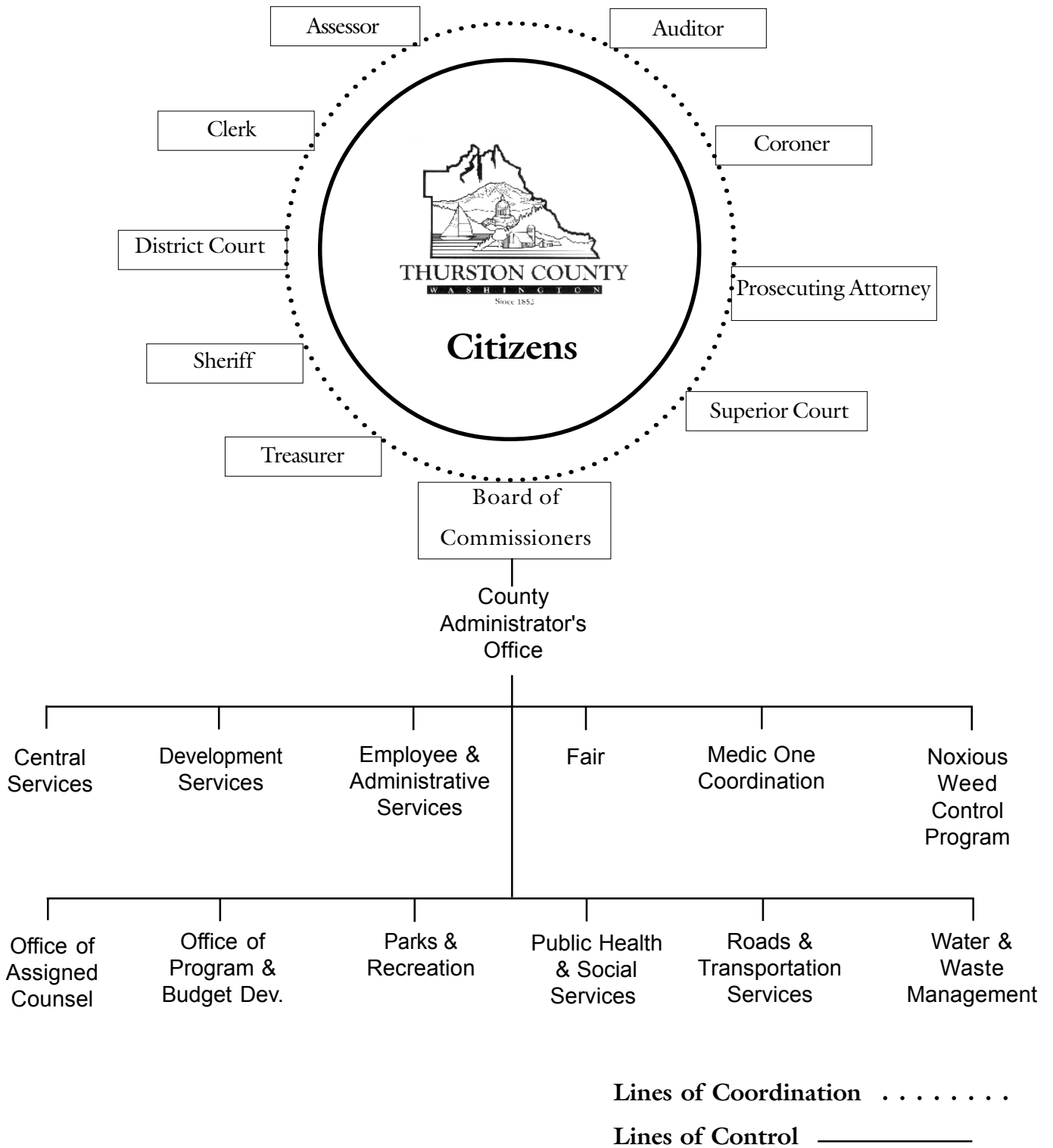
#### **MEMBERS OF THE THURSTON COUNTY FINANCIAL POLICIES COMMITTEE:**

**Kim Wyman**  
County Auditor,  
Chairman

**Robin Hunt, CPA**  
County Treasurer

**Don Krupp**  
Acting Chief  
Administrative Officer

# Thurston County Organization Chart



# Elected Officials

**December 31, 2000**

## Thurston County Board of Commissioners

Honorable Judy Wilson, **District One**

Honorable Diane Oberquell, **District Two**

Honorable Kevin J. O'Sullivan, **District Three**

Honorable Patricia Costello, **Assessor**

Honorable Sam Reed, **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. 'Kip' Stilz

## Superior Court Judges

Honorable Daniel J. Berschauer

Honorable Paula Casey

Honorable Richard A. Strophy

Honorable Wm. Thomas McPhee

Honorable Richard Hicks

Honorable Christine A. Pomeroy

Honorable Gary R. Tabor