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**INDEPENDENT AUDITOR'S REPORT**

June 15, 2001

The Honorable Chairman and  
Members of the Board of Commissioners  
Thurston County  
Olympia, Washington

We have audited the general purpose financial statements of Thurston County, Washington, as of and for the fiscal year ended December 31, 2000. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed pursuant to the *Revised Code of Washington* 43.09.260, under which a full report on the results of this audit will be issued. This report may include findings and recommendations on compliance matters, internal control procedures, and questionable costs or contingencies that would not be material in relation to the general purpose financial statements taken as a whole.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Thurston County, Washington, at December 31, 2000, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Thurston County, Washington. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on such information.

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR





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# General Purpose Financial Statements

General Purpose Financial Statements (GPFS) are the minimum financial statements which conform with Generally Accepted Accounting Principles (GAAP). GPFS are designed for users requiring more succinct information than is contained in the full Comprehensive Annual Financial Report (CAFR).

General Purpose Financial Statements include:

1. Combined Balance Sheet - All Fund Types and Account Groups
2. Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types
3. 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
4. Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types
5. Combined Statement of Cash Flows - All Proprietary Fund Types
6. Notes to the Financial Statements

Thurston County Washington 2000

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF December 31, 2000

Assets	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	INTERNAL SERVICE
<i>Current Assets</i>						
Cash & Pooled Investments	\$4,609,626	\$52,050,385	\$18,671	\$9,792,733	\$14,552,031	\$13,418,812
Taxes Receivable	1,058,526	1,064,208	-	-	-	-
Special Assessment Receivables	-	44,230	-	-	293,958	-
Accrued Interest & Penalties	2,525,606	267,482	98	56,598	203,718	69,539
Customer Account Receivables	106,388	93,678	-	-	991,393	2,041
Due from Other Funds	367,179	405,460	-	8,260	4,211,252	1,533,399
Interfund Loans Receivables	-	-	-	-	-	-
Due from Other Government Units	1,731,676	2,158,441	-	468,927	494,522	7,290
Inventory	-	716,289	-	-	-	149,804
Prepayments	-	-	-	-	-	189,067
<i>Restricted Assets</i>						
Cash & Pooled Investments	-	-	-	-	23,058,772	-
Investments at Cost	-	-	-	-	1,000,000	-
<i>Long-Term Assets</i>						
Deferred Charges	-	-	-	-	204,576	-
Community Loans Receivable	-	-	-	-	181,353	-
Other Long-Term Receivables	-	263,391	-	-	-	-
Special Assessment Receivables	-	-	-	-	5,946,443	-
Fixed Assets	-	-	-	-	49,416,989	24,519,488
Accumulated Depreciation	-	-	-	-	(18,358,151)	(14,777,226)
<i>Other Debits</i>						
Amount Available in Debt Service Funds	-	-	-	-	-	-
Amount to be Prov. for Retirement of L/T Debt	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$10,399,001</b>	<b>\$57,063,564</b>	<b>\$18,769</b>	<b>\$10,326,518</b>	<b>\$82,196,856</b>	<b>\$25,112,214</b>
<b>Liabilities, Equity &amp; Other Credits</b>						
<i>Current Liabilities</i>						
Warrants Payable	\$-	\$-	\$-	\$-	\$-	\$-
Accounts Payable	661,662	1,745,529	-	154,697	3,364,530	762,625
Due to Other Funds	383,010	1,862,374	-	5,298	4,208,901	30,247
Due to Fiscal Agent	-	-	-	-	-	-
Interfund Loans Payable	-	-	-	-	-	-
Due to Other Government Units	38,264	856,495	-	915	17,258	192
Limited G.O. Bonds Payable	-	-	-	-	85,000	142,957
Deferred Revenue	3,535,998	3,004,284	-	-	-	-
<i>Long-Term Liabilities</i>						
Limited G.O. Bonds Payable	-	-	-	-	12,677,904	1,041,998
Compensated Absences Payable	-	-	-	-	194,938	353,508
Claims & Judgements Payable	-	-	-	-	-	1,969,629
Intergovernmental Loans & Contracts Payable	-	-	-	-	1,335,784	288,895
Accumulated Landfill Closure Costs	-	-	-	-	24,813,897	-
<b>Total Liabilities</b>	<b>4,618,934</b>	<b>7,468,682</b>	<b>-</b>	<b>160,910</b>	<b>46,698,212</b>	<b>4,590,051</b>
<i>Equity &amp; Other Credits :</i>						
Contributed Capital	-	-	-	-	17,483,842	4,059,910
Investment in General Fixed Assets	-	-	-	-	-	-
Retained Earnings - Reserved	-	-	-	-	23,836,571	6,846,402
Retained Earnings - Unreserved	-	-	-	-	(5,821,769)	9,615,851
Fund Balance - Reserved	22,045	1,689,106	18,769	-	-	-
Fund Balance - Unreserved	5,758,022	47,905,776	-	10,165,608	-	-
<b>Total Equity &amp; Other Credits</b>	<b>5,780,067</b>	<b>49,594,882</b>	<b>18,769</b>	<b>10,165,608</b>	<b>35,498,644</b>	<b>20,522,163</b>
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>\$10,399,001</b>	<b>\$57,063,564</b>	<b>\$18,769</b>	<b>\$10,326,518</b>	<b>\$82,196,856</b>	<b>\$25,112,214</b>

See accompanying notes to the financial statements.

Thurston County Washington 2000

	FIDUCIARY FUND TYPE		ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	AGENCY	GEN FIXED ASSETS	GENERAL L/T DEBT	2000	1999	
<b>Assets</b>						
<i>Current Assets</i>						
Cash & Pooled Investments	\$138,701,264	\$-	\$-	\$233,143,522	\$201,395,650	
Taxes Receivable	6,797,165	-	-	8,919,899	8,492,896	
Special Assessment Receivables	-	-	-	338,188	383,967	
Accrued Interest & Penalties	1,877,949	-	-	5,000,990	4,829,164	
Customer Account Receivables	23	-	-	1,193,523	1,440,805	
Due from Other Funds	-	-	-	6,525,550	3,865,205	
Interfund Loans Receivables	-	-	-	-	2,334	
Due from Other Government Units	1,215	-	-	4,862,071	5,403,664	
Inventory	-	-	-	866,093	822,541	
Prepayments	-	-	-	189,067	189,067	
<i>Restricted Assets</i>						
Cash & Pooled Investments	-	-	-	23,058,772	23,017,724	
Investments at Cost	-	-	-	1,000,000	1,000,000	
<i>Long-Term Assets</i>						
Deferred Charges	-	-	-	204,576	226,309	
Community Loan Receivable	-	-	-	181,353	187,818	
Other Long-Term Receivables	-	-	-	263,391	263,393	
Special Assessment Receivables	-	-	-	5,946,443	6,233,198	
Fixed Assets	-	82,000,674	-	155,937,151	149,910,022	
Accumulated Depreciation	-	-	-	(33,135,377)	(29,877,031)	
<i>Other Debits</i>						
Amount Available in Debt Service Funds	-	-	18,769	18,769	14,349	
Amount to be Prov. for Retirement of L/T Debt	-	-	38,489,381	38,489,381	32,689,200	
<b>Total Assets</b>	<b>\$147,377,616</b>	<b>\$82,000,674</b>	<b>\$38,508,150</b>	<b>\$453,003,362</b>	<b>\$410,490,275</b>	
<b>Liabilities, Equity &amp; Other Credits</b>						
<i>Current Liabilities</i>						
Warrants Payable	\$13,207,794	\$-	\$-	\$13,207,794	\$12,310,140	
Accounts Payable	5,734,722	-	-	12,423,765	9,211,995	
Due to Other Funds	36,935	-	-	6,526,765	3,866,926	
Due to Fiscal Agent	952,662	-	-	952,662	1,076,215	
Interfund Loans Payable	-	-	-	-	2,334	
Due to Other Government Units	127,445,503	-	-	128,358,627	112,352,906	
Limited G.O. Bonds Payable	-	-	-	227,957	233,059	
Deferred Revenue	-	-	-	6,540,282	4,493,718	
<i>Long-Term Liabilities</i>						
Limited G.O. Bonds Payable	-	-	34,248,998	47,968,900	44,523,364	
Compensated Absences Payable	-	-	3,362,239	3,910,685	3,775,114	
Claims & Judgements Payable	-	-	-	1,969,629	2,312,036	
Intergovernmental Loans & Contracts Payable	-	-	896,913	2,521,592	1,497,874	
Accumulated Landfill Closure Costs	-	-	-	24,813,897	28,207,869	
<b>Total Liabilities</b>	<b>147,377,616</b>	<b>-</b>	<b>38,508,150</b>	<b>249,422,555</b>	<b>223,863,550</b>	
<i>Equity &amp; Other Credits :</i>						
Contributed Capital	-	-	-	21,543,752	21,397,054	
Investment in General Fixed Assets	-	82,000,674	-	82,000,674	80,949,389	
Retained Earnings - Reserved	-	-	-	30,682,973	32,339,202	
Retained Earnings - Unreserved	-	-	-	3,794,082	(145,088)	
Fund Balance - Reserved	-	-	-	1,729,920	1,088,170	
Fund Balance - Unreserved	-	-	-	63,829,406	50,997,998	
<b>Total Equity &amp; Other Credits</b>	<b>-</b>	<b>82,000,674</b>	<b>-</b>	<b>203,580,807</b>	<b>186,626,725</b>	
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>\$147,377,616</b>	<b>\$82,000,674</b>	<b>\$38,508,150</b>	<b>\$453,003,362</b>	<b>\$410,490,275</b>	

See accompanying notes to the financial statements.

Thurston County Washington 2000

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED December 31, 2000

	GOVERNMENT FUND TYPES				TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICES	CAPITAL PROJECT	2000	1999
<b>Revenues:</b>						
Taxes	\$29,933,487	\$26,939,851	\$-	\$199,899	\$57,073,237	\$53,072,233
Licenses and Permits	33,839	2,239,730	-	-	2,273,569	2,406,412
Intergovernmental	5,642,094	35,459,723	-	2,460,822	43,562,639	47,671,797
Charges for Services	4,926,183	4,075,957	-	-	9,002,140	9,627,041
Fines & Forfeitures	1,323,871	-	-	-	1,323,871	1,346,374
Miscellaneous Revenue	2,602,993	2,921,032	3,243	803,976	6,331,244	5,063,888
<b>Total Revenues</b>	<b>44,462,467</b>	<b>71,636,293</b>	<b>3,243</b>	<b>3,464,697</b>	<b>119,566,700</b>	<b>119,187,745</b>
<b>Expenditures:</b>						
<i>Current</i>						
General Government	20,184,357	3,049,621	-	71,125	23,305,103	24,966,070
Security of Persons & Property	21,038,872	6,256,479	-	-	27,295,351	24,263,566
Physical Environment	425,106	883,622	-	-	1,308,728	1,324,438
Transportation	91,930	15,144,524	-	-	15,236,454	15,399,447
Economic Environment	500,170	12,782,187	-	-	13,282,357	16,222,204
Mental and Physical Health	360,492	20,314,891	-	-	20,675,383	20,654,998
Culture and Recreation	285,189	1,715,992	-	-	2,001,181	4,645,622
Capital Outlay	805,020	1,864,558	-	7,417,438	9,682,138	6,425,751
<i>Debt Service</i>						
Principal	33,078	23,686	1,135,000	-	1,191,764	3,173,965
Interest and Fiscal Charges	6,644	18,056	1,417,798	-	1,442,498	1,510,006
<b>Total Expenditures</b>	<b>43,730,858</b>	<b>62,053,616</b>	<b>2,552,798</b>	<b>7,488,563</b>	<b>115,420,957</b>	<b>118,586,067</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>731,609</b>	<b>9,582,677</b>	<b>(2,549,555)</b>	<b>(4,023,866)</b>	<b>4,145,743</b>	<b>601,678</b>
<b>Other Financing Sources (Uses)</b>						
Capital Lease Financing	404,878	-	-	-	-	-
Other Financing Sources - Sale of Fixed Assets	689,935	629,800	-	1,798,017	3,117,752	1,672,303
Other Financing Sources - Bond Proceeds	-	6,019,648	-	450,000	6,469,648	770,522
Operating Transfers In	2,146,891	8,697,572	2,555,801	1,197,657	14,597,921	19,780,255
Operating Transfers Out	(3,039,880)	(11,132,960)	-	(553,023)	(14,725,863)	(19,496,971)
<b>Total Other Financing Sources (Uses)</b>	<b>201,824</b>	<b>4,214,060</b>	<b>2,555,801</b>	<b>2,892,651</b>	<b>9,459,458</b>	<b>2,726,109</b>
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	<b>933,433</b>	<b>13,796,737</b>	<b>6,246</b>	<b>(1,131,215)</b>	<b>13,605,201</b>	<b>3,327,787</b>
Fund Balance at Beginning of Year	4,865,874	35,873,409	14,172	11,332,712	52,086,167	49,120,763
Prior Period Adjustments	-	-	-	-	-	(96,078)
Residual Equity Transfers In	2,059	30,664	-	-	32,723	70,839
Residual Equity Transfers Out	(21,299)	(105,928)	(1,649)	(35,889)	(164,765)	(337,144)
<b>Fund Balance at End of Year</b>	<b>\$5,780,067</b>	<b>\$49,594,882</b>	<b>\$18,769</b>	<b>\$10,165,608</b>	<b>\$65,559,326</b>	<b>\$52,086,167</b>

See accompanying notes to the financial statements.

Thurston County Washington 2000

**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  
YEAR ENDED December 31, 2000 (Page 1 of 2)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>Revenues:</b>						
Taxes	\$30,555,974	\$29,933,487	(\$622,487)	\$26,494,321	\$26,939,851	\$445,530
Licenses and Permits	55,748	33,839	(21,909)	2,014,245	2,239,730	225,485
Intergovernmental	5,335,384	5,642,094	306,710	36,419,723	35,459,723	(960,000)
Charges for Services	5,141,906	4,926,183	(215,723)	4,809,142	4,075,957	(733,185)
Fines & Forfeitures	1,046,600	1,323,871	277,271	-	-	-
Miscellaneous Revenue	1,868,882	2,602,993	734,111	2,062,529	2,921,032	858,503
<b>Total Revenues</b>	<b>44,004,494</b>	<b>44,462,467</b>	<b>457,973</b>	<b>71,799,960</b>	<b>71,636,293</b>	<b>(163,667)</b>
<b>Expenditures:</b>						
<i>Current</i>						
General Government	21,192,411	20,184,357	1,008,054	4,145,453	3,049,621	1,735,628
Security of Persons & Property	21,595,604	21,038,872	556,732	7,235,035	6,256,479	1,016,233
Physical Environment	425,106	425,106	-	977,686	883,622	110,228
Transportation	156,128	91,930	64,198	16,795,576	15,144,524	1,666,211
Economic Environment	510,506	500,170	10,336	14,816,240	12,782,187	2,077,542
Mental and Physical Health	370,583	360,492	10,091	22,816,349	20,314,891	5,192,390
Culture and Recreation	289,262	285,189	4,073	1,986,531	1,715,992	270,539
Capital Outlay	397,825	805,020	(2,317)	16,045,188	1,864,558	14,180,630
<i>Debt Service</i>						
Principal	14,755	33,078	(18,323)	26,218	23,686	2,532
Interest and Fiscal Charges	1,567	6,644	(5,077)	3,477	18,056	(14,579)
<b>Total Expenditures</b>	<b>44,953,747</b>	<b>43,730,858</b>	<b>1,627,767</b>	<b>84,847,753</b>	<b>62,053,616</b>	<b>26,237,354</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(949,253)</b>	<b>731,609</b>	<b>2,085,740</b>	<b>(13,047,793)</b>	<b>9,582,677</b>	<b>26,073,687</b>
<b>Other Financing Sources (Uses)</b>						
Capital Lease Financing	-	404,878	-	-	-	-
Other Financing Sources - Bond Proceeds	-	-	-	2,110,000	6,019,648	3,909,648
Other Financing Sources - Sale of Fixed Assets	575,100	689,935	114,835	562,160	629,800	67,640
Operating Transfers In	2,325,203	2,146,891	(178,312)	11,655,928	8,697,572	(2,958,356)
Operating Transfers Out	(3,103,880)	(3,039,880)	64,000	(15,390,577)	(11,132,960)	843,344
<b>Total Other Financing Sources (Uses)</b>	<b>(203,577)</b>	<b>201,824</b>	<b>523</b>	<b>(1,062,489)</b>	<b>4,214,060</b>	<b>1,862,276</b>
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	<b>(1,152,830)</b>	<b>933,433</b>	<b>2,086,263</b>	<b>(14,110,282)</b>	<b>13,796,737</b>	<b>27,935,963</b>
Fund Balance at Beginning of Year	4,842,929	4,865,874	22,945	32,095,150	35,873,409	3,778,259
Prior Period Adjustments	-	-	-	-	-	-
Residual Equity Transfers In	-	2,059	2,059	-	30,664	30,664
Residual Equity Transfers Out	-	(21,299)	(21,299)	(28,944)	(105,928)	(105,928)
<b>Fund Balance at End of Year</b>	<b>\$3,690,099</b>	<b>\$5,780,067</b>	<b>\$2,089,968</b>	<b>\$17,955,924</b>	<b>\$49,594,882</b>	<b>\$31,638,958</b>

See accompanying notes to the financial statements.

**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  
YEAR ENDED December 31, 2000 (Page 2 of 2)

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>Revenues:</b>						
Taxes	\$-	\$-	\$-	\$258,000	\$199,899	(\$58,101)
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	3,730,900	2,460,822	(1,270,078)
Charges for Services	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-
Miscellaneous Revenue	975	3,243	2,268	381,850	803,976	422,126
<b>Total Revenues</b>	<b>975</b>	<b>3,243</b>	<b>2,268</b>	<b>4,370,750</b>	<b>3,464,697</b>	<b>(906,053)</b>
<b>Expenditures:</b>						
<i>Current</i>						
General Government	-	-	-	71,125	71,125	-
Security of Persons & Property	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	10,341,215	7,417,438	2,923,777
<i>Debt Service</i>						
Principal	1,135,000	1,135,000	-	-	-	-
Interest and Fiscal Charges	1,495,189	1,417,798	77,391	-	-	-
<b>Total Expenditures</b>	<b>2,630,189</b>	<b>2,552,798</b>	<b>77,391</b>	<b>10,412,340</b>	<b>7,488,563</b>	<b>2,923,777</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,629,214)</b>	<b>(2,549,555)</b>	<b>79,659</b>	<b>(6,041,590)</b>	<b>(4,023,866)</b>	<b>2,017,724</b>
<b>Other Financing Sources (Uses)</b>						
Other Financing Sources - Sale of Fixed Assets	-	-	-	1,702,000	1,798,017	96,017
Other Financing Sources - Bond Proceeds	2,110,000	-	(2,110,000)	-	450,000	450,000
Operating Transfers In	2,629,189	2,555,801	(73,388)	1,797,285	1,197,657	(599,628)
Operating Transfers Out	-	-	-	-	(553,023)	(553,023)
<b>Total Other Financing Sources (Uses)</b>	<b>4,739,189</b>	<b>2,555,801</b>	<b>(2,183,388)</b>	<b>3,499,285</b>	<b>2,892,651</b>	<b>(606,634)</b>
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	<b>2,109,975</b>	<b>6,246</b>	<b>(2,103,729)</b>	<b>(2,542,305)</b>	<b>(1,131,215)</b>	<b>1,411,090</b>
Fund Balance at Beginning of Year	2,649	14,172	11,523	11,332,890	11,332,712	(178)
Prior Period Adjustments	-	-	-	-	-	-
Residual Equity Transfers In	-	-	-	-	-	-
Residual Equity Transfers Out	(1,649)	(1,649)	-	-	(35,889)	(35,889)
<b>Fund Balance at End of Year</b>	<b>\$2,110,975</b>	<b>\$18,769</b>	<b>(\$2,092,206)</b>	<b>\$8,790,585</b>	<b>\$10,165,608</b>	<b>\$1,375,023</b>

See accompanying notes to the financial statements.

Thurston County Washington 2000

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY**  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED December 31, 2000

	ENTERPRISE	INTERNAL SERVICE	TOTALS (MEMORANDUM ONLY)	
			2000	1999
<b>Operating Revenues:</b>				
Charges for Services	\$14,507,933	\$11,147,937	\$25,655,870	\$24,761,156
Equipment Rental	-	3,544,291	3,544,291	3,187,180
Assessments	1,324,729	930,845	2,255,574	1,827,484
Interfund Contributions	-	470,417	470,417	329,604
Miscellaneous	57,903	109,202	167,105	276,301
<b>Total Operating Revenue</b>	<b>15,890,565</b>	<b>16,202,692</b>	<b>32,093,257</b>	<b>30,381,725</b>
<b>Operating Expenses:</b>				
General Operations	9,286,593	9,323,526	18,610,119	12,931,694
Contracted Procedure & Operations	-	-	-	-
Maintenance of Equipment	444,827	384,195	829,022	935,923
Customer Service	302,276	-	302,276	374,540
General Administration	4,083,278	2,404,674	6,487,952	5,740,915
Other Admin.(Planning & Conservation)	626,464	-	626,464	484,611
Depreciation/Amortization	2,601,892	2,473,697	5,075,589	10,591,146
Risk Transfer Payments	-	510,377	510,377	200,407
Claims Payment	-	91,808	91,808	348,122
<b>Total Operating Expenses</b>	<b>17,345,330</b>	<b>15,188,277</b>	<b>32,533,607</b>	<b>31,607,358</b>
<b>Operating Income</b>	<b>(1,454,765)</b>	<b>1,014,415</b>	<b>(440,350)</b>	<b>(1,225,633)</b>
<b>Nonoperating Revenue (Expenses):</b>				
Interest Revenue	2,665,401	703,035	3,368,436	3,101,971
Other Non Operating Revenue	452,725	95,197	547,922	416,838
Interest Expense & Fiscal Charges	(962,621)	(59,067)	(1,021,688)	(1,437,988)
<b>Total Nonoperating Revenue (Expense)</b>	<b>2,155,505</b>	<b>739,165</b>	<b>2,894,670</b>	<b>2,080,821</b>
<b>Income Before Operating Transfers</b>	<b>700,740</b>	<b>1,753,580</b>	<b>2,454,320</b>	<b>855,188</b>
Operating Transfers In	7,942,395	58,451	8,000,846	5,253,263
Operating Transfers Out	(7,840,044)	(32,860)	(7,872,904)	(5,536,547)
<b>Net Income (Loss)</b>	<b>803,091</b>	<b>1,779,171</b>	<b>2,582,262</b>	<b>571,904</b>
Fund Equity at Beginning of Year	34,942,971	18,648,197	53,591,168	46,954,726
Prior Period Adjustment	(240,641)	(44,024)	(284,665)	250,163
Residual Equity Trans In & Contributed Capital	5,748	140,950	146,698	5,897,514
Residual Equity Transfers Out	(12,525)	(2,131)	(14,656)	(83,139)
<b>Fund Equity at End of Year</b>	<b>\$35,498,644</b>	<b>\$20,522,163</b>	<b>\$56,020,807</b>	<b>\$53,591,168</b>

See accompanying notes to the financial statements.

Thurston County Washington 2000

**COMBINED STATEMENT OF CASH FLOWS**  
 ALL PROPRIETARY FUND TYPES  
 YEAR ENDED December 31, 2000

	ENTERPRISE	INTERNAL SERVICE	TOTALS (MEMORANDUM ONLY)	
			2000	1999
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$13,507,213	\$16,091,874	\$29,599,087	\$30,570,751
Cash Payments for Goods & Services	(11,592,866)	(7,424,035)	(19,016,901)	(4,286,683)
Cash Paid to Employees	(2,448,806)	(5,929,337)	(8,378,143)	(13,461,638)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(534,459)</b>	<b>2,738,502</b>	<b>2,204,043</b>	<b>12,822,430</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Transfers In	7,942,395	58,451	8,000,846	5,253,263
Operating Transfers Out	(7,840,044)	(32,860)	(7,872,904)	(5,536,546)
Residual Equity Transfers In	5,748	140,950	146,698	1,125
Residual Equity Transfers Out	12,625	2,131	14,756	(16,195)
Grant Proceeds	233,804	-	233,804	1,231,574
Interest Payments	(14,522)	-	(14,522)	(70,879)
Community Loans/Contracts Issued (Paid)	36,928	-	36,928	-
Interfund Loans Issued/Paid	-	-	-	-
Other Noncapital Financing	57,740	-	57,740	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>434,674</b>	<b>168,672</b>	<b>603,346</b>	<b>862,342</b>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>				
Net Capital Asset Acquisitions	(3,484,168)	(3,433,666)	(6,917,834)	(8,886,853)
Debt/Contract Principal Proceeds (Repayments)	(1,403,345)	147,525	(1,255,820)	(546,554)
Assessment Receipts	335,471	-	335,471	30,822
Interest Payments	(948,099)	(59,067)	(1,007,166)	(1,425,524)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>(5,500,141)</b>	<b>(3,345,208)</b>	<b>(8,845,349)</b>	<b>(10,828,109)</b>
<b>Cash Flows from Investment Activities:</b>				
Investment (Purchased) Liquidated	-	-	-	164
Interest Receipts	2,666,408	699,648	3,366,056	3,075,736
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>2,666,408</b>	<b>699,648</b>	<b>3,366,056</b>	<b>3,075,900</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>(2,933,518)</b>	<b>261,614</b>	<b>(2,671,904)</b>	<b>5,932,563</b>
Cash & Cash Equivalents 1-1-00	41,544,321	13,157,198	54,701,519	48,596,794
<b>Cash &amp; Cash Equivalents 12-31-00</b>	<b>\$38,610,803</b>	<b>\$13,418,812</b>	<b>\$52,029,615</b>	<b>\$54,529,357</b>
<b>Reconciliation of Operating Income To Net Cash Provided (Used) By Operating Income</b>				
<b>Operating Income</b>	<b>(\$1,454,765)</b>	<b>\$1,014,415</b>	<b>(\$440,350)</b>	<b>(\$1,225,633)</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation Expense	2,601,892	2,473,697	5,075,589	10,591,146
<b>(Increase) Decrease in:</b>				
Special Assessment Receivables	48,716	-	48,716	(175,020)
Other Current Receivables	94,169	16,813	110,982	(221,715)
Due From Other Funds	(2,820,758)	(128,343)	(2,949,101)	886,237
Due From Other Governmental Units	272,363	(5,767)	266,596	1,333,964
Inventories	-	(26,841)	(26,841)	590
Prepayments	-	-	-	(92,304)
Deferred Charges	21,733	-	21,733	(195,551)
Other Long-Term Receivables	-	-	-	-
<b>Increase (Decrease) in:</b>				
Accounts Payable	1,679,412	(268,555)	1,410,857	1,269,526
Due To Other Funds	2,501,488	(1,181)	2,500,307	296,973
Due To Other Governmental Units	(98,737)	192	(98,545)	96,343
Claims and Judgements	-	(342,407)	(342,407)	240,573
Compensated Absences Payable	14,000	6,479	20,479	17,301
Accumulated Landfill Closure Costs	(3,393,972)	-	(3,393,972)	-
<b>Total Adjustments</b>	<b>920,306</b>	<b>1,724,087</b>	<b>2,644,393</b>	<b>14,048,063</b>
<b>Net Cash Provided By Operating Activities</b>	<b>(\$534,459)</b>	<b>\$2,738,502</b>	<b>\$2,204,043</b>	<b>\$12,822,430</b>

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2000

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## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2000

### 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 government 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

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 the following services according to the Constitution and laws of the State of Washington: public safety, construction of roads and bridges, health and social services, culture-recreation, planning and zoning, and administrative services.

As required by generally accepted accounting principles the financial statements present Thurston County - the primary government. There are no component units included in these statements.

#### B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The County's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how they are controlled. The following are the fund types and account groups used by Thurston County:

### GOVERNMENTAL FUNDS TYPES

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included in their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements focus on measuring changes in financial position rather than net income. They present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

#### General Fund

This fund is the general operating fund of the County. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

#### Special Revenue Funds

These funds account for revenues derived from specific taxes, grants, or other sources which are designated to finance particular activities of Thurston County.

#### Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest, and related costs on general long-term bonded indebtedness and loans.

#### Capital Projects

These funds account for financial resources which are designated for the acquisition or construction of general government capital improvements.

### PROPRIETARY FUNDS

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on all balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operat-

ing statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Proprietary funds disclose cash flows by a separate statement that presents their investing and financing activities.

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges or where the governing body has decided that periodic determination of net income is needed.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the County, or to other governmental units on a cost reimbursement basis.

**FIDUCIARY FUNDS**

Fiduciary funds account for assets held by the County on behalf of individuals, private organizations, other governments, and/or other funds.

Agency Funds

These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ACCOUNT GROUPS**

The County uses two self-balancing account groups to distinguish between fixed assets and general long-term debt related to specific funds and those of general government.

General Fixed Assets - This account group establishes accounting control over all the recorded fixed assets used in general government operations. Proprietary funds account for their own fixed assets.

General Long-Term Debt - This account group accounts for the outstanding principal of debt of the County not supported by proprietary funds. This includes special assessment debt for which the government is obligated

in some manner, as defined in GASB statement 6.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accounting policies of Thurston County conform to generally accepted accounting principles (GAAP) as applicable to governments.

The accrual basis of accounting is used for all funds except the governmental fund types and agency funds, which use the modified accrual basis of accounting. The modified accrual basis differs from the accrual basis in the following ways:

1. Purchase of capital assets are considered expenditures.
2. Redemptions of long-term debt are considered expenditures when due.
3. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Note 1-P identifies which revenue sources have been treated as susceptible to accrual. Revenues that are measurable but not available are recorded as receivable and offset by deferred revenues.
4. Interest on long-term debt is not accrued but is recorded as an expenditure when due.
5. Accumulated unpaid vacation and sick leave are considered expenditures when paid.

**D. BUDGETS AND BUDGETARY ACCOUNTING**

1. Scope of Budget

The County prepares its budgets in accordance with state law. In November 1999, the County Administrator submitted to the Board of County Commissioners a proposed operating budget for 2000. The operating budget includes proposed expenditures and the means of financing them. Public hearings were conducted at the County Courthouse to obtain taxpayer comments. On December 18, 1999 the budget was legally enacted through passage of a resolution.

For 2000, appropriations were authorized at the appropriation unit level. An appropriation unit is a fund/agency combination of certain objects (personnel, travel/training, ER&R, contingency, ending fund balance, and other) of expenditures. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of detailed line-item budgets at the sub-function level. The Chief Administrative Officer is authorized to transfer budgeted amounts between appropriation units for any fund, except in cases dealing with ending fund balance or contingency reserves. Any revisions that increase the total appropriation of any fund/agency, or that affect the number of authorized employee positions, salary range, hours, or other conditions of employment, must be approved by the Board of County Commissioners. Changes in the total appropriated in any fund/agency, or uses of ending fund balance, must be approved by resolution by a majority of the Board of County Commissioners after holding a public hearing.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds. Budgets for the General, Special Revenue, Debt Service, and Capital Project Funds are adopted on a modified accrual basis. Agency Fund budgets are recorded in the financial system for management use. However, agency budgets are not adopted by the Board of County Commissioners and there are no legal limits on agency expenditures. The Governmental Accounting Standards Board does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

Budgeted amounts reflect the budget adopted on December 18, 1999, and various amendments made throughout the year. All appropriations lapse each year.

## 2. Encumbrances

Encumbrance accounting is not employed by the County.

## E. ASSETS, LIABILITIES, AND EQUITY

### 1. Cash & Pooled Investments

The County follows the practice of pooling cash and

investments of all funds with the County Treasurer except when otherwise requested in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Each fund's portion of total cash and pooled investments is summarized by fund type in the combined balance sheet as equity under the classification of cash and pooled investments. Balances in cash and pooled investments are available on a demand basis to each of the funds. Earnings on the cash and pooled investments are allocated to participating funds on an average daily balance basis.

The amounts reported as cash and pooled investments also include compensatory balances maintained with certain banks. These balances are in addition to payments made for banking services rendered. The average compensatory balances maintained during 2000 were approximately \$240,000.

For the purposes of the statement of cash flows, the County considers cash and pooled investments, including unrestricted and restricted, to be cash and cash equivalents since balances are available as demand deposits.

### 2. Investments - See **Note III**.

### 3. Receivables

Taxes receivable consist of current and delinquent property taxes and are offset by deferred revenue. Accrued interest receivable consists of related interest and penalties on property taxes (See **Note IV**), interest on investments and on special assessments at the end of the year.

Special Assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments. Deferred assessments consist of unbilled special assessments that are liens against the property benefited and related interest and penalties. Customer and other accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes, special

assessments and utility billings are considered liens on property, no estimates of uncollectible amounts are established. Fines and forfeitures for court receivables are not reported in the financial statements.

#### 4. Amounts Due To and From Other Funds; Interfund Loans Receivable and Payable

These amounts include all interfund receivables and payables. A separate schedule of interfund transactions per fund is furnished in Note VIII-Interfund Transactions.

#### 5. Amounts Due From Other Governmental Units

These amounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

### F. INVENTORY

Inventories are defined as assets which may be held for internal consumption or for resale. Any material inventory remaining at year end is included in the balance sheet of the appropriate fund. In the governmental funds, except for the Roads Special Revenue Fund, the purchase method is used in which the cost is recorded as an expenditure when individual items are purchased. In the Roads Special Revenue Fund and the proprietary funds, a perpetual inventory is maintained, in which the cost is capitalized when inventory items are purchased and recorded as an expenditure (expense in proprietary funds) when the item is consumed. In the Roads Special Revenue Fund, the reported inventory is not offset equally by a fund balance reserve because of the consumption method used for recording costs.

Inventories recorded in the Roads Special Revenue Fund and the Proprietary Funds are stated at cost. Inventories are valued on a moving weighted average basis.

### G. PREPAYMENTS

Prepayments are payments in advance of the receipt of goods and services in an exchange transaction. These items primarily include prepaid rents for computer software. Prepaid expenditures (expenses) are recorded as expenditures (expenses) when consumed. They are recorded on the balance sheet at the end of the year.

### H. RESTRICTED ASSETS

See Note XIV.

### I. DEFERRED CHARGES

Deferred charges are expenditures not chargeable to the fiscal period in which they were made and are recorded as an asset on the balance sheet, pending amortization or other disposition. They include bond issuance costs.

### J. FIXED ASSETS AND DEPRECIATION

See Note V.

### K. OTHER DEBITS

These accounts reflect future resources needed to retire general long-term debt principal and amounts currently available in debt service or other funds to retire general long-term debt.

### L. DEFERRED REVENUE

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria has not been met.

### M. LONG-TERM LIABILITIES

See Note VI.

### N. CONTRIBUTED CAPITAL

See Note XII.

### O. FUND RESERVES AND DESIGNATIONS

See Note XII.

### P. REVENUES, EXPENDITURES, AND EXPENSES

Under the modified-accrual basis of accounting, charges for services, interest on investments and rents are generally considered measurable and available when earned in governmental funds. Federal or state entitlements, or shared revenues that have been collected but not remitted by an intermediary collection agency to the County are considered measurable and available.

Special assessments are considered measurable and available when they become current.

Grants are considered measurable and available to the extent that expenditures have been made. Other intergovernmental revenues are considered measurable and available when earned. Interfund revenues for goods and services are considered measurable and available when earned. All other revenues are either not measurable or considered not available until collected. Expenditures are generally recognized when incurred.

Under the full accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized when incurred, if measurable.

#### **Q. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles (GAAP). Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Comparative (i.e., presentation of prior years totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

#### **R. REBATABLE ARBITRAGE**

Thurston County has chosen to treat any rebatable arbitrage as a reduction of revenue.

### **NOTE II-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Thurston County's expenditures did not exceed budgeted appropriations. There were no material violations of finance-related legal or contractual provisions.

The following governmental funds had deficit fund balances at December 31, 2000: Thurston Geodata Center (\$5,929) and Pacific Mountain Job Development & Training (\$251,445). Deficit fund balances were caused by the timing of revenues and expenses in 2000.

The timing of revenues and expenses in 2001 should produce positive fund balances for these two funds.

The following proprietary funds had deficit retained earnings at December 31, 2000: Solid Waste Construction (\$426,104), Solid Waste M & O (\$4,202,136), Boston Harbor Water/Wastewater Utility (\$1,543,770), Olympic View Debt Service (\$113,370), Tamoshan Debt Service (\$402,976), Grand Mound Debt Service (\$11,173,485), and Equipment Rental & Revolving (\$1,275,087). These funds have contributed capital and utilize multiple funds within the same functional group. They have been segregated to more clearly account for interest revenues and bond covenants. These groups, when combined, have a positive fund equity.

### **NOTE III-DEPOSITS AND INVESTMENTS**

#### **A. AUTHORIZED DEPOSIT AND INVESTMENT INSTRUMENTS**

Deposits and investments are governed by State statute. Such authorized investments include: U.S. Treasury and Agency securities, repurchase agreements and reverse repurchase agreements for securities otherwise authorized as an investment, municipal bonds of this state or local bonds of this state with one of the three highest ratings of a national rating agency, certificates of deposit issued by Washington State depositories that participate in a state insurance pool managed by the Washington Public Deposit Protection Commission (PDPC), bankers' acceptances, commercial paper, the State Local Government Investment Pool, and deposits with Washington State banks and savings and loan institutions.

During 2000 we did not buy or own any securities earning interest at a rate which varied depending on an underlying reference rate or index.

#### **B. DEPOSITS:**

The County's deposits, including money markets and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington PDPC. The PDPC is a statutory

authority established under Chapter 39.58 of the Revised Code of Washington. PDPC coverage is of the nature of insurance pursuant to the Governmental Accounting Standards Board Statement No. 31. All deposits held at December 31, 2000, and throughout the year were classified as category 1, insured or collateralized with securities held by the County or by its agent in the County's name.

**Thurston County, Washington  
Reconciliation Of Deposits And Investments  
Per Combined Balance Sheet  
December 31, 2000**

	Total	Cash & Pooled Investments	Investments
<b>Pool Investments:</b>			
State Treasurer's Local Govt. Investment Pool (LGIP)	\$26,770,000	\$26,770,000	\$ -
Commercial Paper	41,888,000	41,888,000	-
U.S. Agency & Instrumentality Securities	184,049,601	184,049,601	-
<b>Investments:</b>			
U.S. Agency & Instrumentality Securities	1,000,000		1,000,000
Municipal Bonds	1,350,941	-	1,350,941
<b>Total Investments</b>	<b>255,058,542</b>	<b>252,707,601</b>	<b>2,350,941</b>
<b>Cash:</b>			
Cash with Fiscal Agent and deposits with Financial institutions	1,582,745	1,582,745	-
Petty Cash, Change, Revolving and Advance Travel Funds	86,883	86,883	-
Clerk's Trust Funds	3,216,387	3,216,387	-
<b>Total Cash &amp; Investments</b>	<b>259,944,557</b>	<b>257,593,616</b>	<b>2,350,941</b>
Market Value Adjustment	(2,742,363)	(2,763,070)	20,807
<b>Total Reported Cash &amp; Investments</b>	<u><b>\$257,202,294</b></u>	<u><b>\$254,830,546</b></u>	<u><b>\$2,371,748</b></u>

These amounts agree to the Combined Balance Sheet for All Fund Types and Account Groups after including market value reductions referenced in Note III.C.

<b>Current and Restricted Investments</b>	<b>Total</b>	<b>Current Assets</b>	<b>Restricted Assets</b>
Pooled Investments	\$254,058,542	\$230,999,770	\$23,058,772
Investments	1,000,000	-	1,000,000
<b>Total</b>	<b>\$255,058,542</b>	<b>\$230,999,770</b>	<b>\$24,058,772</b>

Refer to **Note XIV** - Closure and Postclosure Care Costs for details on the restricted assets shown above.

**Thurston County, Washington  
Reconciliation Of Deposits And Investments  
Footnote Disclosure Per GASB 31  
December 31, 2000**

	<b>Total</b>	<b>Deposits</b>	<b>Investments</b>
<b>Pool Investments:</b>			
State Treasurer's Local Gov't Invest. Pool (LGIP)	\$26,770,000	\$ -	\$26,770,000
Commercial Paper	41,888,000	-	41,888,000
U.S. Agency & Instrumentality Securities	184,049,601	-	184,049,601
<b>Investments:</b>			
U.S. Agency & Instrumentality Securities	1,000,000	-	1,000,000
Municipal Bonds	1,350,941	-	1,350,941
<b>Total</b>	<b>\$255,058,542</b>	<b>\$ -</b>	<b>\$255,058,542</b>

**C. INVESTMENTS**

1. General.

The Thurston County Investment Pool (TCIP) operates on an amortized cost-book value basis rather than a net asset value (NAV) basis. All funds deposited in the pool are returned 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 in the pool. Investments are stated at amortized cost.

In 2000, the difference between amortized cost and market value was \$(2,742,263). Agency funds, which contain almost all investments with maturities in excess of one year, received a pro rata \$2,742,263 reduction in their cash and investment balances, as required by GASB 31. As noted above, these recognized losses will not be realized in these funds since each participant will receive the full face value of their investment when held to maturity.

2. Risk Categorization

The County's investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the County's investments at year-end categorized by risk. All investments held at December 31, 2000, and throughout the year were classified as category 1.

Category 1 - Insured, registered, or held by the County or its agent in the County's name.

Category 2 - Uninsured and unregistered, which are held by the counterparty's trust department or agent in the County's name.

Category 3 - Uninsured and unregistered, which are held by the counterparty, or by its trust department or agent, but not in the County's name.

Schedule of Classification of Investments per GASB 31  
December 31, 2000

Investment type	GASB Category			Carrying Amount	Fair Value
	1	2	3		
Commercial Paper	\$41,888,000			\$41,888,000	\$41,817,215
Municipal Bonds	1,350,941	-	-	1,350,941	1,371,748
U.S. Agency & Instrumentality Securities	185,049,601	-	-	185,049,601	182,357,316
Total	<u>\$228,288,542</u>	-	-	228,288,542	225,546,279
Investments not subject to categorization:					
Investment in State Treasurer's Local Government Investment Pool (LGIP)				26,770,000	26,770,000
Total Investments				<u>\$255,058,542</u>	<u>\$252,316,279</u>

This schedule classifies investments only, deposits have been classified above in the schedule under the column "deposits".

**NOTE IV – 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.
- February 15 First day tax payments can be made
- April 30 First of two equal installment payments is due.
- October 31 Second installment is due.

County property taxes are recorded as receivables 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 for any of the following reasons:

- The Washington State Constitution limits the total regular property taxes to 1 percent of true and fair market valuation. This would equate to a regular levy rate of \$10 per \$1,000 of value if the property were assessed at its true and fair value. If the taxes of regular districts (excluding the Port & PUD) exceed this amount, the junior taxing districts taxes are reduced first and then the other entities are proportionately reduced until the total is at the 1% limit. This does not apply to special levies approved by voters.

- 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 \$5.90 per \$1,000 of assessed valuations (RCW 84.52.043). At the county level this limitation does not apply to the Conservation Futures or Medic One levies.

- RCW 84.55.010 limits all regular taxing districts to a limit factor not to exceed 106 percent of the highest lawful levy since 1985, plus additional levy capacity generated through new construction and state assessed utility increases.

- 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 1999 for collection in 2000:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
County	\$ 1.7999	\$11,453,971,805	\$20,615,897
Roads	2.0515	\$ 6,085,017,851	12,483,114
	<u>\$ 3.8514</u>		<u>\$33,099,011</u>

## NOTE V - PLANT, PROPERTY AND EQUIPMENT

### A. GENERAL POLICIES

Major expenditures for fixed assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred. (Obligations under capital leases are disclosed in Note VI.)

All fixed assets are valued at cost or estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The County's policy is to capitalize assets costing in excess of \$1,000.

The County has acquired certain assets with funding provided by federal financial assistance programs. The Federal Government retains an equity interest in these assets. The County has sufficient legal interest and

intent to accomplish the purposes for which the assets were acquired and has, therefore, included such assets within the applicable account group or fund.

### B. GENERAL FIXED ASSETS

General fixed assets are long-lived assets of the County as a whole. When purchased, leased or constructed, such assets are recorded as expenditures in the governmental funds and capitalized in the general fixed assets account group. No depreciation has been provided on general fixed assets.

General fixed assets that are infrastructure assets (such as roads, bridges, curbs, and sidewalks) are considered public property and are not accounted for in the general fixed asset account group.

A summary of changes in General Fixed Assets follows:

**Schedule Of Changes In General Fixed Assets  
For The Period Ending December 31, 2000**

	Jan.1, 2000	Additions	Deletions	Dec. 31, 2000
Land	\$15,230,512	\$500,633	\$357,121	\$15,374,024
Buildings	49,300,639	365,084	1,008,019	48,657,704
Improvements Other Than Buildings	4,664,175	861,220	212,792	5,312,603
Machinery & Equipment	11,214,225	1,656,923	760,978	12,110,170
Construction Work in Progress	539,838	419,181	412,846	546,173
<b>TOTAL GENERAL FIXED ASSETS</b>	<b>\$80,949,389</b>	<b>\$ 3,803,041</b>	<b>\$ 2,751,756</b>	<b>\$82,000,674</b>

**C. PROPRIETARY FUND FIXED ASSETS**

A summary of the Proprietary Fund property and equipment at December 31, 2000, follows:

**Schedule Of Property And Equipment For Proprietary Funds  
As Of December 31, 2000**

	Enterprise	Internal Service
Land	\$ 1,346,916	\$ -
Buildings	16,601,847	106,691
Improvements Other Than Buildings	26,100,678	275,735
Machinery & Equipment	3,987,634	24,166,544
Construction in Progress	1,379,914	-
<b>TOTAL FIXED ASSETS</b>	<b>49,416,989</b>	<b>24,548,970</b>
Less Accumulated Depreciation	(18,358,151)	(14,806,707)
<b>NET FIXED ASSETS</b>	<b>\$31,058,838</b>	<b>\$ 9,742,263</b>

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation is taken over the estimated useful lives using the straight line method. Depreciation for assets is taken in the month that the asset is placed in service and ends in the month of disposal. Depreciation expense also includes amortization of assets acquired by capital leases. The estimated useful lives are as follows:

Improvements	10 - 20 years
Equipment	2 - 10 years
Buildings	20 - 35 years

Depreciation of the landfill improvements in the Solid Waste Enterprise Fund is based on the percentage that landfill cells are filled and used during the year. Refer to **Note XIV**.

FASB-34 (Capitalization of Interest Costs) requires that interest expenses incurred during construction of assets be capitalized. Because interest costs were offset by interest earnings on the investments of funds for these projects, no interest expense was capitalized during construction of assets.

## NOTE VI-LONG-TERM AND OTHER SIGNIFICANT DEBT

### A. DISCLOSURES ABOUT EACH SIGNIFICANT DEBT INCURRED

#### GENERAL OBLIGATION BONDED INDEBTEDNESS

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. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

1990 Boston Harbor Limited General Obligation Bonds of \$1,445,000 were issued in annual principal installments of \$20,000 to \$200,000 through 2010. The proceeds were used in constructing the Boston Harbor water and sewer facilities. The bonds bear an interest rate of 5.7% to 6.75%. The issue is serviced by Boston Harbor Water/Sewer Debt Redemption Fund (Enterprise Fund). In 1997 these bonds were partially refunded with 1997 bonds. The \$70,000 in remaining bonds from 1999 was paid off in August 2000.

1994 Tamoshan Water General Obligation Bonds of \$164,700 were issued in annual principal installments of \$20,928 to \$26,077. The proceeds were used for water system improvements. The bonds bear an interest rate of 4.50%. The issue, serviced by the Tamoshan Debt Redemption Fund (Enterprise Fund), was paid off in August 2000.

1995 General Obligation Bonds of \$1,550,000 were issued in annual principal installments of \$185,000 to \$260,000. The proceeds were used for various purposes including: parks, maintenance, repair and improvements to County facilities, and technology improvements. The bonds bear an interest rate of 4.6% to 5.1%. The issue is serviced by the 1995 General Obligation Bond Redemption Fund (Debt Service Fund) and has \$505,000 in bonds outstanding at December 31, 2000.

1997 General Obligation Bonds of \$26,415,000 and Refunding Bonds of \$4,660,000 were issued in annual

principal installments of \$1,020,000 to \$2,260,000. The G. O. Bond portion of the issue was used to currently refund the 1995 G.O. Bonds (\$8,200,000) and the 1996 G. O. Bonds (\$9,900,000) and to finance various capital projects including: a juvenile detention center and family court facility, an emergency service center, an information technology system for tax appraisal, assessment and collection, jail facilities and improvements, and other capital equipment. The refunding bond proceeds were used for a partial advance refunding of \$1,075,000 of outstanding 1990 bonds and an advance refunding of \$3,470,000 of outstanding 1991 bonds. The bonds bear an interest rate of 4.75% to 5.0%. The G. O. Bond portion is serviced by the 1997 General Obligation Bond Redemption Fund (Debt Service Fund) and has \$23,720,000 in bonds outstanding at December 31, 2000. The Refunding bond portion is serviced by the Boston Harbor Water/Sewer Debt Redemption Fund (Enterprise Fund) and has \$1,105,000 in bonds outstanding at December 31, 2000 less a deferred amount on refunding of \$68,991 for a net liability of \$1,036,009. The deferred amount on refunding has been netted against the bond payable liability on the balance sheet. The Solid Waste Bond Redemption Fund (Enterprise Fund) paid off the 1999 balance of \$1,205,000 in August 2000.

1998 General Obligation Bonds of \$3,170,000 were issued. A portion of the issue, \$1,700,000, was issued in annual principal installments of \$242,858. The proceeds were used for the acquisition of farm land development rights. The bonds bear an interest rate of 59% of a bank reference rate. The issue is serviced by the 1998 General Obligation Bond Redemption Fund (Debt Service Fund) and has \$1,700,000 in bonds outstanding at December 31, 2000. The other portion of the issue, \$1,470,000, was issued in annual principal installments of \$67,145 to \$98,015. The proceeds were used for constructing and equipping a regional emergency dispatch center. The bonds bear an interest rate of 59% of a bank reference rate. The issue is serviced by the Communications Fund (Internal Service Fund) and has \$1,184,955 in bonds outstanding at December 31, 2000.

1998a General Obligation Bonds of \$3,515,350 were issued in annual principal installments of \$502,193. The proceeds were used for the acquisition of real property

for the development of athletic facilities and real property for the development of jail facilities. The bonds bear an interest rate of 59% of a bank reference rate. The issue is serviced by the 1998a General Obligation Bond Redemption Fund (Debt Service Fund) and has \$2,304,350 in bonds outstanding at December 31, 2000.

1999 Grand Mound General Obligation Bonds of \$11,720,000 were issued in annual principal installments of \$250,000 to \$1,300,000 beginning in 2004 and running through 2019. This issue is serviced by the Grand Mound Debt Service Redemption Fund. Proceeds will be used in the construction of Grand Mound water and wastewater facilities. The bonds bear an interest rate of 5.0% to 5.6% with \$11,720,000 in bonds outstanding as of December 31, 2000.

2000 General Obligation Bonds of \$6,019,648 were issued in estimated annual principal installments of \$1,003,275 beginning in 2003 and running through 2008. Proceeds of this issue will be used for additional capital projects for Juvenile Detention, as well as in the construction of a new Health Building and Coroner's Facility. The bonds bear an interest rate of 50% of a bank reference rate. The issue is serviced by the 2000 General Obligation Bond Redemption Fund (Debt Service Fund) and has \$6,019,648 in bonds outstanding as of December 31, 2000.

#### LOANS AND CONTRACTS PAYABLE

The County has entered into an agreement with the Department of Community Development, State of Washington, for five loans from the State of Washington, Public Works Trust Fund. The loans are to finance in part the construction of the Boston Harbor water and sewer infrastructure, the Tamoshan water system upgrade, the Olympic View drain field, and the Sunrise Beach Landslide Mitigation Project (also known as Road Improvement District #2). The County has agreed to repay the Public Works Trust Fund loans from the water and sewer utility revenues, homeowner assessments in the improvement district, and other available County monies.

The Boston Harbor Water/Sewer Debt Redemption Fund (Enterprise Fund) has two Public Works Trust Fund loans which total \$723,128 at December 31, 2000. The first loan is to not exceed \$808,000 with an interest rate

of 1.0% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the loan's principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years due in 2008 with a balance at December 31, 2000 of \$344,936. The second loan is not to exceed \$798,407 with an interest rate of 1% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the loan balance plus interest on the unpaid balance of the loan. The term of the loan is for 20 years due in 2009, and the balance at December 31, 2000 is \$378,193.

Tamoshan Debt Redemption Fund (Enterprise Fund) has the third Public Works Trust Fund loan which is not to exceed \$173,166 with an interest rate of 1.0% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the loan's principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years. The loan is due in 2009 and has a balance at December 31, 2000 of \$85,871.

Olympic View Debt Redemption Fund (Enterprise Fund) has the fourth Public Works Trust Fund loan which is not to exceed \$110,000 with an interest rate of 5% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years. The loan is due in 2016 and has a balance at December 31, 2000 of \$93,146.

Road Improvement District #2 Fund (Special Revenue Fund) has the fifth and newest Public Works Trust Fund loan that is not to exceed \$500,000 with an interest rate of 4% per annum. Yearly loan payments are due on July 1 and are equal to 1/19<sup>th</sup> of the principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years. The loan is due in 2020 and has a balance at December 31, 2000 of \$450,000.

The Community Loan Repayment Funds (Enterprise Funds) entered into four 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 first loan is not to

exceed \$300,000 with an interest rate of 5% per annum. Repayment began in 1996. The term of the loan is for twenty years. The balance at December 31, 2000 is \$195,403. The second loan is not to exceed \$200,000 with an interest rate of 0%. Repayments began in 2000, with \$2,484 returned to the State. The term of the loan is for twenty years. The balance at December 31, 2000 is \$94,393. The third loan is not to exceed \$200,000 with an interest rate of 4.3%. Repayment will begin not later than one year after project completion which is estimated to be January 10, 2002. The term of the loan is for twenty years. The balance at December 31, 2000 is \$134,448. A fourth loan began in 2000 and is not to exceed \$100,000 with an interest rate of 0%. Repayments are estimated to begin June 15, 2003. The balance at December 31, 2000 is \$9,393.

Communications Fund (Internal Service) entered into a contract with AT & T for Cerulean Software, support and services and began making principal payments on the note during 2000. The note requires five annual payments with principal installments ranging in value from \$91,139 to \$62,249. The note which is due to be complete in 2004 contains an interest rate of 10%. The amount outstanding at December 31, 2000 is \$288,896.

#### LEASES PAYABLE

The County has many agreements for the lease and eventual ownership of equipment. Where the lease incorporates some or all of the benefits and risks of ownership, the transaction is recorded as a capital lease purchase on a long-term contract. In the General Long-Term Debt Account Group, leases payable totals \$446,913 at December 31, 2000.

#### LONG-TERM COMPENSATED ABSENCES

Thurston County currently has two leave plans, traditional and alternative leave. Thurston County employees who chose the traditional leave plan earn 12 days of sick leave and 12-22 days of vacation leave per year depending upon the employee's length of service. A maximum of 140 days of sick leave may be accrued and a maximum of 45 days of vacation may be accrued. Thurston County employees who were hired after May 31, 1996, or who chose the alternative leave plan, earn 18-28 days of personal leave (a combination of sick

leave and vacation leave) per year depending upon the employee's length of service. A maximum of 185 days of personal leave may be accrued. Accumulated unpaid vacation/annual leave is recorded as earned by employees. Terminating employees are entitled to be paid for unused vacation up to a maximum of 240 hours and, if retiring, half of unused sick leave to a maximum of 360 hours.

The County has reported a long-term liability for that portion of unpaid accumulated vacation payable in governmental fund types which is not reasonably expected to be paid from expendable available financial resources. Amounts to be paid from expendable available financial resources are deemed to be immaterial. The balance in the governmental fund types at December 31, 2000 was \$3,362,239. In the proprietary funds, the liability for compensated absences is also recorded as a long-term liability. The balance in the enterprise funds at December 31, 2000 was \$194,938. The compensated absences payable balance for internal service funds totals \$353,508. 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 In Long-term And Other Significant Debt  
For The Period Ended December 31, 2000**

	Obligation Bonded Debt	Leases Payable	General Loans & Contracts Payable	Compensated Absences	Totals
General Long-term Debt Account Group					
Balance at Jan.1, 2000:	\$29,364,350	\$92,052	\$-	\$3,247,147	\$32,703,549
New Issues	6,019,648	404,878	450,000	115,092	6,989,618
Reductions	(1,135,000)	(50,017)	-	-	(1,185,017)
Balance at Dec.31, 2000	34,248,998	446,913	450,000	3,362,239	38,508,150
Proprietary Funds					
Balance at Jan.1, 2000	15,462,400	-	1,405,822	527,966	17,396,188
New Issues	-	-	421,560	20,480	442,040
Reductions	(1,452,445)	-	(202,703)	-	(1,655,148)
Balance at Dec.31, 2000	14,009,955	-	1,624,679	548,446	16,183,080
Total Long-term Debt	<u>\$48,258,953</u>	<u>\$446,913</u>	<u>\$2,074,679</u>	<u>\$3,910,685</u>	<u>\$54,691,230</u>

On the Balance Sheet, the \$14,009,955 in outstanding bonds for proprietary funds is combined with deferred amount of refunding of (\$68,991) and the unamortized premium of \$6,896 for a net amount of \$13,947,860. \$13,719,903 is classified as long-term, with \$227,957 classified as current portion/G.O. bonds.

**C. DEBT SERVICE REQUIREMENTS**

Annual debt requirements for all outstanding bonded and contractual debt is a follows:

**Schedule Of Annual Requirements  
For Debt Payments  
As Of December 31, 2000**

Year Ended Dec. 31	General Obligation Bonded Debt		Leases Payable		Loans/Contracts/Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2001	1,650,814	2,373,065	155,176	25,492	176,731	64,846	4,446,124
2002	1,718,052	2,317,916	159,683	14,626	210,411	70,070	4,490,713
2003	2,819,509	2,240,952	131,531	3,975	224,006	60,429	5,480,402
2004	3,329,112	2,105,186	568	-	232,344	49,906	5,717,116
2005	3,392,505	1,944,048	-	-	150,340	38,585	5,525,478
2006 to Mat.	35,348,961	12,393,302	-	44,093	1,080,847	252,211	49,119,414
Total	<u>\$48,258,953</u>	<u>\$23,374,469</u>	<u>\$446,958</u>	<u>\$88,186</u>	<u>\$2,074,679</u>	<u>\$536,047</u>	<u>\$74,779,247</u>

D. ASSETS AVAILABLE FOR DEBT SERVICE

Debt service requirements are being met by the County. At December 31, 2000, the County had \$18,672 available in the Debt Service Funds to service the general obligation debt.

E. LEGAL DEBT MARGIN

Thurston County's limitation on external long-term debt is set by State law as follows:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (no vote required)	\$ 183,116,756	\$135,444,539
General Government (with 3/5 majority vote)	\$ 305,194,593	\$257,522,376

F. CONTINGENT LIABILITY FOR REFUNDED AND DEFEASED DEBT

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

**Schedule Of Refunded And Defeased Bonds, Assets And Liabilities  
As Of December 31, 2000**

Assets				
Cash & Investments with Treasurer			\$952,662	
Cash With Fiscal Agent			7,811	
Cash With Trustee			253	
Investments With Trustee			2,487,890	
Total Assets			\$3,448,616	
Total Liabilities			\$3,135,000	
	1/1/00	Increases	Decreases	12/31/00
Refunded & Defeased Bonds Outstanding	<u>\$5,450,000</u>	<u>\$ -</u>	<u>\$2,315,000</u>	<u>\$3,135,000</u>

**NOTE VII - SEGMENT INFORMATION  
AND OTHER FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the combined statements-over-view, of certain information concerning individual funds including:

**SEGMENT INFORMATION FOR CERTAIN INDIVIDUAL ENTERPRISE FUNDS**

The County operates four utilities and its administration which are primarily financed by user charges. The following provide an overview of these utilities and administration.

Enterprise Administration - established to account for the

funding of the administrative costs for Water & Waste Management's utility funds.

Solid Waste - established to account for the operations of providing services for solid waste disposal.

Water & Sewer Utilities - established to account for the operations of providing water and sewer services to several small communities in the unincorporated area of Thurston County.

Storm And Surface Water - established to account for the costs of providing storm and surface water utility operations to residents of Thurston County.

Community Loan Programs - established to offer low cost loans to citizens for septic improvements.

**Schedule Of Segment Information  
For Enterprise Funds  
As Of December 31, 2000**

	Enterprise Admin.	Solid Waste	Water/Sewer Utilities	Storm & Surface Water	Community Loan	Total
Operating Revenue	\$2,764,194	10,870,704	548,019	1,707,648	-	\$15,890,565
Depreciation Expense	12,940	2,033,366	521,358	34,228	-	2,601,892
Operating Income (Loss)	59,118	(1,293,807)	(1,054,889)	835,528	(715)	(1,454,765)
Interest Income	12,033	2,086,838	482,604	59,620	24,306	2,665,401
Interfund Operating Transfer In	-	5,736,008	1,659,882	546,505	-	7,942,395
Interfund Operating Transfer Out	-	6,189,261	1,104,278	546,505	-	7,840,044
Net Income (Loss)	68,381	403,174	(604,332)	926,799	9,069	803,091
Capital Contributions	-	5,748	-	-	-	5,748
<b>Property, Plant, &amp; Equipment:</b>						
Net Additions (Deletions)	(9,155)	604,106	(508,843)	621,123	-	707,231
Net Working Capital	551,753	7,241,324	3,704,432	1,291,077	282,599	13,071,185
Total Assets	619,893	52,435,524	24,461,077	4,207,521	472,841	82,196,856
Bonds & Other Long-Term Debt	194,938	-	13,580,050	-	433,638	14,208,626
Total Equity	\$383,688	\$20,331,118	\$10,701,596	\$4,051,928	\$30,314	\$35,498,644

NOTE VIII - INTERFUND TRANSACTIONS

A. Individual Interfund Receivables And Payables

Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations are similarly treated when they involve other funds of the County.

Interfund receivables and payables at December 31, 2000, are as follows:

**Schedule Of Interfund Receivables And Payable  
As Of December 31, 2000**

	Due From Other Funds	Due To Other Funds
<b>GENERAL FUND</b>	\$367,179	\$383,010
<b>SPECIAL REVENUE FUNDS</b>		
General Government	-	220,571
Culture & Recreation	604	29,117
Economic Environment	7,799	96,999
Physical Environment	126,169	76,407
1/4% Real Estate Tax	-	435,631
Roads	20,859	836,309
PMJT	-	12,930
Medic One	912	524
Public Health & Social Services	248,628	24,306
Criminal Justice	489	129,580
<b>CAPITAL PROJECTS</b>		
Road Construction	686	4,331
Juvenile Detention Capital	1,164	-
Jail Capital Projects	5,622	179
Health Building Capital	788	788
<b>ENTERPRISE</b>		
Enterprise Administration	211,813	23,589
Solid Waste	3,537,489	4,033,957
Water/Sewer Utilities	61,687	82,864
Storm & Surface Water	400,263	68,491
<b>INTERNAL SERVICE FUNDS</b>		
Benefits Administration	-	32
Central Services	380,367	-
Communications	459	977
Equipment Rental & Revolving	911,148	18,902
Risk Management	241,425	10,336
<b>AGENCY FUNDS</b>		
Other County Funds	-	36,483
Other Agency Funds	1,215	-
Vendor Claim	-	452
<b>TOTAL</b>	<u>\$6,526,765</u>	<u>\$6,526,765</u>

B. Transfers and Reimbursements

Interfund operating transfers represent subsidies and contributions provided to other funds with no corresponding debt or promise to repay. Residual equity transfers involve the transfer of residual fund balances or retained earnings to an active fund, usually preparatory to closure of the transferring fund. Residual equity transfers to proprietary funds are reported as contributed capital.

Interfund operating and residual equity transfers occurring between funds during the period are as follows:

<b>Schedule Of Interfund Operating And Residual Equity Transfers</b>				
<b>As Of December 31, 2000</b>				
	Operating Transfers		Residual Equity Transfers And Contributed Capital	
	In	Out	In	Out
<b>GENERAL FUND</b>	\$2,146,891	\$3,039,880	\$2,059	\$21,299
<b>SPECIAL REVENUE FUNDS</b>				
General Government	3,145,237	3,518,682	28,944	56,846
Culture & Recreation	865,411	-	-	-
Economic Environment	1,466,438	1,476,748	-	-
Physical Environment	360,010	533,811	-	5,539
1/4% Real Estate Tax	69,425	4,717,687	1,649	-
Roads	3,761	702,212	-	38,945
Medic One	2,000	2,000	-	-
Public Health & Social Services	2,785,289	36,000	71	4,499
Criminal Justice	-	145,819	-	-
<b>DEBT SERVICE</b>				
1992 General Obligation Bonds	-	-	-	976
1994 General Obligation Bonds	-	-	-	673
1995 Detention Facilities Bond	266,511	-	-	-
1997 General Obligation Bonds	2,105,847	-	-	-
1998 General Obligation Bonds	183,443	-	-	-
<b>CAPITAL PROJECTS</b>				
Roads Construction	109,644	450,000	-	33,000
Detention Facilities Capital Proj.	84,700	-	-	2,889
Jail Detention Capital Proj.	272,138	103,023	-	-
CapCom Building&Equip.	-	-	-	-
Health Building	731,176	-	-	-
<b>ENTERPRISE</b>				
Enterprise Administration	-	-	-	-
Solid Waste	5,736,008	6,189,261	5,748	5,748
Water/Sewer Utilities	1,659,882	1,104,278	-	6,415
Storm & Surface Water	546,505	546,505	-	362
<b>INTERNAL SERVICE</b>				
CapCom	-	-	-	-
Central Services	58,451	3,974	64,603	2,131
Unemployment Compensation	-	28,886	-	-
Equipment Rental & Revolving	-	-	76,347	-
<b>TOTAL</b>	<u>\$22,598,767</u>	<u>\$22,598,767</u>	<u>\$179,421</u>	<u>\$179,421</u>

C. Interfund Loans

The Solid Waste Fund (Enterprise fund) loaned the Olympic View Construction & Replacement Fund (Enterprise Fund) \$7,000. The loan was repaid December 2000. The interest rate was variable based on the Thurston County Investment Pool. The balances at December 31, 2000 are \$0 for both funds.

NOTE IX - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Department of Retirement Systems, under cost-sharing multiple-employer defined benefit public employee retirement systems.

Historical trend and other information regarding each plan is presented in the State Department of Retirement Systems 2000 annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems  
 Administrative Services Division  
 PO Box 48380  
 Olympia, WA 98504-8380

A. Public Employees' Retirement System (PERS)

PERS is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; colleges and university employees not in national higher education retirement programs; judges of district and municipal courts; non-certified employees of school districts; and employees of local government.

The PERS system includes 2 plans. Participants who joined the system by September 30, 1977 are Plan I members. Those joining thereafter are enrolled in Plan II. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan I and Plan II are vested after completion of 5 years of eligible service.

Plan I members are eligible for retirement at any age after 30 years of service, or at age 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the final average compensation per year of service, capped at 60 percent. If qualified, after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan II members may retire at age 65 with 5 years of service, or at 55 with 25 years of service, with an allowance of 2 percent per year of service of the final average salary. Plan II retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Each biennium the state Pension Funding Council adopts Plan I employer contribution rates needed to fully amortize the total costs of the plan. Employee contribution rates for Plan I are established by statute at 6 percent and do not vary from year to year. The employer and employee contribution rates for Plan II are set by the director of the Department of Retirement Systems based on recommendations by the Office of State Actuary to continue to fully fund the system. All employers are required to contribute at the level established by state law. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

Thurston County's contribution rates expressed as a percentage of covered payroll, for the year ending December 31, 2000, were:

	Jan 1-April 30	May 1-Aug 31	Sept 1 - Dec 31
PERS Plan I			
Employer	4.60%	3.81%	4.67%
Employee	6.00%	6.00%	6.00%
PERS Plan II			
Employer	4.60%	3.81%	4.67%
Employee	1.85%	1.54%	2.43%

Both Thurston County and the employees made the required contributions. The county's required contribution for the years ended December 31, were:

	PERS Plan I	PERS Plan II
2000	\$301,617	\$1,491,696
1999	\$431,765	\$1,972,432
1998	\$532,009	\$2,270,057

**B. Law Enforcement Officers and Fire Fighters (LEOFF)**

LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership includes all full time, fully compensated, local law enforcement officers and fire fighters. Retirement benefits are financed from employee and employer contributions, investment earnings and state contribution. LEOFF is comprised solely of non-state employees.

LEOFF system includes 2 plans. Participants who joined the system by September 30, 1977 are Plan I members. Those joining thereafter are enrolled in Plan II. Retirement benefits in both Plan I and II are vested after completion of 5 years of eligible service.

Plan I members are eligible to retire with 5 years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at three percent annually:

Term of Service	Percent of Final Average
20+	2.0%
10-20	1.5%
5-10	1.0%

Plan II participants are eligible to retire at age 50 with 20 years of service, or at 55 with 5 years of service. Retirement benefits prior to age 55 are actuarially reduced. The benefit is two percent of average salary per year of service. The average salary is based on the highest 5 year period. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Plan I employer and employee contribution rates are established by statute at six percent. State contribution rates for Plan I are set by the Pension Funding Council to fully amortize the total costs of the plan. Employer, employee, and state contribution rates for Plan II are set by the director of the Department of Retirement systems based on recommendations by the Office of the State

Actuary to continue to fully fund the plan. All employers are required to contribute at the level required by state law. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2000 were:

**LEOFF Plan I**

	Jan 1-Apr 30 Required	May 1-June 30 Required	Jul 1 – Dec 31 Required
Employer	6.21%	6.25%	0.23%
Employee	6.00%	6.00%	0.00%

**LEOFF Plan II**

	Jan 1-Apr 30 Required	May 1-June 30 Required	Jul 1 – Aug 31 Required	Sept 1 – Dec 31 Required
Employer	3.73%	3.50%	3.48%	4.30%
Employee	5.87%	5.41%	5.41%	6.78%

Both County and the employees made the required contributions. The County's required contributions for the years ended December 31 were:

	LEOFF Plan I	LEOFF Plan II
2000	\$14,640	\$166,825
1999	\$31,470	\$218,591
1998	\$33,399	\$200,900

**NOTE X - RISK MANAGEMENT**

The County withdrew as a member of the Washington Counties Risk Pool on October 1, 1999 and commercially insured liability risks through Reliance Insurance Company for one year. Reliance Insurance Company experienced financial difficulties during the year and received a corresponding decline in its rating with the major rating bureaus. Thurston County chose not to renew its insurance contract with Reliance Insurance Company because of this financial weakness despite a contractual right to do so. Thurston County returned to the Washington Counties Risk Pool on October 1, 2000.

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the purpose of jointly purchasing insurance, self-insuring, and/or contracting 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 on August 18, 1988 when counties in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Twenty-five counties have joined the Risk Pool.

The Risk Pool allows members to establish a plan of self-insurance, jointly purchase excess insurance coverage, and provide related services. All pool liability coverage is on an "occurrence" basis. Members make an annual contribution to fund the pool. The pool acquires reinsurance from unrelated underwriters that are subject to a pool per-occurrence self-insured retention of \$100,000. Members may elect retention amounts ranging from \$10,000 per occurrence to \$250,000 and pay the retention amount on each claim. Reinsurance carriers cover all losses over \$250,000 to the maximum limits of each policy. Since the pool is a cooperative program, there is a shared financial liability among the participating members.

Members contract to remain in the pool for a minimum of five years, and must give notice one year before terminating participation. The interlocal agreement is renewed automatically each year until terminated. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period that it was a signatory to the interlocal agreement. The pool is fully funded by its member participants. A board of directors that is comprised of one designated representative from each participating member governs the pool. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the pool.

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

The County paid claims costs of \$601,098 during 2000. This amount included \$447,590 in litigation expenses related to the now decommissioned Hawks Prairie Landfill. A class action lawsuit has been filed against Thurston County alleging property damage and nuisance regarding past operation of the landfill. [Thurston County Superior Court case no. 00-2-00665-6] The potential liability from this issue has not been determined and is not included in the estimated additional liability incurred. Any costs incurred by the County due to the landfill litigation are expected to be funded from decommissioning funds and ratepayer fees.

The County's potential liability for claims costs not covered by the Risk Pool estimated at December 31, 2000 is \$3,572,938. The estimated additional liability incurred 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 may or may not become payable over the course of several years. The Washington County Risk Pool has suggested a \$1,969,629 reserve be maintained in the Risk and Insurance Account to fund current Claims and Judgements Payable.

**Schedule of Claims and Judgements Payable**

	2000	1999
Claims and Judgements Payable, Jan. 1	\$2,312,036	\$2,071,463
Claims costs paid during the year	(91,808)	(348,392)
Landfill litigation expense	(447,508)	-
Estimated additional liability incurred	196,909	588,965
Claims and Judgements Payable, Dec. 31	<u>\$1,969,629</u>	<u>\$2,312,036</u>

As discussed in Note VI.F., the County also has a contingent financial liability for the payment of refunded debt.

**NOTE XI - POSTRETIREMENT HEALTH CARE BENEFITS**

In addition to the pension benefits described in Note IX, and in accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26), the County pays for health insurance and medical costs not covered by insurance for retired full time, fully compensated, law enforcement

officers who established membership in the LEOFF I retirement system on or before September 30, 1977. Substantially all of the County's law enforcement officers who established membership in the LEOFF I retirement system may become eligible for those benefits when they reach normal retirement age. Thurston County reimburses retired LEOFF I police officers for reasonable medical charges as described in the LEOFF act. In 2000, 26 retirees received benefits under this act. As of December 31, 2000, there were 6 active officers who may become eligible for those benefits when they reach normal retirement age.

The cost of retiree health care benefits is recognized as an expenditure in the General Fund as claims are paid. For 2000, these costs total \$150,091 with an average cost per retiree of \$5,773.

In 2000 Thurston County continued to use the Long Term Care Special Revenue Fund, to purchase additional long term care insurance for LEOFF 1. The premium costs for this insurance was \$6,987.

**NOTE XII - FUND EQUITIES**

Reserved fund balances and retained earnings represent that portion of equity which is segregated for a specific future use or that portion of equity which is not available for appropriation.

The following funds had reserved fund balance at December 31, 2000:

**Schedule Of Reserved Fund Balances And Retained Earnings  
As Of December 31, 2000**

<b>RESERVED FUND BALANCE</b>	
Reserved for Debt Service:	
Debt Service Funds:	
1995 G.O. Bond Redemption Fund	\$2,169
1997 G.O. Bond Redemption Fund	14,857
1998 G.O. Bond Redemption Fund	1,743
Reserved for Petty Cash Funds:	
General Fund	22,045
Special Revenue Funds:	
General Government	100
Culture & Recreation	550
Economic Environment	7,850
Roads	300
PMJT	10,000
Medic One	100
Public Health and Social Services	2,850
Reserved for Inventories:	
Special Revenue Funds:	
General Government	1,309
Road Fund	714,980
Reserved for Emergency Programs:	
Special Revenue Funds:	
Medic One	951,067
<b>TOTAL RESERVED FUND BALANCES</b>	<b>\$ 1,729,920</b>
<b>RESERVED RETAINED EARNINGS</b>	
Reserved for Landfill Closure:	
Enterprise Funds:	
Solid Waste	\$ 22,517,825
Reserved For Capital	
Water & Sewer	774,646
Storm & Surface Water	544,100
Reserved for Purchase of Fixed Assets:	
Internal Service Funds:	
Equipment Rental & Revolving	6,846,402
<b>TOTAL RESERVED RETAINED EARNINGS</b>	<b>\$ 30,682,973</b>

Contributed capital in internal service funds records the amounts of working capital and fixed assets received from other funds (residual equity transfers in). Contributed capital in enterprise funds also includes contributions for fixed assets acquisition from other governments, customers and developers.

The following funds had contributed capital at December 31, 2000:

<b>Schedule Of Contributed Capital For The Period Ended December 31, 2000</b>			
	Jan 1, 2000	Increases	Dec 31, 2000
<b>Enterprise Funds:</b>			
Enterprise Administration	\$ 312,471	\$ 0	\$ 312,471
Sol146id Waste	2,441,533	5,748	2,447,281
Water/Sewer Utilities	14,597,394	0	14,597,394
Storm & Surface Water	126,696	0	126,696
Subtotal Enterprise Funds:	\$17,478,094	\$ 5,748	\$ 17,483,842
<b>Internal Service Funds:</b>			
Central Services	1,277,645	64,603	1,342,248
Unemployment Compensation	958	0	958
Equipment Rental & Revolving	2,640,357	76,347	2,716,604
Subtotal Internal Service	3,918,960	140,950	4,059,910
<b>Total Contributed Capital</b>	<u>\$21,397,054</u>	<u>\$ 146,698</u>	<u>\$ 21,543,752</u>

**NOTE XIII - JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS**

Thurston County is currently participating in several interlocal agreements as noted below.

Animal Control Services is a joint venture governed by a six member board of which Thurston County is a member. Thurston County had an equity interest of \$721,363 in Animal Control Services as of December 31, 2000. This interest has been recognized in the general fixed asset account group. The County contributed \$382,403 as its share of operations in 2000. Each member's contribution is based on a formula factoring population and basic service components. The 2000 contribution was 57% of Animal Control Services' total budget. 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.

The Interlocal Drug Control Unit is a joint venture governed by a five member executive committee of which Thurston County is a member. Thurston County did not have an computable equity interest in the Interlocal Drug Control Unit in 2000. The Interlocal Drug Control Unit is funded by grants and seizures of drug funds. Financial information on the Interlocal Drug

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

Olympic Air Pollution Control Authority (OAPCA) is a jointly governed organization governed by a nine member board of which Thurston County is a member. Thurston County contributed \$42,703 as it's share of operations in 2000. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in OAPCA in 2000. Complete financial statements for OAPCA can be obtained from its administrative office at 909 Sleater-Kinney Rd. SE, Lacey, Washington 98503.

Thurston Regional Planning Council (TRPC) is a jointly governed organization governed by a fifteen member council of which Thurston County is a member. Thurston County contributed \$314,780 as it's share of operations in 1999. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2000. Complete financial statements for TRPC can be obtained from its administrative office at 2404-B Heritage Court SE, Olympia, Washington 98502.

## NOTE XIV - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that Thurston County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized in the Solid Waste Enterprise Fund based on future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year.

The estimated liability for postclosure care costs is \$23,511,360 which is based on a 100% utilization rate for Cell No. 1 and all prior utilized cells. The estimated liability for landfill closure costs is \$4,487,437 which is based on a 100% utilization rate for Cell No. 1. The estimated total current cost for landfill closure and postclosure care of \$27,998,797 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor, and maintain Cell No. 1 were acquired as of December 31, 2000. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Cell No. 1, the only cell used for waste disposal in 2000, 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. \$3,184,900 have been incurred to close Cell No. 1 as of December 31, 2000. The closure liability has been reduced by this amount since this cost was recognized in prior years.

Thurston County is required by state and federal laws and regulations to make annual contributions for finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2000, cash and pooled investments of \$23,058,772, and investments of \$1,000,000 are held for these purposes. These are reported as restricted assets on the balance sheet. It is anticipated that future inflation costs will be financed in part from earnings on the cash and invest-

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

## NOTE XV - OTHER DISCLOSURES

### A. FUND CHANGES

During 2000, the following funds were added: Health Building, 2000 GO Bond Redemption, 2000 Debt Holding, Public Health and Social Services Technology, RID # 2, Grand Mound Waste Waster Capital Replacement and Grand Mound Water Capital Replacement.

During 2000, the following funds were abolished: CapCom Building and Equipment, 1998 Debt Holding, 1992 GO Bonds, 1994 GO Bonds, Grand Mound Sewer Construction, Grand Mound Water Construction.

### B. CONTINGENCIES

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

### C. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were recorded in 2000: \$247,337 of discontinued construction in progress assets were deleted from the Solid Waste Operating fund, recognized \$6,696 for a previously deleted asset in the Solid Waste Operation fund, and deleted \$44,024 in duplicated assets from the Equipment Rental and Replacement fund.

### D. APPLICABILITY OF ACCOUNTING STANDARDS FOR PROPRIETARY FUNDS

Thurston County applies all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or

before November 30, 1989, unless they conflict with or contradict GASB pronouncements in accounting for proprietary fund activity.

E. SUBSEQUENT EVENTS

There were no reportable subsequent events in 2000.

F. ACCOUNTING AND REPORTING CHANGES

There were no accounting or reporting changes implemented by the County during or at the end of 2000.

G. RELATED PARTY TRANSACTIONS

See **Note XIII** - Joint Ventures.