

Thurston  
County  
Washington

*Comprehensive Annual  
Financial Report*

For Year Ending December 31, 2001

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Published by the Thurston County Auditor

Report Prepared by:  
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Thurston County Treasurer

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## **KIM WYMAN AUDITOR**

TO THE CITIZENS OF THURSTON COUNTY:

June 21, 2002

I am pleased to present the 2001 Comprehensive Annual Financial Report (CAFR) of the Thurston County government for your review. The CAFR is prepared in accordance with generally accepted accounting principles and provides detailed financial information on the revenues, expenditures, assets, and liabilities of Thurston County government for the fiscal year ending December 31, 2001. The major objective of the CAFR is to describe the County's financial condition and the financial results of its operations. As such, it is designed to provide information to our county commission, legislative bodies, creditors, investors, bond counsels, students of public finance, political scientists, and the public we serve on the financial status of the County.

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

### REPORT SECTIONS

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

### REPORTING ENTITY AND ITS SERVICES

Thurston County government provides and delivers a full range of municipal services, including: public safety (sheriff, judicial, and emergency services), construction and maintenance of roads and bridges, water and waste management, health and social services, cultural and recreational facilities and activities, planning and zoning services, job training, and general administrative services.

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

### INTERNAL CONTROLS

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

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

#### BUDGETARY CONTROLS

The 2001 Thurston County budget, including approved modifications, is \$312.1 million in all funds and \$45.2 million in General Funds. This is \$19.8 million more than the 2000 budget in all funds, and just \$300,000 more in General Funds. The minimal increase in General Funds is due in part to the passage of Initiative 695, restricting revenues from motor vehicle licenses, in part to the decision to limit growth to the Implicit Price Deflator (IPD), and in part to the limits placed on housing of inmates from local municipalities in the county jail. Budgetary control for the county is generally maintained at the "appropriation" level within a fund-department level. Budget overruns are prevented by manual and automatic controls as vouchers are processed. The County Commissioners must approve any budget extensions that would authorize expenditures over the original budget(s). For management purposes, budgets are maintained by establishing detailed line items. The Chief Administrative Officer is the only position authorized to transfer budgeted amounts between appropriation units.

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

#### FINANCIAL SUMMARY INFORMATION

The financial information summarized in the next several paragraphs highlights the fiscal data from the various schedules and notes included in the 2001 CAFR. These highlights reflect comparisons and trends with prior years. The financial summary information is grouped into categories entitled: General Government Functions, Proprietary Operations, Fiduciary Operations, and Debt Administration.

##### General Government Functions

The General Fund is the major operating fund of the County. It is used to account for the majority of financial activities in Thurston County, including criminal justice. The principal revenue sources are property taxes and retail sales taxes. Revenues from all tax sources, including excise taxes, penalties, interest, and timber harvests accounted for 70 percent of the total General Fund revenues in Fiscal Year (FY) 2001.

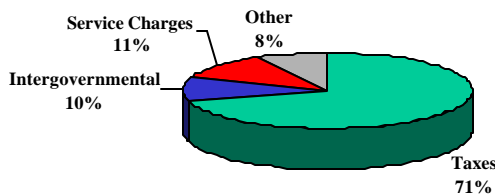
Total General Fund revenues also include grants from federal, state, and other intergovernmental sources, charges for services, fines and forfeitures, interest earnings, and miscellaneous. General Fund revenues for FY 2001 were slightly higher than 2000, showing an increase of \$1,162,339 or plus 2.6%. Tax proceeds were up by 7.7%, but intergovernmental revenues were down by 16.0%. The County received a one-time reimbursement for the cost of the Rupe Trial of \$417,261 in FY 2000 that accounts for the large decrease in miscellaneous from FY 2000 to 2001. In total, for FY 2001, actual

revenues for the General Fund were \$45,624,806 or \$422,414 more than budgeted.

The following schedule presents a summary of actual General Fund revenues for FY 2001 compared to the previous year.

**General Fund Revenues**

Revenues	FY 2001 Amount	Percent Of Total	\$ Increase	% Increase	FY 2000 Amount
			(Decrease) From 2000	(Decrease) From 2000	
Taxes	\$32,242,788	70.31%	\$2,309,301	7.71%	\$29,933,487
Licenses and Permits	48,106	0.10%	14,267	42.16%	33,839
Intergovernmental	4,738,814	10.33%	(903,280)	(16.01%)	5,642,094
Charges for Services	5,208,562	11.36%	282,379	5.73%	4,926,183
Fines and Forfeitures	1,308,925	2.86%	(14,946)	(1.13%)	1,323,871
Interest	1,923,894	4.70%	(163,937)	(7.85%)	2,087,831
Miscellaneous	153,717	0.34%	(361,445)	(70.16%)	515,162
<b>TOTAL</b>	<b>\$45,624,806</b>	<b>100.00%</b>	<b>\$1,162,339</b>	<b>2.61%</b>	<b>\$44,462,467</b>



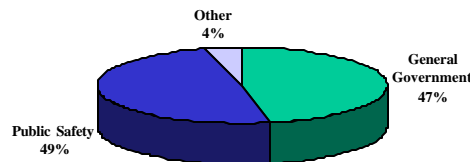
General Fund expenditures increased by \$698,228 or 1.6% from FY 2000. The largest increase was in the area of public safety. Public safety, which includes a large portion of funding for the Sheriff's Office, jail, and courts, comprises 49 percent of total General Fund expenditures. Expenses for public safety increased by \$705,801 from FY 2000, an increase of approximately 3.4%. Expenditures for general government operations also increased slightly in 2001, from \$20.18 million to \$20.83 million or 3.2%. This growth was partially offset by a major decrease in General Fund expenditures for capital outlays.

In FY 2000, Thurston County's Sheriff's Office purchased several new vehicles, outfitted their vehicles with laptop computers, and completed a minor remodel in the jail. These one-time capital expenditures were not incurred in 2001. Actual General Fund expenditures in 2001 were \$820,446 below the approved budget. Over 71 percent of this favorable variance was in General Government; and half of this savings, or 36 percent, was in the County Auditor's Office.

The following schedule presents a summary of General Fund expenditures for FY 2001 compared to the previous year.

**General Fund Expenditures**

Expenditures	FY 2001 Amount	Percent Of Total	\$ Increase (Decrease) From 2000	% Increase (Decrease) From 2000	FY 2000 Amount
General Government	\$20,836,292	46.90%	\$651,935	3.23%	20,184,357
Public Safety	21,744,673	48.94%	705,801	3.35%	21,038,872
Transportation	110,002	0.25%	18,072	19.66%	91,930
Utilities and Environment	428,438	0.96%	3,332	0.88%	425,106
Culture and Recreation	367,131	0.83%	81,942	28.73%	285,189
Economic Environment	462,600	1.04%	(37,570)	(7.51%)	500,170
Mental/Physical Health	398,743	0.90%	38,251	10.61%	360,492
Capital Outlay & Debt Service	<u>81,207</u>	<u>0.18%</u>	<u>(763,535)</u>	<u>(90.39%)</u>	<u>844,742</u>
<b>TOTAL</b>	<b>\$44,429,086</b>	<b>100.00%</b>	<b>\$698,228</b>	<b>1.60%</b>	<b>\$43,730,858</b>



Total current assets for the General Fund were \$8,580,397 in FY 2001, a decrease of \$1,818,604 from 2000. The most significant decrease occurs in two areas: Cash and Pooled Investments of \$730,644 and Due from Other Governmental Units of \$999,998. The decrease in cash and investments is substantially a result of transfers to a special reserve outside the General Fund. This reserve, which in an activity in the Real Estate Excise Tax Fund, has approximately \$4 million. The decrease in assets from other governmental sources comes from a partial elimination of the state resources initiated by I-695 and the subsequent legislation to reduce motor vehicle license fees, and the reduction of \$1 million from intergovernmental transfers from local municipalities for the County jail. As cash revenues were decreasing, accounts receivables were increasing from \$106,388 to \$439,994. The net effect is reflected in the \$1.58 million decrease in total assets.

As total General Fund assets were decreasing substantially, liabilities were decreasing more modestly. General Accounts Payables were up slightly by \$16,859, and obligations Due to Other Funds were lower by \$64,213. Deferred Revenues, primarily in criminal justice funding, was reduced from \$3,535,998 to \$3,329,290. This is a decrease of \$206,708.

The net affect was a decrease of \$1,529,453 in the unreserved fund balance of the General Fund. After adding in the \$25,220 reserved for petty cash, the General Fund Balance was reduced from \$5.78 million to \$4.25 million. As indicated above, a significant part of the decrease in the General Fund Balance is a result of transfers to a reserve outside of the General Fund. After the transfers, the 2001 General Fund balance is approximately 9.3% of the year's collected revenues (excluding "other financing sources"), which is still higher than the county's goal of maintaining at least a 5 percent reserve.

For all the Governmental Funds (General, Special Revenue, Debt Service, and Capital Project), total revenues (excluding "other financing sources") increased to \$124,331,808, up by \$4.76 million from \$119,566,700 in 2000. The largest categories of increase were in Taxes, which increased by \$3.74 million or 6.5 percent, Charges for Services that increased by \$946,488 or 10.5 percent, and in Miscellaneous Revenues, which increased by \$381,769 or 16.8 percent. These increases were partially offset by small reductions in Intergovernmental Revenues of \$68,428, Fines and Forfeitures of \$14,946, and Miscellaneous Revenues from interest earnings of \$220,417 respectively.

Governmental Fund expenditures increased from \$115,825,835 million in 2000 to \$124,648,456 in 2001. This is an increase of \$8.82 million or 7.6 percent. Three main categories accounted for 75 percent of this increase. The largest change occurred in the category called Security of Persons and Property. Expenditures for public safety increased from \$27,295,351 to \$29,979,500, an increase of \$2.68 million or 9.8 percent. The second largest category of increase in Governmental Fund expenditures was Transportation, which increased from \$15,236,454 to \$17,367,425 or \$2.13 million. Close behind was the category entitled Culture and Recreation that showed a growth from \$20,675,383 to \$22,799,944 or \$2.12 million. Only two categories showed reduced expenditures from FY 2000. These were Economic Environment, down \$791,176, and Physical Environment, down \$19,120. Total unreserved fund balance for all the governmental funds increased from \$65.5 million to \$67.7 million. This is an increase of \$2.1 million or approximately 3 percent.

#### Proprietary Operations

The Enterprise and Internal Service funds' total equity decreased from \$56.0 million in 2000 to \$53.6 million in 2001. The decrease was due primarily to the reflection of \$2.9 million in closure costs for the landfill as a non-operating expense item in FY 2001. Previous year closing expenses were shown as a balance sheet adjustment to accrued liability. Although net income from proprietary operations was also negative, this was more than offset by interest earnings.

#### Fiduciary Operations

At year-end 2001, County Agency Fiduciary funds contained \$164.8 million in assets and liabilities. This increased from \$147.4 million in 2000. The County Treasurer makes investments in a custodial capacity for school districts, fire districts and other special districts. Other Agency Funds are "clearing" or "suspense" accounts for County financial activities.

#### Debt Administration

The County's conservative debt position and financial stability support its A1 credit rating by Moody's Investor Services. The net general obligation bond debt per capita for the Thurston County government had increased steadily up to \$163 in FY 1998. In 1999, it decreased to \$145 and then increased again to \$168 in FY 2000. In 2001, there was a slight decrease to \$156. In relationship to total general expenditures, debt service expense for principal and interest is \$3.168 million or 2.61% (see Statistical Table 8).

The General Long-Term Debt Account Group has \$37.3 million in payables from bonds, leases, and compensated absences. Proprietary fund liabilities are \$15.6 million for a total of \$52.9 million. In addition, long term liabilities include \$23.5 million in closure costs for the Thurston County Landfill. Thurston County's indebtedness for "other than voter-approved" debt is \$46.3 million, significantly below its statutory limit of 1.5% of taxable property or \$195.6 million.

#### CASH MANAGEMENT

In order to obtain maximum return on secure investments, the County Treasurer invests cash in certificates of deposit with qualified Washington State public depositories, U.S. Treasury and Agency securities, bankers acceptances, commercial paper and investments in the Washington State Treasurer's Local Government Investment Pool. Over 86% of the cash investments held by the County are in US Agency and Instrumentality Securities. All investments at year-end 2001 were insured, registered, and/or held by the County or its agent in the County's name. All of these investments are classified in the lowest-risk category, as defined by the Governmental Accounting Standards Board (GASB).

#### RISK MANAGEMENT

Thurston County acquires insurance for general risk liability through the Washington Counties Risk Pool. Thurston County's insurance, loss expenditures, and accounting activities are centrally tracked within the County's Insurance Risk Internal Service Fund. The County presently purchases insurance for workers' compensation liabilities.

#### INDEPENDENT AUDIT

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

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

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Thurston County for its comprehensive annual financial report for the fiscal year ended December 31, 2000. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### MANAGEMENT RESPONSIBILITY

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

#### ACKNOWLEDGMENTS

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

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

Respectfully Submitted,



KIM WYMAN  
THURSTON COUNTY AUDITOR

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Thurston County,  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Samuel Bruwe*  
President

*Jeffrey L. Esser*  
Executive Director



June 21, 2002

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## Economic Condition and Accomplishments for 2001

The Thurston County Financial Policies Committee is pleased to submit this overview of the County's current economic conditions and a sample of several major program accomplishments and service efforts by County departments during calendar year 2001.

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

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

### Summary of Economic Conditions

Economic conditions are, in part, a product of (a) population and demographic trends; (b) employment and housing factors; (c) per capita income and inflation; and (d) retail sales. From 1990 to 2000, the Thurston County economy continued to increase steadily, but not at the same rate as the prior two decades. In 2001, the economy became stagnant as growth in both public and private employment was impacted first by the Boeing cutbacks and State budget, and secondly by the tragic events of September 11, 2001. The statistics and information that follows highlight the changes in these conditions.

### Population and Demographic Trends

The population of Thurston County has grown from 161,238 in 1990 to 207,355 in 2000. This is an increase of 46,117 residents and an average growth rate of 2.5 percent per year. The majority of the population increase has been due to the continued in-migration of people into the County. Thurston County continues to be a desirable place to live, and is the 11<sup>th</sup> fastest growing of our State's 39 counties over the past decade. In Calendar Year 2001 the County's population increased to 210,200. This reflected a slower growth rate of 1.4%. This is the result of a relatively stable economy, less job opportunities, and less in-migration.

Seniors continues to be one of the fastest growing segments of Thurston County's population. From 1980 to 2000, the population aged 65 and older increased from 12,230 to 24,629, basically doubling in number. Today our senior citizens constitute 11 percent of our total population. Projections show that by the year 2010, the population of people aged 65 or over will have increased to 13 percent of our total population and by the year 2020 to 17 percent. This is a trend that will place increased pressures on our public health care services and retirement facilities.

Over the past twenty years, population growth has been fairly evenly distributed between the incorporated and unincorporated areas of the county. This is in stark contrast to the two previous decades of the 60's and 70's, when major shifts in population occurred in both directions. In calendar year 2001, approximately 55 percent of our population live in unincorporated areas and 45 percent in incorporated jurisdictions.

The growth within our municipal cities has not been constant however. During the past decade, the cities of Lacey, Rainier, and Yelm were all growing at an annual rate of 3.8 percent or better. Growth in Tumwater and Olympia, on the other hand, was slightly below the statewide average at 2.4 and 2.3 percent respectively. For 2001, growth rates slowed down in all jurisdictions, with only Yelm exceeding the statewide average at 4 percent. Much of the growth in Yelm took place through annexation.

## **Employment and Housing**

Between 1990 and 1999 (the most recent statistical year), the number of jobs available in the County has increased by 30 percent. The industry sector with the greatest rate of growth in 1999 was the Construction sector, which grew 8.4 percent from 3,449 jobs in 1998 to 3,738 jobs in 1999. It was closely followed by Transportation and Public Utilities that grew 3.6 percent from 2,077 jobs to 2,152 jobs in the same time period. The greatest overall increase in the actual number of jobs was in the Government sector, accounting for 541 new jobs, a 1.7 percent increase over 1998. The second largest number of new jobs was provided by the Retail Trade sector with 489 new jobs, a 3.5 percent increase.

Despite an increase in total jobs, the Manufacturing sector continues to lose overall market share in Thurston County. Manufacturing pays the third highest average wage but only accounts for about 5 percent of County jobs. In 1999, there was a very slight increase in manufacturing employment of 7 jobs. This followed an absolute decline in Calendar Year 1998.

Over the past decade, housing starts in Thurston County have proven to be quite steady. There were 2,807 residential housing starts in 1990, 2,106 in 1995, and 1,544 in 2000. Over 54 percent of these permits were located within the urban growth boundaries. The average sales price for a home in 1990 was \$91,568. In 2000, the average sales price was \$160,606.

Housing affordability overall was relatively good for Thurston County with an index of 143.0 vs. 124.3 statewide. The higher the index, the more affordable the housing. An index of 100.0 is considered a good balance between monthly income and housing costs. However, for first time homebuyers, the index was 85.4 and only slightly above the previous year.

## **Per Capita Income and Inflation**

In 2000 the median household income for Thurston County was \$46,975, up from \$43,475 in 1999. In comparison with adjacent counties, Thurston County continues to experience a higher median household income than Lewis, Mason, Pierce, and Grays Harbor counties and is slightly higher than the Washington State average based on the last census.

Real personal income for Thurston County, which is measured by dividing total personal income by population and adjusted for inflation, has increased slightly from \$22,730 in 1990 to \$25,760 in 1999 (the latest statistical year). This is a real per capita increase of \$3,030.

## Taxable Retail Sales

Another indication of economic conditions, especially as it applies to local government, is “taxable retail sales”. This indicator measures purchasing and consumption activity in the County. In the last reported year, between 1999 and 2000, the County experienced a 4.6 percent increase in taxable retail sales. The “taxable retail sales” for the County has increased by an average of 6.3 percent annually since 1990. The unincorporated sector of the County increased by 4.4 percent during this same time period, while the city of Yelm increased by over 11 percent.

## Future Economic Outlook

Thurston Regional Planning predicts that the population in the year 2025 will be over 334,000, an increase of 58 percent over this twenty-five-year period.

The Thurston Regional Planning Council also has projected an increase in employment for Thurston County from 109,000 persons to 161,000 by the year 2025. This is an increase of 48 percent over the twenty-five year period. The number of local jobs available is expected to increase at about the same rate as the labor force, with government and the service industry continuing to be the dominant employment base.

Thurston County's economic vitality has traditionally come from being the state capital. State government, with its substantial employment base, has significant ripple effects in the consumer business trade and services sectors. However, recent downturns in the economy and shortfalls in revenues are expected to reduce government employment by approximately 100 employees in the Thurston County area in the immediate future. Most recently, Thurston County is working to solidify its role as a regional retail and services center as it attempts to draw customers from nearby counties. Currently more people commute out of the County to work every day than those who commute into the County. The trend is expected to continue over the next 25 years. One of the keys to Thurston County's economy will be the success of efforts to have Thurston County residents purchase goods and services locally. Another is continued diversification in the workforce, with a growth in business-to-business services.

Health care services, in particular, present the county with significant growth opportunities and challenges. Thurston County health care services are among the most comprehensive in southwest Washington, and St. Peters Hospital is completing a major expansion project. On the other hand, rising health care costs and reduced government reimbursement rates are driving private health care providers out of the county and state.

Local governments in Thurston County are also experiencing a slow down in employment growth. Passage of new Initiatives has placed tight limits on revenue increases from traditional sources such as property taxes. Coupled with reductions in state grant funds from the limit on Motor Vehicle Excise Taxes, many local cities and the county are facing potential employment reductions beginning in 2002. Thurston County governments' strong reserve base will be a significant factor in recovering from the economic downturn in 2001.

While recent slow downs in government activities will have some immediate challenges, Thurston County has many attractive quality of life aspects. Significant investments in infrastructure and the counties unique resources will help stimulate economic growth in the long-term. Growth in all industries will occur, with special emphasis in the consumer business trades and the service sector.

## Major Accomplishments and Service Efforts

Calendar Year 2001 brought with it many challenges. The February earthquake disrupted vital county services and resulted in a major rebuilding effort for county road and utility crews. One of the major thoroughfares to Thurston County headquarters, the Deschutes Parkway, was rendered unusable and will not be reopened until 2003. The County began partnering immediately with the Federal Emergency Management Agency (FEMA) to repair or replace over \$700,000 in damaged roadways, bridges, and structures. At a time when the State and other local jurisdictions were having difficulty in clarifying requirements and financial obligations, Thurston County's work crews, risk management and financial management staff worked professionally to ensure that county projects were completed as quickly as possible and maximum federal participation obtained.

By mid year Thurston County officials were aware that the economy had turned down and that the opportunity for continued backfill of all the lost Motor Vehicle Excise Tax revenues from the legislature was very slim. The County embarked on a new budget development plan, and the budget team developed a series of financial alternatives to address the shortfall. The new budget presentation and financial support materials was favorably received by the Commission. Although born out of a need to reduce spending levels, improvements in the budget process and presentation materials was a major accomplishment in 2001.

Another of the major financial accomplishments in 2001 was the integration of the necessary software and hardware to upgrade the Eden Payroll System. The new system, called Eden Gold, provides faster, and more convenient, on line information for processing payroll information and responding to individual inquiries. This was a true team effort, involving many hours of coordinating planning and implementation from Central Services, Human Resources, the Payroll Division of the County Auditor, and department accountants. The next phase, involving expanded and upgraded human resource information, will be partially implemented in 2002 and completed in 2003.

Effective September 1, 2001, the Financial Policy Committee and the Board of County Commissioners approved a new policy and procedure for the handling of small assets. With the capitalization threshold for inventory reporting raised from \$1,000 to \$5,000, the new policy provides strong internal controls over small and attractive assets. Each office and department was required to identify their "at risk" equipment and furniture, and the information was summarized in a standardized and convenient spreadsheet. The new policy and procedure will ensure accountability over small assets, while focusing on a strong inventory management system for major items. The change has helped reduce the collection and reporting time of fixed asset information for this CAFR by two months.

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

Departments have already implemented several of these suggestions. One of the recommendations that was implemented successfully in 2000 and 2001 is the use of credit cards by county offices and employees for the purchase of general supplies and equipment, and for travel. The use of credit cards has made it more convenient for our employees in remote locations and has significantly reduced the paperwork for advanced travel requests and for processing monthly vouchers. To date the County has issued 76 cards for 19 agencies.

Another Focus 2000 recommendation that was expanded in 2001 is improving the County's presence on the web. Thurston County has developed a very user-friendly web site that is available both through the Internet and Intranet for external and internal distribution of information. Many citizens and offices have favorably commented on the new web site.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Thurston County for its comprehensive annual financial report for the fiscal year ended December 31, 2000. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, two County Auditor employees were awarded Professional Finance Officer Awards for their ongoing educational and professional excellence in government accounting in 1999 and 2000.

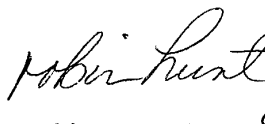
## Acknowledgments

The professional and dedicated staff of the Financial Services Division of the County Auditor's Office and the County Treasurer's Office jointly prepared this report. In addition, the report could not be accomplished without the valuable assistance of accounting personnel of other County departments. We appreciate their efforts, and appreciate also the sound and progressive approach of the Board of Commissioners, in their conduct of the financial affairs of the County.

## MEMBERS OF THE THURSTON COUNTY FINANCIAL POLICIES COMMITTEE:



**Kim Wyman**  
County Auditor,  
Chairman

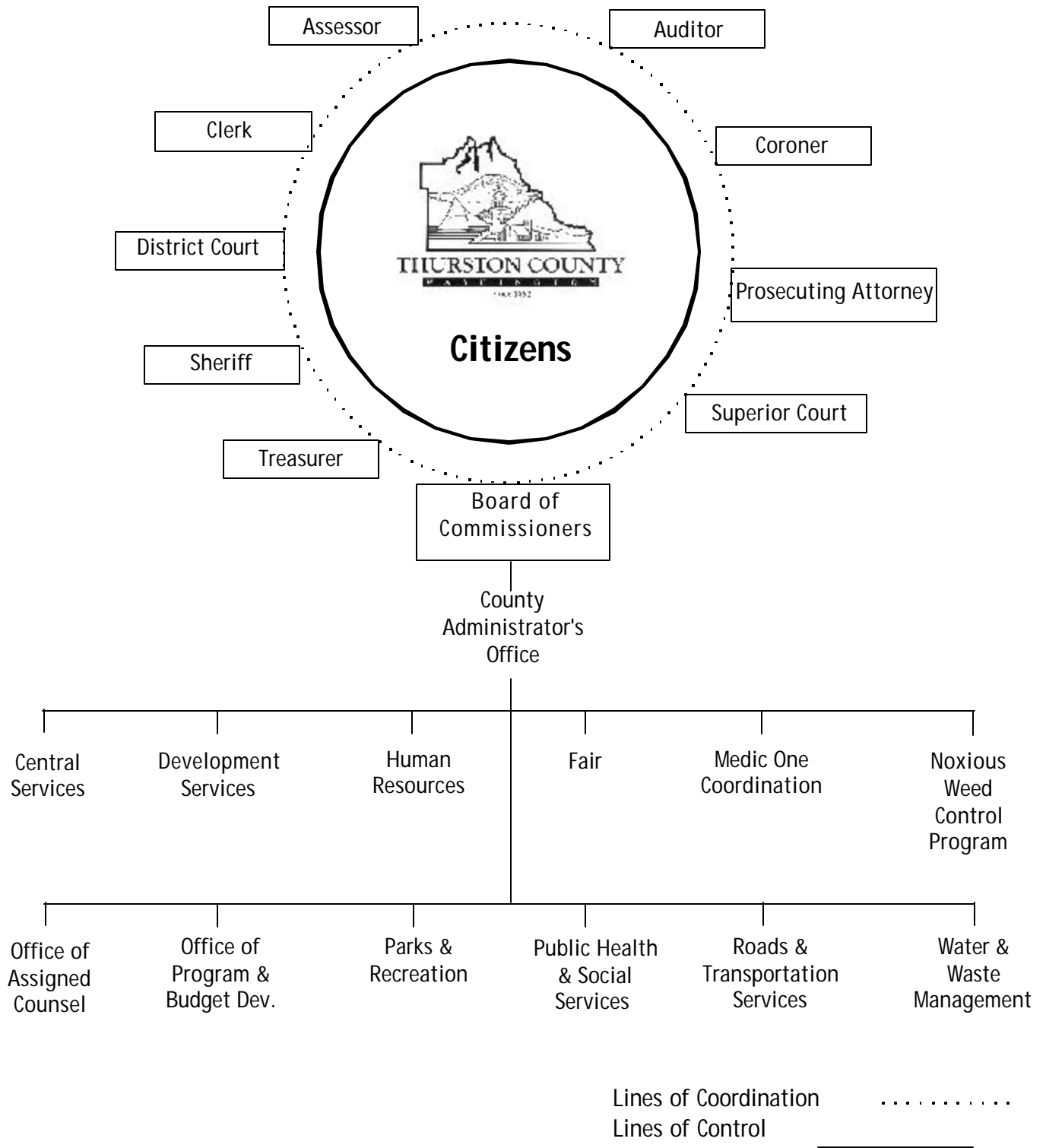


**Robin Hunt, CPA**  
County Treasurer



**Don Krupp**  
County Chief  
Administrative Officer

# Thurston County Organization Chart



# Elected Officials

December 31, 2001

## Thurston County Board of Commissioners

Honorable Cathy Wolfe **District One**

Honorable Diane Oberquell, **District Two**

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

Honorable Patricia Costello, **Assessor**

Honorable Kim Wyman, **Auditor**

Honorable Betty J. Gould, **Clerk**

Honorable Judy Arnold, **Coroner**

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

Honorable Gary Edwards, **Sheriff**

Honorable Robin Hunt, **Treasurer**

## District Court Judges

Honorable Susan A. Dubuisson

Honorable Clifford L. 'Kip' Stilz

## Superior Court Judges

Honorable Daniel J. Berschauer

Honorable Paula Casey

Honorable Richard A. Strophy

Honorable Wm. Thomas McPhee

Honorable Richard Hicks

Honorable Christine A. Pomeroy

Honorable Gary R. Tabor