NOTES TO THE FINANCIAL STATEMENTS

Guide to Notes

Year Ended December 31, 2001

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Year Ended December 31, 2001

Note 1 - 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 “economic resource” 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 operating 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 2000, the County Administrator submitted to the Board of County Commissioners a proposed operating budget for 2001. 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, 2000 the budget was legally enacted through passage of a resolution.

For 2001, budgets 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 (CAO) or Assistant CAO 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, 2000, 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 2001 were approximately $1,076,000.

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 3 - Deposits & Investments**.

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 4 - Property Taxes**), 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 8 - 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 14 - Closure & Post Closure Care Costs**.

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 5 - Plant, Property and Equipment**.

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 6 - Long-Term and Other Significant Debt**.

N. CONTRIBUTED CAPITAL
See **Note 12 - Fund Equities**.

O. FUND RESERVES AND DESIGNATIONS
See **Note 12 - Fund Equities**.

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 2 - 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 proprietary funds had deficit retained earnings at December 31, 2001: Solid Waste M & O ($6,601,731), Boston Harbor Water/Wastewater Utility ($1,640,324), Olympic View Debt Service ($112,984), Tamoshan Debt Service ($339,440), Grand Mound Debt Service ($11,149,298), and Equipment Rental & Revolving ($155,794). 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 3 - 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 2001 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 depositary 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, 2001, 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, 2001

	Investments	Cash & Pooled Investments	Total
Pool Investments:			
State Treasurer's Local Govt. Investment Pool (LGIP)	$ -	$ 34,500,000	$ 34,500,000
U.S. Agency & Instrumentality Securities	-	229,144,111	229,144,111
Investments:			
Municipal Bonds	1,300,513	-	1,300,513
Total Investments	1,300,513	263,644,111	264,944,624
Cash:			
Cash with Fiscal Agent and deposits with Financial institutions	-	6,349,301	6,349,301
Petty Cash, Change, Revolving and Advance Travel Funds	-	97,333	97,333
Clerk's Trust Funds	-	1,293,357	1,293,357
Total Cash & Investments	1,300,513	271,384,102	272,684,615
Market Value Adjustment	42,259	541,601	583,860
Total Reported Cash & Investments	$ 1,342,772	$271,925,703	$273,268,475

These amounts agree to the Combined Balance Sheet for All Fund Types and Account Groups after including market value reductions referenced in **Note 3 - C**.

Current and Restricted Investments	Total	Current Assets	Restricted Assets
Pooled Investments	$264,944,624	$245,088,264	$19,856,360
Investments	-	-	-
Total	$264,944,624	$245,088,264	$19,856,360

Refer to **Note 14 - 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, 2001

	Total	Deposits	Investments
Pool Investments:			
State Treasurer's Local Gov't Invest. Pool (LGIP)	$34,500,000	$ -	$34,500,000
U.S. Agency & Instrumentality Securities	229,144,111	-	229,144,111
Investments:			
U.S. Agency & Instrumentality Securities	-		-
Municipal Bonds	1,300,513	-	1,300,513
Total	$264,944,624	$ -	$264,944,624

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. The County Auditor, the Chair of the Board of Commissioners and the County Treasurer, as the statutory County Financial Committee, perform oversight functions for the pool.

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 2001, the difference between amortized cost and market value was $583,860. Agency funds, which contain almost all investments with maturities in excess of one year, received a pro rata $583,860 increase in their cash and investment balances, as required by GASB 31. As noted above, these recognized gains will not be realized in these funds since each participant will receive the full face value of their investment when held to maturity. The fair value of the State Treasurer's Local Government Investment Pool (LGIP) is the same as the value of the pool shares (refer to State LGIP Consolidated Annual Financial Report dated June 30, 2001).

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, 2001, 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, 2001

	GASB Category				
Investment type	1	2	3	Carrying Amount	Fair Value
Municipal Bonds	1,300,513	0	0	1,300,513	1,342,772
U.S. Agency & Instrumentality Securities	229,144,111	0	0	229,144,111	229,685,712
Total	$230,444,624	$0	$0	$230,444,624	$231,028,484
Investments not subject to categorization:					
Investment in State Treasurer's Local Government Investment Pool (LGIP)				34,500,000	34,500,000
Total Investments				$264,944,624	$265,528,484

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

Note 4 – 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 it's 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 percent 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 thousand dollars of assessed valuations (RCW 84.52.043). At the county level this limitation does not apply to the Conservation Futures or Medic One levies.

- 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 2000 for collection in 2001:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
County	$ 1.7750	$12,207,783,715	$21,668,482
Roads	2.0364	$ 6,464,593,448	13,164,631
	$ 3.8114		$34,833,113

Note 5 - 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 4 - Property Taxes**.)

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 $5,000.

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, 2001

	Jan 1, 2001	Additions	Deletions	Dec 31, 2001
Land	$15,374,024	$ 348,372	$116,960	$15,605,436
Buildings	48,657,704	5,307,333	895,670	53,069,367
Improvements Other Than Buildings	5,312,603	55,715	26,988	5,341,330
Machinery & Equipment	12,110,170	401,495	1,440,313	11,071,352
Construction Work in Progress	546,173	131,304	254,599	422,878
TOTAL GENERAL FIXED ASSETS	$82,000,674	$ 6,244,219	$ 2,734,530	$85,510,363

C. PROPRIETARY FUND FIXED ASSETS

A summary of the Proprietary Fund property and equipment at December 31, 2001, follows:

Schedule Of Property And Equipment For Proprietary Funds
As Of December 31, 2001

	Enterprise	Internal Service
Land	$ 1,382,451	$ -
Buildings	16,870,452	84,538
Improvements Other Than Buildings	26,100,678	275,735
Machinery & Equipment	4,064,240	24,337,762
Construction in Progress	2,043,748	-
TOTAL FIXED ASSETS	50,461,569	24,698,035
Less Accumulated Depreciation	(20,622,631)	(15,394,013)
NET FIXED ASSETS	$29,838,938	$ 9,304,022

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 14 - Closure and Postclosure Care Costs**.

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 6 - 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.

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 $260,000 in bonds outstanding at December 31, 2001, with final payoff due in 2002.

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). The use of funds involves financing 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, other capital equipment and Road Improvement District #2 construction. 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 $22,785,000 in bonds outstanding at December 31, 2001. The Refunding bond portion is serviced by the Boston Harbor Water/Sewer Debt Redemption Fund (Enterprise Fund) and has $1,020,000 in bonds outstanding at December 31, 2001, less a deferred amount on refunding of $61,326 for a net liability of $958,674. The deferred amount on refunding has been netted against the bond payable liability on the balance sheet.

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 50% of a bank reference rate. The issue is serviced by the 1998 General Obligation Bond Redemption Fund (Debt Service Fund) and has $1,457,142 in bonds outstanding at December 31, 2001. 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 issue is serviced by the Communications Fund (Internal Service Fund) and has $1,026,637 in bonds outstanding at December 31, 2001.

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 50% 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, 2001.

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. The 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, 2001.

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, 2001.

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 $637,990 at December 31, 2001. 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, 2001 of $301,819. 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, 2001 is $336,171.

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, 2001 of $76,330.

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, 2001 of $87,325.

Road Improvement District #2 Fund (Debt Service 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 1/19th 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 2020 and has a balance at December 31, 2001 of $500,000.

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, 2001 is $186,390. The second loan is not to exceed $200,000 with an interest rate of 0%. The term of the loan is for twenty years. The balance at December 31, 2001 is $89,425. 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, 2001 is $162,146. A fourth loan began in 2000 and is not to exceed $100,000 with an interest rate of 0%. Repayments are are estimated to begin June 15, 2003. The balance at December 31, 2001 is $22,690.

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, 2001 is $226,646.

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 $335,706 at December 31, 2001.

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, 2001 was $3,659,484. 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, 2001 was $194,936. The compensated absences payable balance for internal service funds totals $381,177. 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, 2001

	General Obligation Bonded Debt	Leases Payable	Loans & Contracts Payable	Compensated Absences	Totals
General Long-term					
Debt Account Group					
Balance at Jan.1, 2001:	$34,248,998	$446,913	$450,000	$3,362,239	$38,508,150
New Issues	-	51,386	50,000	297,245	398,361
Reductions	(1,422,858)	(162,593)	-	-	(1,585,451)
Balance at Dec.31, 2001	32,826,140	335,706	500,000	3,659,484	37,321,330
Proprietary Funds					
Balance at Jan.1, 2001	14,009,955	-	1,624,679	548,446	16,183,080
New Issues	-	-	40,994	27,667	68,661
Reductions	(243,318)	-	(176,731)	-	(420,049)
Balance at Dec.31, 2001	13,766,637	-	1,488,942	576,113	15,831,692
Total Long-term Debt	$46,592,777	$335,706	$1,988,942	$4,235,597	$53,153,022

On the Balance Sheet, the $13,766,637 in outstanding bonds for proprietary funds is combined with deferred amount of refunding of ($61,326) and the unamortized premium of $6,130 for a net amount of $13,711,441. $13,526,443 is classified as long-term, with $240,194 classified as current portion/G.O. bonds.

C. DEBT SERVICE REQUIREMENTS

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

Schedule Of Annual Requirements
For Debt Payments
As Of December 31, 2001

	General Obligation Bonded Debt		Leases Payable		Loans/Contracts/Notes Payable		
Year Ended Dec 31	Principal	Interest	Principal	Interest	Principal	Interest	Total
2002	1,718,051	2,332,965	171,298	18,889	213,043	72,069	4,526,315
2003	2,819,509	2,256,001	144,539	7,060	229,201	62,323	5,518,633
2004	3,329,112	2,117,727	8,261	1,943	237,539	51,695	5,746,277
2005	3,392,505	1,954,080	7,301	1,036	155,536	40,269	5,550,727
2006	3,516,322	1,787,396	4,307	153	156,424	37,091	5,501,693
2007 to Mat.	31,817,278	10,620,955	-	-	997,199	228,100	43,663,532
Total	$46,592,777	$21,069,124	$335,706	$29,081	$1,988,942	$491,547	$70,507,177

D. ASSETS AVAILABLE FOR DEBT SERVICE

Debt service requirements are being met by the County. At December 31, 2001, the County had $23,485 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)	$ 195,569,581	$149,287,031
General Government (with 3/5 majority vote)	$ 325,949,302	$279,666,752

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 two outstanding refunded issues.

Schedule Of Refunded And Defeased Bonds, Assets And Liabilities
As Of December 31, 2001

Assets				
Cash & Investments with Treasurer			$1,301,977	
Cash With Fiscal Agent			20,039	
Cash With Trustee			-	
Investments With Trustee			1,617,118	
Total Assets			$2,939,134	
Total Liabilities			$2,485,000	
	1/1/01	Increases	Decreases	12/31/01
Refunded & Defeased Bonds Outstanding	$3,135,000	$ -	$650,000	$2,485,000

Note 7 - Segment Information And Other Fund Disclosures

Generally accepted accounting principles require disclosure, as part of the combined statements-overview, 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, 2001

	Enterprise Admin.	Solid Waste	Water/Sewer Utilities	Storm & Surface Water	Community Loan	Total
Operating Revenue	$2,795,550	$11,369,432	$476,070	$1,429,727	$ -	$16,070,779
Depreciation Expense	17,229	1,441,935	566,633	253,597	-	2,279,394
Operating Income (Loss)	(48,118)	(2,191,861)	(794,536)	293,631	(1,022)	(2,741,906)
Interest Income	14,202	1,667,746	426,113	60,549	23,723	2,192,333
Interfund Operating Transfer In	-	5,549,226	747,484	423,495	-	6,720,205
Interfund Operating Transfer Out	-	5,918,656	597,382	423,495	-	6,939,533
Net Income (Loss)	(33,916)	(3,597,380)	(893,084)	478,666	5,835	(4,039,879)
Capital Contributions	3,083	-	161,386	3,456	-	167,925
Property, Plant, & Equipment:						
Net Additions (Deletions)	(6,182)	(1,340,042)	(183,085)	309,409	-	(1,219,900)
Net Working Capital	527,100	7,819,813	2,945,427	1,463,790	317,178	13,073,308
Total Assets	574,651	42,715,074	23,255,536	4,617,225	508,636	71,671,122
Bonds & Other Long-Term Debt	194,936	-	13,451,644	-	460,651	14,107,231
Total Equity	352,855	16,669,690	9,616,292	4,534,050	36,149	31,209,036

Note 8 - 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, 2001, are as follows:

Schedule Of Interfund Receivables And Payable
As Of December 31, 2001

	Due From Other Funds	Due To Other Funds
GENERAL FUND	$243,690	$318,797
SPECIAL REVENUE FUNDS		
General Government	25,801	121,669
Culture & Recreation	18,000	75,962
Economic Environment	71,043	4,180
Physical Environment	56,756	89,198
1/4% Real Estate Tax	-	132,812
Roads	66,692	80,784
PMJT	-	1,155
Medic One	-	17,124
Public Health & Social Services	151,370	197,812
Criminal Justice	-	757,485
CAPITAL PROJECTS		
Road Construction	-	1,422
Health Building Capital	1,219	22,817
Fair Building Capital	-	2,465
ENTERPRISE		
Enterprise Administration	215,385	5,539
Solid Waste	233,499	994,531
Water/Sewer Utilities	58,405	37,148
Storm & Surface Water	73,715	72,055
INTERNAL SERVICE FUNDS		
Benefits Administration	-	14
Central Services	88,679	12,862
Communications	5,225	1,453
Equipment Rental & Revolving	1,143,471	32,801
Risk Management	546,739	39,159
AGENCY FUNDS		
Other County Funds	3,948	15,106
Other Agency Funds	30,713	-
TOTAL	$3,034,350	$3,034,350

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:

Schedule Of Interfund Operating And Residual Equity Transfers
As Of December 31, 2001

	Operating Transfers		Residual Equity Transfers And Contributed Capital	
	In	Out	In	Out
GENERAL FUND	$1,160,691	$4,655,334	$7,699	$13,130
SPECIAL REVENUE FUNDS				
General Government	1,352,156	7,062,087	-	6,743
Culture & Recreation	888,656	-	2,465	-
Economic Environment	1,839,859	1,788,790	153	-
Physical Environment	366,292	264,388	353,606	1,724
1/4% Real Estate Tax	1,637,601	2,143,037	-	28,810
Roads	13,639	1,166,494	17,298	51,133
Medic One	1,422,945	1,422,945	-	-
Public Health & Social Services	2,419,932	137,780	-	2,514
Criminal Justice	-	225,680	-	-
DEBT SERVICE				
1995 Detention Facilities Bond	264,447	-	-	-
1997 General Obligation Bonds	2,059,425	-	-	-
1998 General Obligation Bonds	389,145	-	-	-
2000 General Obligation Bonds	206,638	-	-	-
CAPITAL PROJECTS				
Juvenile Detention Capital Proj.	31,111	-	-	-
Jail Detention Capital Proj.	165,270	-	-	-
Health Building	4,148,773	92,514	-	-
Fair Building Capital	170,013	-	-	-
Coroner Building Capital	605,582	-	-	-
ENTERPRISE				
Enterprise Administration	-	-	3,083	-
Solid Waste	5,549,226	5,918,656	-	3,398
Water/Sewer Utilities	747,484	597,382	-	353,606
Storm & Surface Water	423,495	423,495	3,456	-
INTERNAL SERVICE				
Central Services	59,620	3,399	49,239	11,417
Equipment Rental & Revolving	32,480	7,733	54,681	19,205
Insurance Risk	-	44,766	-	-
TOTAL	$25,954,480	$25,954,480	$491,680	$491,680

C. Interfund Loans

There were no outstanding interfund loans as of December 31, 2001.

Note 9 - 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, 2001, were:

PERS Plan I	Jan 1-Jun 30	Jul 1-Dec 31
Employer	4.67%	1.77%
Employee	6.00%	6.00%
PERS Plan II	Jan 1-Jun 30	Jul 1-Dec 31
Employer	4.67%	1.77%
Employee	2.43%	0.88%

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
2001	$220,975	$1,189,315
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, 2001 were:

LEOFF Plan I	Jan 1-Dec 31
	Required
Employer	.23%
Employee	.00%

LEOFF Plan II	Jan 1-Jun 30	Jul 1–Dec 31
	Required	Required
Employer	4.30%	2.93%
Employee	6.78%	4.50%

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
2001	$1,098	$171,291
2000	$14,640	$166,825
1999	$31,470	$218,591
1998	$33,399	$200,900

Note 10 - Risk Management

The County is currently a member of the Washington Counties Risk Pool (WCRP). 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 WCRP 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 WCRP.

The WCRP 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.

Since the pool is a cooperative program, there is joint liability among the participating members. A retroactive assessment was approved in 1999 for $6.5 million with payments starting in 1999 and spread over ten years. The county's proportional share of the assessment is approximately 3.2%

Members contract to remain in the pool for a minimum of five years, and must give notice one year before terminating participation. Thurston County's five-year obligation to remain a member began on October 1, 2000, after a one-year absence. The 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 it's 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 $1,433,446 during 2000. This amount included $896,636 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 fully determined. Any costs incurred by the County due to the landfill litigation are expected to be funded from insurance, decommissioning funds and ratepayer fees.

The County's potential liability for claims costs not covered by the Risk Pool estimated at December 31, 2001 is $1,826,183. 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.

Schedule of Claims and Judgements Payable

	2001	2000
Claims and Judgements Payable, Jan. 1	$1,969,629	$2,312,036
Claims costs paid during the year	(536,810)	(91,808)
Landfill litigation expense	(896,636)	(447,508)
Estimated additional liability incurred	1,290,000	196,909
Claims and Judgements Payable, Dec. 31	$1,826,183	$1,969,629

As discussed in **Note 6 - F**, the County also has a contingent financial liability for the payment of refunded debt.

Note 11 - Postretirement Health Care Benefits

In addition to the pension benefits described in **Note 9**, 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 2001, these costs total $161,748 with an average cost per retiree of $6,470.

In 2001 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 12 - 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, 2001:

Schedule Of Reserved Fund Balances And Retained Earnings
As Of December 31, 2001

RESERVED FUND BALANCE	
Reserved for Debt Service:	
Debt Service Funds:	
1995 G.O. Bond Redemption Fund	2,513
1997 G.O. Bond Redemption Fund	18,921
1998 G.O. Bond Redemption Fund	2,070
2000 G.O. Bond Redemption Fund	151
R.I.D. No. 2	96,268
Reserved for Petty Cash Funds:	
General Fund	25,220
Special Revenue Funds:	
General Government	100
Culture & Recreation	550
Economic Environment	7,850
Roads	300
PMJT	12,000
Medic One	100
Public Health and Social Services	2,850
Reserved for Inventories:	
Special Revenue Funds:	
General Government	1,309
Road Fund	848,220
Reserved for Emergency Programs:	
Special Revenue Funds:	
Medic One	3,091,958
TOTAL RESERVED FUND BALANCES	$ 4,110,380
RESERVED RETAINED EARNINGS	
Reserved for Landfill Closure:	
Enterprise Funds:	
Solid Waste	$ 19,856,360
Reserved For Capital:	
Water & Sewer	656,374
Storm & Surface Water	347,780
Reserved for Purchase of Fixed Assets:	
Internal Service Funds:	
Equipment Rental & Revolving	6,777,031
TOTAL RESERVED RETAINED EARNINGS	$ 27,637,545

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. Beginning contributed capital balances have been re-stated to include unrecognized residual equity transfers.

The following funds had contributed capital at December 31, 2001:

Schedule Of Contributed Capital
For The Period Ended December 31, 2001

	Jan 1, 2001	Increases (Decreases)	Dec 31, 2001
Enterprise Funds:			
Enterprise Administration	$ 312,471	$ 3,083	$ 315,554
Solid Waste	2,448,406	(3,398)	2,445,008
Water/Sewer Utilities	14,597,394	(192,220)	14,405,174
Storm & Surface Water	126,696	3,456	130,152
Subtotal Enterprise Funds:	$17,484,967	$ (189,079)	$ 17,295,888
Internal Service Funds:			
Central Services	1,412,023	37,822	1,449,845
Communications	10,575	-	10,575
Unemployment Compensation	958	-	958
Equipment Rental & Revolving	2,901,434	35,476	2,936,910
Subtotal Internal Service	4,324,990	73,298	4,398,288
Total Contributed Capital	$21,809,957	$ (115,781)	$ 21,694,176

Note 13 - 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 $716,998 in Animal Control Services as of December 31, 2001. This interest has been recognized in the general fixed asset account group. The County contributed $385,524 as its share of operations in 2001. Each member's contribution is based on a formula factoring population and basic service components. The 2001 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 a computable equity interest in the Interlocal Drug Control Unit in 2001. 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 $42,914 as its share of operations in 2001. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in OAPCA in 2001. 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 $186,984 as its share of operations in 2001. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2001. Complete financial statements for TRPC can be obtained from its administrative office at 2404-B Heritage Court SE, Olympia, Washington 98502.

Note 14 - 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 prior activities of the landfill, an expense provision and related liability was recognized in the Solid Waste Enterprise Fund based on future closure and postclosure care costs incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs was based on the amount of the landfill used in each year.

The estimated liability for postclosure care costs was $23,511,360 which was based on a 100% utilization rate for Cell No. 1 and all prior utilized cells. The estimated liability for landfill closure costs was $5,390,263 which was based on a 100% utilization rate for Cell No. 1. The estimated total current cost for landfill closure and postclosure care of $28,901,623 was based on the amount that would have been 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. $8,342,166 was incurred to close Cell No. 1 as of December 31, 2001. The closure liability has been eliminated with the difference being expensed in 2001. The postclosure care period was deferred for one year and will start on January 1, 2002.

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, 2001, cash and pooled investments of $19,856,360 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 investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that may arise from changes in 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 15 - Other Disclosures

A. FUND CHANGES

During 2001, the following funds were added: WRIA 13 Watershed Plan, 2001 Debt Holding, 2001 GO Bond Redemption, Coroner Building and Fair Capital.

During 2001, the following funds were abolished: 1997 Debt Holding, 1998A Debt Holding and Solid Waste Bond Redemption.

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 adjustment was recorded in 2001: $60,650, to correctly reflect the current value of an asset for the Solid Waste 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

On May 31, 2002 the County issued $10,713,008 in debt to currently refund the 1998a and 2000 general obligation bonds, for jail land acquisition and to construct a coroner building and an HVAC system.

On June 21, 2002, the County approved a financial settlement to a class action lawsuit pertaining to the operation and maintenance of the Hawks Prairie Waste Recovery & Recycling Center. The financial settlement was for $4,000,000. $2,500,000 will be funded through insurance recoveries and the remaining $1,500,000 will be funded through solid waste reserve accounts.

F. ACCOUNTING AND REPORTING CHANGES

Due from and due to other governmental units were reported as a cash flow change impacting non-operating activities in 2001. Prior year amounts were restated to reflect this accounting change.

G. RELATED PARTY TRANSACTIONS

See **Note 13 - Joint Ventures**.