

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**Thurston County**

Audit Period  
**January 1, 2006 through December 31, 2006**

**Report No. 73397**

Issue Date  
**September 28, 2007**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

September 28, 2007

Board of Commissioners  
Thurston County  
Olympia, Washington

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on Thurston County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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# Federal Summary

## Thurston County January 1, 2006 through December 31, 2006

The results of our audit of Thurston County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### **FINANCIAL STATEMENTS**

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### **Internal Control Over Financial Reporting:**

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

### **FEDERAL AWARDS**

#### **Internal Control Over Major Programs:**

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the County's compliance with requirements applicable to its major federal programs.

We reported no findings that are required to be disclosed under OMB Circular A-133.

#### **Identification of Major Programs:**

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
17.258/259/260	WIA Cluster
20.205	Highway Planning and Construction
93.268	Immunization Grants
93.283	Disease Control and Prevention Investigation
97.004	State Domestic Preparedness Equipment Support Program
97.067	Homeland Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$605,108.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Prior Federal Audit Findings

## Thurston County January 1, 2006 through December 31, 2006

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Thurston County. The State Auditor's Office has reviewed the status as presented by the County.

<b>Audit Period:</b> FY 2005	<b>Report Reference No:</b> 71448	<b>Finding Reference No:</b> 1	<b>CFDA Number(s):</b> 17.258/259/260
<b>Federal Program Name and Granting Agency:</b> WIA Cluster – Department of Labor		<b>Pass-Through Agency Name:</b> Employment Security Department	
<b>Finding Caption:</b> Thurston County does not have adequate internal controls in place to ensure compliance with federal time and effort requirements.			
<b>Background:</b> In 2005 the County spent \$5,984,684 in federal funding for the WIA program, approximately 20 percent of which paid salaries and benefits.  We reviewed payroll transactions to determine whether salaries and benefits charged to federal grants were in accordance with the substitute system and were supported by adequate documentation as required by U.S. Office of Management and Budget Circular A-87, <i>Cost Principles for State, Local and Indian Tribal Governments</i> .  Our audit found the County's monitoring procedures were not sufficient to ensure compliance with time and effort requirements. Specifically, monitoring is not done to ensure amounts charged to the grant reconcile to time and effort documentation. We examined 27 employees' payroll expenditures charged to the grant during September 2005. For 19 employees, the hours charged to the program were supported with appropriate documentation as identified in the substitute plan. However, eight employees' payroll expenditures were not allocated in accordance with the substitute plan. Using other means, we were able to verify that staff charged to the grant did work in the program. Therefore, we are not questioning the associated costs.			
<b>Status of Corrective Action: (check one)</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> The County has fully implemented a system of monitoring which is sufficient to ensure compliance with time and effort requirements. Specifically, monitoring is now done to ensure amounts charged to the grants reconcile to time and effort documentation.			

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Thurston County**  
**January 1, 2006 through December 31, 2006**

Board of Commissioners  
Thurston County  
Olympia, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", is positioned above the printed name.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 21, 2007



# Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Thurston County**  
**January 1, 2006 through December 31, 2006**

Board of Commissioners  
Thurston County  
Olympia, Washington

## **COMPLIANCE**

We have audited the compliance of Thurston County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2006.

## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 21, 2007

# Independent Auditor's Report on Financial Statements

## Thurston County January 1, 2006 through December 31, 2006

Board of Commissioners  
Thurston County  
Olympia, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed on page 10. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Real Estate Excise Tax, Roads and Transportation, Medic One, and, Public Health and Social Services funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 21, 2007

# Financial Section

## Thurston County January 1, 2006 through December 31, 2006

### **REQUIRED SUPPLEMENTAL INFORMATION**

Management Discussion and Analysis – 2006

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Assets – 2006

Statement of Activities – 2006

Balance Sheet – Governmental Funds – 2006

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets – 2006

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2006

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2006

Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2006

Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Real Estate Excise Tax – 2006

Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2006

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Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Health and Social Services – 2006

Statement of Net Assets – Proprietary Funds – 2006

Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets – 2006

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2006

Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net Assets of Proprietary funds to the Statement of Activities - 2006

Statement of Cash Flows – Proprietary Funds – 2006

Statement of Fiduciary Net Assets – Fiduciary Funds – 2006

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2006

Notes to the Financial Statements – 2006

### **SUPPLEMENTAL INFORMATION**

Schedule of Expenditures of Federal Awards – 2006

Notes to the Schedule of Expenditures of Federal Awards – 2006

## MANAGEMENT DISCUSSION AND ANALYSIS

Thurston County's discussion and analysis offers the readers of the annual financial report a narrative overview of the county's financial activities for the fiscal year ending December 31, 2006. We encourage readers of our financial report to use this information in conjunction with our letter of transmittal, financial statements and notes to the financial statements to analyze our financial activities and health.

### FINANCIAL HIGHLIGHTS

#### Entity-Wide Statements

- Thurston County's overall financial position improved in 2006. Governmental and business net assets in 2006 were greater than governmental and business net assets in 2005. This report will further explain some of the details behind these increases.
- Governmental net assets increased by \$16.6 million to \$481.8 million at December 31, 2006. This represents a 3.6% increase over net assets of the prior year. This increase is a result of revenues exceeding expenses by \$16.7 million which is then offset by a prior period adjustment of \$126,553. The change in governmental net assets in 2006 is \$3.2 million or 24% greater than the change in 2005 after excluding prior period adjustments. Two major items causing this change were the \$2.7 million dollar legal settlement with the Juvenile Detention Center contractors and the \$2 million interest earnings associated with the bond refunding. These increases were slightly offset by the increases in Health and Human Services and Public Safety expenses.
- Business net assets slightly increased by \$294,237 to \$35 million at December 31, 2006. This represents less than a 1% increase over net assets of the prior year. The change in business net assets in 2006 is 80% less than the change in 2005 after excluding prior period adjustments. This decrease is a net result of increases in expenses outpacing increases in revenues by 7%. The change in net assets of \$294,237 can be primarily attributed to the solid waste division's \$552,904 increase in net assets in 2006. The solid waste division gain was offset by losses in the other utilities.
- The County's governmental change in net assets of \$16.7 million in the Statement of Net Assets exceeds the County's governmental change in fund balance of \$7.8 million in the Statement of Revenues, Expenditures and Changes In Fund Balances. The governmental fund balance actually increased by \$22.9 million if debt and capital transactions are excluded (they are already excluded from the Statement of Activities). This increase is then reduced within the statement of activities by depreciation and losses on assets of \$8.1 million and \$399 thousand for debt proceeds, expenses and adjustments. These reductions are offset by a net gain of \$2.3 million for interfund elimination and revenue deferral recognition. This provides the change in governmental net assets of \$16.7 million noted above and is described in further detail in the Government-Wide Financial Analysis – Statement of Activities.
- The County's governmental net assets of \$481.8 million exceed the County's governmental fund balance by \$380.3 million. The additional net assets are a result of recognizing \$385.2 million of net capital assets and another \$41 million for internal service balances and receivables that are not reported in governmental funds. These increases are then offset by long term debt obligations and compensated absences of \$45.8 million providing the \$380.3 million difference noted above and is described in further detail in the Government-Wide Financial Analysis – Statement of Net Assets.

## **Major Funds Statements**

- Governmental cash balance increased by \$7.8 million in 2006. The cash balance increased by \$10.5 million in the excise tax, roads, medic one and other governmental funds and was then offset by a \$2.7 million decrease in the public health and general fund. Cash balance increases were primarily due to revenues (primarily intergovernmental, taxes, interest and settlements) exceeding expenditures. Cash balance decreases were primarily due to increases in expenditures (primarily public safety) exceeding increases in revenues.
- Governmental revenues in 2006 exceeded revenues in 2005 by \$16 million. \$5.9 million was due to an increase in intergovernmental revenues. \$6 million was due to an increase in miscellaneous revenues of which \$2 million was the result of a gain on a long term refunding bond issue that was fully refunded in 2006 and another \$2.7 million was a result of restitution paid on the Juvenile Detention Center. Tax revenues increased by \$2.4 million, charges for services increased by \$1.3 million and remaining difference was due to increases in revenues for fines and forfeitures and licenses and permits. General Fund revenues increased by \$3.5 million which includes an increase of \$1.7 million for tax revenues.
- Governmental expenditures in 2006 exceeded 2005 expenditures by \$10.5 million. Health and Human Services expenditures increased by \$5 million with \$4.6 million of the increase coming from the Public Health and Social Services Fund. Public safety expenditures increased by \$4.1 million with 99% of the increase coming from the General Fund. The remaining increase in other governmental activities was largely offset by a \$3.2 million decrease in capital outlays.
- The County Treasurer is responsible for managing, receipting, investing and disbursing \$422.8 million in cash as valued on December 31, 2006. Of this total, \$272.9 million was managed for outside agencies and organizations; and \$29.1 and \$23.2 million were for enterprise and internal service operations respectively. The remaining \$97.6 million was for the following governmental activities: general fund – \$6.4 million, general government – \$26.3 million, public safety – \$13.6 million, culture and recreation - \$551 thousand, transportation - \$16.5 million, economic environment - \$6.8 million, utilities and environment - \$4.1 million and health and human services - \$23.4 million.
- The solid waste utility is the dominant business activity because it comprises 88% of the County's business type operating revenues. The water and sewer utilities, except for storm water, incur annual operating losses since significant capital upgrades are funded through assessments instead of service charges. The grand mound utility is the only utility that incurs annual operating losses after excluding depreciation costs. The County expects future utility hook-ups and new customer service revenues to eventually eliminate the operating losses in the grand mound utility.

## **COUNTY GOVERNMENT OVERVIEW**

Governmental activities provided by Thurston County include:

**General Government Services:** Commissioners, Human Resources, Auditor, Assessor, and the Treasurer.

**Culture and Recreation:** Fair, Parks and Recreation, and Cooperative Extension

**Economic Environment:** Planning and Development Services, Office of Program and Budget Development, Pacific Mountain Job Training Consortium and Veterans Services.

**Health & Human Services:** Public Health, Social Services, and Medical Aid (Medic One).

**Utilities and Environment:** Noxious Weeds, Lakes Management Districts for Long, Lawrence and South Pattison lakes.

**Public Safety:** Sheriff, Corrections, Juvenile Services, Emergency Services and Communications, Civil Services, Clerk, District Court, Superior Court, Assigned Council, Prosecuting Attorney, and the Coroner's Office.

**Transportation:** Road Construction and Maintenance and Road Improvement Districts.

**Business type activities:** Water and Wastewater Utilities (for unincorporated parts of the county including Tamoshan, Grand Mound, Boston Harbor, and Olympic View), Solid Waste, and Storm Drainage.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report (CAFR) is presented in four sections: introductory, financial, supplementary, and statistical. The introductory section includes a transmittal letter, the county's organization chart, and a list of principal elected officials as of December 31, 2006. The transmittal letter will present an overview of the report, the county's economic conditions and outlook, and identifies current issues and accomplishments that affect the government's financial circumstances. The financial section contains the management discussion and analysis (MD&A), government-wide financial statements, fund financial statements, governmental major fund budgetary statements and notes. The supplementary section contains required supplemental information and other information on non-major funds and agencies. The statistical section presents a history of selected financial and demographic information over the past ten years.

### Government-wide Financial Statements

The first two statements are government-wide financial statements that give the reader a broad overview of Thurston County finances. These statements include both long-term and short-term assets and liabilities for all Thurston County funds combined and they tend to resemble the type of financial report that you would see for a private-sector business. Both of these statements segregate governmental activities from business type activities. Governmental activities are principally supported by taxes and intergovernmental revenues. Business-type activities are functions of government that are intended to recover all or a significant portion of their costs through user fees and charges.

The statement of net assets includes all of Thurston County's assets and liabilities using similar accounting methods as those used in private industry. Over time, increases or decreases in net assets may serve as one way to measure the county's financial health. To assess the overall health of the county you also need to take into consideration some non-financial factors such as the condition of the county's infrastructure (roads, bridges, drainage systems, etc.), property tax base and general economic conditions within the county.

The statement of activities presents the specific services of our government and how they affect the change in net assets. This statement separates program revenues like charges for services, grants and contributions from general revenue such as taxes and other revenue not tied to a specific program. It shows to what extent the services rely on taxes for funding. This statement is prepared using the full accrual basis of accounting, which recognizes revenue and expenses when they are incurred as opposed to when the cash is received or transferred. Items such as outstanding property taxes receivable and vacation leave that is earned but unused is reported as a revenue and expense respectively regardless of when the cash is received or distributed.



Thurston County has no separately identified component units included in the government-wide financial statements.

### **Fund Financial Statements:**

Fund financial statements present more detailed information about the county's most significant funds. Funds are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Thurston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Thurston County's operations are segregated into three types of funds in this financial report: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for most of the general government services that are primarily supported by tax dollars. These funds provide the reader with a short-term (within 1 year) overview of the fund financial health. The information presented in these fund statements excludes long-term assets and obligations. The statements report resources available to spend in the near future on a fund's programs and services.

Proprietary funds are used to account for business type activities where all or part of the cost is financed by fees and charges paid directly by those who benefit from the activities. These funds provide both long-term and short-term financial information.

Fiduciary funds are used to account for resources that are held by the County Treasurer as a trustee or agent for parties outside of the county government. The resources of fiduciary funds cannot be used to support Thurston County's internal programs.

The county maintains budgetary control for all governmental and proprietary funds. The 2006 general fund budget was adopted at the department level. All other funds have budgetary controls adopted at the fund level. Personnel dollars are projected using full time equivalents (FTE). Capital projects are approved on a project, group of projects or item basis.

### **Governmental Funds**

The Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances present separate columns of financial data for the general fund, real estate excise tax, roads, medic one and public health and social services funds. All of these funds are considered to be major funds based on the criteria established by GASB Statement #34. In order to be a major fund, the assets, liabilities, revenue or expenditures must comprise: 1) at least 10% of the total dollar amount of the same category within either all governmental or all enterprise funds, as appropriate, and; 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined into the same category. However, the general fund is always a major fund. The governmental fund financial statements immediately follow the government-wide financial statements.

It is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's short-term financing decisions. This comparison is reported in a reconciliation statement that reconciles the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to the governmental activities column in the government-wide statements.

Thurston County has attempted to control expenditure growth by adopting a base budget strategy. The board of county commissioners allow for normal increases in personnel costs and other fixed costs like indirect costs, insurance, records, communications, space use and data processing. Offices and departments are then asked to hold their remaining discretionary expenditures to a base level. A budgetary comparison is provided for the general fund, which is discussed in detail later in this analysis.

## **Proprietary Funds**

There are two types of proprietary funds, enterprise and internal service. Enterprise funds are used to account for functions presented as business-type activities in the government-wide financial statements. Thurston County uses enterprise funds to account for services provided by the solid waste, storm water, clean water, wastewater, utilities planning and development and septic assistance community loan programs. Internal service funds accumulate and allocate costs for services provided to county programs and to other intergovernmental jurisdictions. The County's internal service funds include: risk management, benefits administration, utilities administration, engineering services, central services (facilities, maintenance and information technology support), equipment rental and replacement and emergency communication services. Revenues and expenses of the internal service funds are duplicated in other funds, but are eliminated in the government-wide statements with any remaining balances included in the governmental activities column.

The proprietary funds presented in this report follow the governmental fund statements. They provide the same type of information as the government-wide statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, you will notice that total net assets agree, except for inter-fund transaction eliminations, and therefore these funds require no additional reconciliation within this financial report.

The proprietary fund financial statements provide separate data for the Solid Waste and Grand Mound utility programs. All other non-major proprietary and internal service funds are aggregated into separate single presentations in the proprietary fund statements.

## **Fiduciary Funds**

Fiduciary Funds account for resources held for the benefit of parties other than the Thurston County government. Fiduciary funds are not included in the government-wide financial statements since resources of those funds are not available to support the county's programs. The accounting method used to account for fiduciary funds is similar to that used for proprietary funds.

Thurston County has three types of fiduciary funds: 1) investment trust funds (which report the county's investment pool), 2) private purpose trust funds (which report trust arrangements where the principal and interest benefit those outside of the primary government), and 3) agency funds (which are clearing accounts for assets held by Thurston County in its role as custodian until the funds are distributed to private parties, organizations, or government agencies to which they belong). The fiduciary fund statements can be found following the proprietary fund financial statements.

## **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Assets

The following table reflects the condensed Government-Wide Statement of Net Assets. Thurston County's net assets as of December 31, 2006 are \$516,817,763. This reflects a net increase of \$16.9 million from fiscal year 2005. Over the last two years the County's net assets have increased by an average of three percent per year, serving as a useful indicator that the financial condition of the County continues to improve.

The most significant change occurs in assets. Assets, other than capital assets, increased by \$12.7 million, while capital assets increased by \$4.1 million. Of the \$12.7 million increase in assets, \$9.6 million is attributable to cash and pooled investments (including restricted).

Two single items make up almost half of this \$9.6 million increase in cash and pooled investments. The settlement proceeds from the remediation of the juvenile court/detention center for \$2.7 million; and, \$2 million in remaining interest earnings transferred back into a general capital construction fund after the general obligation debt was satisfied.

### Thurston County Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets	\$ 150,634,182	\$ 137,240,819	\$ 37,080,480	\$ 37,728,220	\$ 187,714,662	\$ 174,969,039
Capital Assets	392,036,681	387,935,586	33,557,655	33,538,899	425,594,336	421,474,485
Total Assets	542,670,863	525,176,405	70,638,135	71,267,119	613,308,998	596,443,524
Current Liabilities	13,300,272	9,290,631	2,008,690	1,695,605	15,308,962	10,986,236
Long term Liabilities	47,559,232	50,700,210	33,623,041	34,859,347	81,182,273	85,559,557
Total Liabilities	60,859,504	59,990,841	35,631,731	36,554,952	96,491,235	96,545,793
Net Assets:						
Invested in Capital Assets, net of related debt	351,868,678	351,892,755	20,358,678	19,788,003	372,227,356	371,680,758
Restricted	111,379,265	93,610,956	5,643,212	4,860,017	117,022,477	98,470,973
Unrestricted	18,563,416	19,681,853	9,004,514	10,064,147	27,567,930	29,746,000
Total Net Assets	\$ 481,811,359	\$ 465,185,564	\$ 35,006,404	\$ 34,712,167	# \$ 516,817,763	\$ 499,897,731

Overall our total governmental assets increased by \$17.5 million and our corresponding governmental liabilities only increased by \$868,663. The largest increase rests in cash and pooled investments (\$9.4 million) followed by an increase in due from other governments (\$1.5 million) related to grant receivables. The biggest increases in governmental activities capital assets are \$1.7 million in non-depreciable governmental assets and \$2.4 million in depreciable assets. The Investment in Joint Ventures decreased by \$111,627. The majority of the increase in non-depreciable assets are construction in progress associated with the Jail HVAC system and the Heritage Hall remodel. Depreciable asset increases are related to the purchase of machinery and equipment including major software applications.

Thurston County's total assets stand at \$613 million as of December 31, 2006. Of this amount \$426 million is accounted for by capital assets, including infrastructure and construction in progress.

Of the remaining assets, approximately \$149.9 million or 79.9% are in cash and pooled investments, \$28.3 million in current receivables and prepayments, and \$9.5 million on other Long-term Assets.

As of December 31, 2006 the county had outstanding liabilities of \$96.5 million. Of that amount only \$15.3 million was due within the next fiscal year. The majority of the long-term liabilities are outstanding General Obligation Bonds accounting for 49% of total liabilities and 21.5% are related to the Accumulated Landfill Closure Costs. The notes to the financial statements have additional details on these liabilities.

Of the total net assets, 72% or \$372 million is investments in capital assets net of related debt used to acquire those assets. The county's capital assets are used to provide services to the citizens of the county, so these assets are not available for future spending. Although the amount is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources since capital assets cannot be easily liquidated to cover these liabilities.

Of the remaining \$144.6 million in net assets (excluding capital assets), approximately 81% are subject to external restrictions on how they may be used. External restrictions include those provided in state law or by contractual agreements with parties outside the primary government like federal agencies. The restricted net asset for business-type activities is \$5.6 million.

The majority of the restricted net assets for business-type activities are attributable to the solid waste reserve for closure fund. The solid waste division reserve for closure fund has \$18.3 million in restricted assets that is designated to cover the accumulated landfill closure costs liability of \$20.7 million. When you compare the post closure care liability to what we are reserving in restricted investments there is a deficit of \$2.4 million at the end of this reporting period. It is anticipated that future inflationary cost adjustments as well as the current deficit will be financed from earnings on the restricted reserves.

In governmental activities 91% (\$102 million) of the total restricted net assets are accounted for in transportation, health & human services, internal service, general government and public safety. The funding for restricted assets originated from restricted sources. The \$17.8 million dollar increase in restricted assets is mainly attributed to increases in general government, transportation, public safety and internal services. The increase in general government restricted assets is primarily attributable to 6.4 million surplus that was added to the fund balance in the Real Estate Excise Tax (REET) fund in 2006. The REET fund realized \$6 million in real estate excise tax revenues while incurring only about \$2 million in expenditures in 2006. The REET fund also received over \$2.3 million in miscellaneous revenues (\$1.8 million of the \$2.7 for remediation of juvenile detention facility and \$500 thousand in interest revenue). The cash balance in December of 2006 is over \$15.9 million as opposed to last year's balance of \$9.5 million. Transportation restricted asset increase is primarily due to a \$2 million dollar increase in grant revenues. The increase in public safety can be partially attributed to an increase in revenues from the Criminal Justice Special Sales Tax. The General Fund received approximately \$901,000 thousand of the \$2.7 million related to remediation with contractors of the Juvenile detention facility. Internal service increases are primarily a result of the surplus realized in 2006 from the Equipment Rental and Revolving funds that account for the County's vehicle and equipment fleet.

The remaining balance of \$27.6 million is "Unrestricted Net Assets" that can be used to meet the county's ongoing financial obligations. Of that total 67% is in governmental activities and the remaining 33% is in business-type activities.

As noted in the Financial Highlights to the Entity-Wide Statements, the County's governmental net assets of \$481.8 million in the Statement of Net Assets exceed the County's governmental fund balance in the Governmental Balance Sheet by \$380.3 million. The adjustments in the Statement of Net Assets for debt, capital and interfunds are summarized and illustrated in the following table.

### Reconciliation Of Governmental Fund Balance To Net Assets

Balances & Adjustments	Amount
Governmental Fund Balance	\$ 101,471,328
Capitalized Net Capital Assets	385,155,845
Internal Service Net Assets & Receivables	41,007,600
Long Term Debt & Compensated Absences	<u>(45,823,414)</u>
Governmental Net Assets	<u>\$ 481,811,359</u>

### Statement of Activities

The following chart presents key elements in the Statement of Activities. The County's net assets increased by \$16.9 million in 2006. Total county revenues are at \$188.7 million in 2006, an increase of approximately \$19 million from 2005. Governmental activities provided \$168.3 million in revenues (89%), while business-type activities provided \$20.3 million (11%). The 2006 ratio of total revenues between governmental and business-type is consistent with 2005.

See Next Page

## Thurston County's Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 20,747,902	\$ 18,640,578	\$ 18,139,718	\$ 15,612,269	\$ 38,887,620	\$ 34,252,847
Operating Grants & Contrib.	39,764,951	35,888,390	284,458	272,826	40,049,409	36,161,216
Capital Grants & Contrib.	5,815,999	4,327,526	977,843	326,469	6,793,842	4,653,995
General Revenues:						
Taxes	91,775,978	88,684,559	-	-	91,775,978	88,684,559
Interest and Invest. Earnings	7,598,430	4,283,846	1,455,460	1,343,590	9,053,890	5,627,436
Other General Revenues	2,615,862	(824,096)	(512,705)	1,107,762	2,103,157	283,666
Total Revenues	168,319,122	151,000,803	20,344,774	18,662,916	188,663,896	169,663,719
<b>Program Expenses: (Net)</b>						
General Government	9,906,700	9,110,756	-	-	9,906,700	9,110,756
Culture and Recreation	3,032,683	2,764,226	-	-	3,032,683	2,764,226
Economic Environment	14,204,195	12,209,087	-	-	14,204,195	12,209,087
Health and Human Services	43,346,401	38,095,014	-	-	43,346,401	38,095,014
Utilities and Environment	1,593,881	1,328,754	-	-	1,593,881	1,328,754
Public Safety	55,514,228	51,031,012	-	-	55,514,228	51,031,012
Transportation	22,354,754	21,187,304	-	-	22,354,754	21,187,304
Interest	1,826,956	1,895,531	-	-	1,826,956	1,895,531
Solid Waste	-	-	16,150,450	13,822,220	16,150,450	13,822,220
Grand Mound	-	-	1,311,225	1,243,500	1,311,225	1,243,500
Other Business-Type Exp.	-	-	2,375,838	2,014,244	2,375,838	2,014,244
Total Expenses	151,779,798	137,621,684	19,837,513	17,079,964	171,617,311	154,701,648
<b>Excess (Deficiency) of Revenues over (under) Expenses before Transfers</b>	16,539,324	13,379,119	507,261	1,582,952	17,046,585	14,962,071
Transfers	213,024	107,086	(213,024)	(107,086)	-	-
Change in Net Assets	16,752,348	13,486,205	294,237	1,475,866	17,046,585	14,962,071
<b>Ending Net Assets January 1</b>	465,185,564	453,806,143	34,712,167	33,388,092	499,897,731	487,194,235
<b>Prior Period Adjustment</b>	(126,553)	(2,106,784)	-	(151,791)	(126,553)	(2,258,575)
<b>Restated Net Assets January 1</b>	465,059,011	451,699,359	34,712,167	33,236,301	499,771,178	484,935,660
<b>Ending Net Assets</b>	\$ 481,811,359	\$ 465,185,564	\$ 35,006,404	\$ 34,712,167	\$ 516,817,763	\$ 499,897,731

The largest two sources of revenue within the governmental activities section are taxes accounting for \$91.8 million or 55%, and operating grants and contributions of \$40 million making up 24% of total governmental activities revenues. The remaining 21% of the revenues are related to charges for services, interest earnings, investment earnings and other general revenues. Our largest increase in governmental revenues occurred in Operating Grants and Contributions (\$3.9 million), Other General Revenues (\$3.4 million), interest and investment earnings (\$3.4 million) and Taxes (\$3.1 million). Our largest increase in operating grants and contributions was a \$1.4 million dollar increase in Community Development Block grants (Home program). Other General Revenues include a settlement for faulty construction with the contractors that built the Juvenile Detention Center for over \$2.7 million. Interest and investment earnings increase includes \$2 million dollars related to Refunding General Obligation Debt. Resources were used to satisfy future refunded debt requirements which resulted in a multimillion dollar earned interest balance after the debt was fully refunded.

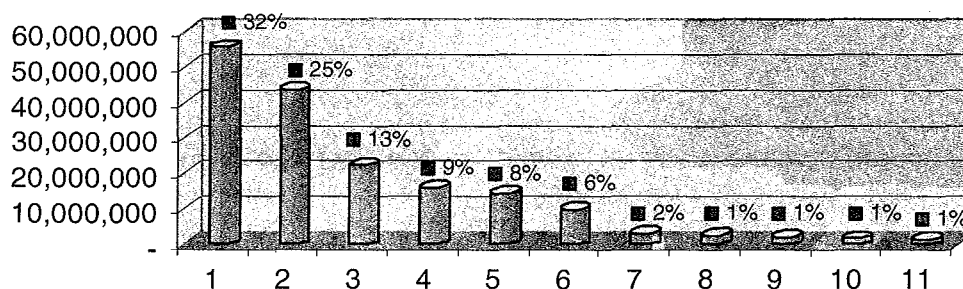
Business-type activities main source of revenue is Charges for Services accounting for 89% of total business-type revenues. Revenues for the solid waste utility increased \$1.3 million in 2006. A rate increase of 2.25% along with an increased tonnage of collected solid waste accounted for most of the increase. The remaining revenues comprise 6.2% of Operating and Capital Grants and Contributions and 4.8% of Interest and Other Miscellaneous and General Revenues. The decrease in other general revenues is primarily due to a re-classification of storm water revenues from taxes to charges for services.

Total county expenses for the year totaled \$171.6 million, an increase of approximately \$16.9 million over 2005 totals. The distribution of expenses in 2006 between Governmental and Business-Type Activities closely resembles the distribution from the prior year, with \$151.8 million (88%) in Governmental Activities and \$19.8 million (12%) in Business-Type Activities. Public safety, health and human services, transportation, and economic environment programs account for 89% of the governmental activities and 79% of total expenses. Health and human services expenses increased by \$5.2 million mostly attributable to inpatient/outpatient services, Crisis Services and the new Evaluation and Treatment facility's first full year of operations. The public safety expense increase of \$4.5 million was primarily due to additional personnel and overtime whereas the transportation expense increase of \$1.2 million was primarily due to an increase in the volume of capital projects. The economic environment expense increase of \$2 million was primarily related to Home Rehabilitation grants and additional personnel and benefits costs for Development Services Department.

Of the \$19.8 million in Business-Type expenses, 88% are associated with Solid Waste and Grand Mound utilities. Solid Waste increases in expenses represent \$2.3 million of the total \$2.7 million in increases from 2005. The amount of municipal solid waste collected at the waste and recovery center increased by 12,403 tons in 2006. This waste increase causes an increase in utility revenues and expenses. The utility contracts with Lemay to provide long-haul services and the processing and disposal fee is based on processed and disposed tons.

The following graph illustrates the distribution of expenses by program for both governmental and business type activities.

### Program Expenses - Government Wide



#### Legend:

- |                         |                   |                         |                      |
|-------------------------|-------------------|-------------------------|----------------------|
| 1. Public Safety        | 4. Solid Waste    | 7. Culture & Recreation | 10. Utilities & Env. |
| 2. Health & Human Serv. | 5. Economic Env   | 8. Other Business Type  | 11. Grand Mound      |
| 3. Transportation       | 6. Gen Government | 9. Interest             |                      |

As noted in the Financial Highlights to the Entity-Wide Statements, the County's governmental change in net assets of \$16.7 million in the Statement of Net Assets exceed the County's governmental change in fund balance of \$7.8 million in the Statement of Revenues, Expenditures and Changes In Fund Balances. The adjustments in the Statement of Activities for debt, capital and interfunds are summarized and illustrated in the following table.

### Reconciliation Of Governmental Change In Fund Balance To Change In Net Assets

Balances & Adjustments	Amount
Net Changes in Governmental Fund Balances	\$ 7,838,679
Capital Outlay	12,766,428
Debt & Lease Principal Payments	2,338,226
Net Change In Fund Balance Excluding Capital & Debt	22,943,333
Depreciation & Losses On Capital Assets	(8,111,277)
Interfund Elimination & Revenue Deferral Recognition	2,319,456
Long Term Financing Proceeds, Debt Expense & Adjustments	(399,164)
Net Changes in Assets	\$ 16,752,348

### FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

As noted earlier, Thurston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is an analysis of the county's major governmental and proprietary funds.

#### Governmental Funds Balance Sheet Analysis

The general fund, real estate excise tax, public health and social services, roads fund and medic one are the county's major governmental funds. Together these major funds account for 64% of total governmental fund assets and 61% of the total governmental fund balance.

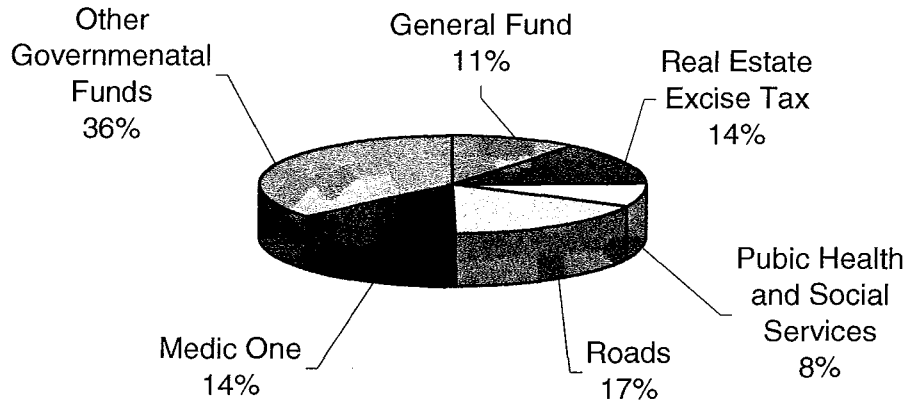
Thurston County's governmental funds provide information on the short-term inflows, outflows and balances of expendable resources as stated in the Major Governmental Funds Balance Sheet. Unreserved fund balance is often a useful measurement of a fund's net resources available for spending at the end of the fiscal year. Of the total \$101.5 million in fund balance almost all of it is unreserved. Although classified as an unreserved fund balance, the county creates specific special revenue funds to account for restricted money; hence the restricted resources in these funds are already in essence reserved.

The General Fund is the chief operating fund of Thurston County. At year-end the unreserved fund balance remaining in the general fund was \$8.4 million, amounting to 8.3% of the total governmental funds fund balance. Likewise the general fund total assets of \$12.1 million are 10.6% of the total governmental funds assets. Although general fund revenues exceeded expenditures by \$484,012, other financing sources and uses and a prior period adjustment reduced this excess to a \$608,828 decrease in general fund balance from 2005 totals. The prior period adjustment was related to fines and forfeiture receivables that were originally recorded entirely within the General Fund and should have been distributed over the funds receiving the proceeds.



The following chart shows the distribution of total assets for all major governmental funds:

### Total Assets - Governmental Funds



The Real Estate Excise Tax (REET) fund had a \$6.4 million dollar increase in cash and investments related to an increase in revenues and a reduction in expenditures. This special revenue fund accounts for revenue collected from real estate transactions. Each real estate transaction is charged ½ a percent of the value of the property. These moneys are restricted for various capital expenditures as defined by the Revised Code of Washington (state law). The fund balance increased by \$6.4 million ending 2006 with a balance of \$16 million. REET's only expenditures in 2006 were transfers in the amount of \$1.9 million to cover debt payments associated with prior year projects. This fund represents 15.8% of the total governmental fund balance.

Roads total assets increased by \$3 million in 2006, the increase is split between increases in cash and pooled investments (\$1.4 million) and Due from other governments (\$1.1 million). Grant funding for road projects increased by over \$2 million in 2006. Some of the larger grant funded road projects included Duterrow intersection and the old Hwy 99 bridge project. Roads fund balance correspondingly has an increase in 2006 of \$1.7 million.

Public Health and Social Services total assets decreased by \$2 million with a corresponding increase on the liability side of \$1 million. During 2006 Public Health received over \$1 million in new grants, but their fund balance decreased by \$3 million in 2006. Public Health and Social Services fund balance amounts to 5.9% of the total governmental fund balance as opposed to last year at 9.5%.

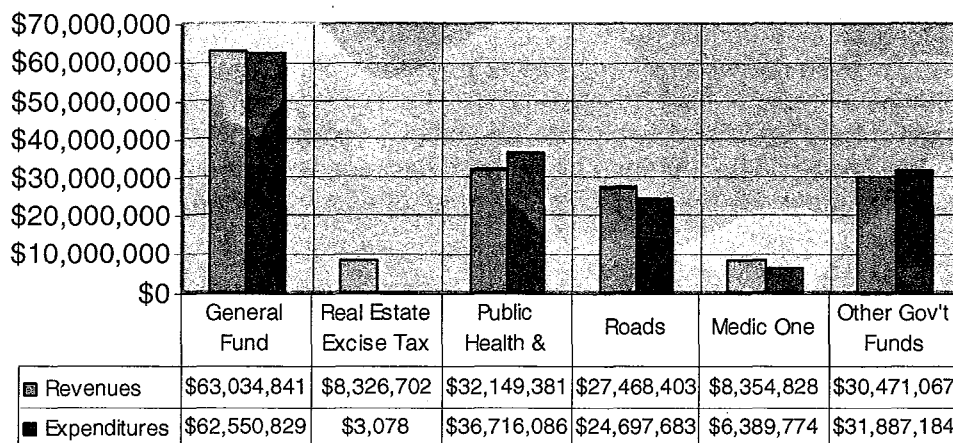
Medic one total assets account for approximately 14% of the total assets in the governmental funds. Their largest increase was in cash and pooled investments totaling \$2.3 million. Liabilities and fund balance account for 12% and 14% of total governmental funds respectively.

## Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the five major governmental funds and for all other governmental funds.

The revenues and expenditures listed below do not include other financing sources (uses) or transfers. The general fund, public health and social services fund, and the roads fund account for 72% of the total revenues and 76% of the total expenditures. The real estate excise tax fund and medic one fund fall into the category of major funds by the merits of their total assets.

### Governmental Fund Revenues and Expenditures



Total governmental funds overall had a \$7.7 million increase in fund balance. Total revenues increased by \$16 million (\$2.4 million taxes, \$5.9 million Intergovernmental, and \$6 million miscellaneous) over 2005 amounts and expenditures only increased by \$10.5 million.

As shown above, general fund revenues exceeded expenditures by \$484,012. Including other financing sources, the net change in fund balance for the general fund in 2006 was a decrease of \$218,420. This change in general fund balance is largely attributable to growth in expenditures outpacing growth in revenues. Within the General Fund, Public Safety and General Government expenditures increased by \$5.5 million whereas total revenues, including other financing sources and uses, increased by only \$3.8 million. The \$1.2 million difference above explains the shift from a 2005 surplus of \$1 million to this year's \$218,420 deficit to fund balance. General Fund balance was further decreased by a prior period adjustment amounting to \$390,408.

Real estate excise tax (REET) fund revenues only major increase was \$2 million in miscellaneous revenues related to a portion of the remediation with the contractors that built the juvenile detention center (\$1.8 million). The expenditures within this fund decreased by \$1.2 million and net transfers in and out resulted in a net decrease of \$381,577 in other financing sources and uses. Revenues within this fund are directly tied to the active real-estate market. New construction and the corresponding active real-estate market that we have seen over the last few years appear to be leveling off. Transfers out within this fund are mainly used to finance general obligation bond debt service, so the level of transfers out remains fairly constant until debt obligations are satisfied.

The roads fund as presented in these statements includes the county road fund and the roads construction in progress fund. There was a \$2.2 million or 9% increase in revenues for roads and a \$2.4 million or 11% increase in expenditures between 2005 and 2006. The increase in transportation expenditures and capital outlays account for the majority of the increase over 2005 levels. Actual expenditures were 23% under budgeted expenditures for 2006. This reduction was spread between transportation, capital outlays and public safety expenditures budgeted in these funds. The Roads fund completed \$7.7 million in capital outlays the largest being the Duterrow road intersection (\$1.5 million), General overlay projects (\$1.4 million), Old Highway 99 bridge (\$1 million), Old 99 and 93<sup>rd</sup> street (\$680 thousand) and Delphi-Mud Bay (\$603 thousand). Actual public safety expenditures in the roads fund decreased \$276 thousand over 2005 totals. This is a result of a decrease in Homeland Security grant expenditures as compared to the previous year. The transportation expenditures increased by \$853 thousand over 2005. While the increase in maintenance activity with roads infra-structure projects was a factor, Washington also had a number of storms throughout the year that required employees of roads to work overtime.

Public health and social services fund includes the health and social services programs administered by the county. The 15% increase in expenditures was more than the 12% increase in revenues over 2005 levels. The major increases in revenues were attributable to intergovernmental sources increasing by \$2.6 million and charges for services increasing by \$788 thousand. The increase in grants were over \$1 million with the largest increase coming from Safe and Drug free education programs, immunizations, and prevention and treatment of substance abuse. The increase in charges for services are related to the new Evaluation and Treatment facility collecting service fees in its first full calendar year of operation. The decrease in transfers out offset the decrease in transfers in.

Medic one fund accounts for the programs that coordinate basic and advanced life support services with police and fire services. Most of the programs are funded through voter-approved property taxes. In 2006, revenues increased by 4% and expenditures increased by 7% in the medic one fund. The increase in expenditures was a result of adding a new paramedic unit within the City of Lacey. This unit has 4 full time employees and costs roughly \$300 thousand to operate on a yearly basis. Results of operations still resulted in an increase of \$2 million to fund balance. The medic one fund balance is \$14.5 million at the end of 2006, included in this fund balance is \$6.5 million of reserves for major medic one projects.

### **Enterprise Funds Net Assets Analysis**

The solid waste and grand mound utilities are the only major enterprise funds, but they account for 79% of the total assets and 92% of the total liabilities (unchanged from 2005). The solid waste fund contains the financial activities for the ongoing operations of the Solid Waste and Recovery Center built in 1999. This fund also accounts for the post closure of the landfill located in the Hawks Prairie area within the City of Lacey. The following table reflects the Enterprise Fund Statement of Net Assets for the year ending December 31, 2006.

As of December 31, 2006 the county's enterprise funds reported combined net assets of \$34.3 million, of which 65% are being contributed by the major funds. Of the \$34.3 million in net assets, 59% or \$20.4 million are accounted for in capital assets net of related debt. Total current assets decreased by \$17 million due to the reclassification of \$18.3 million in restricted assets to long term assets. The overall increase in enterprise assets over 2005 amounts to \$515 thousand. The \$886 thousand dollar increase in cash and pooled investments were offset by the overall decrease in restricted cash of \$670 thousand. The majority of the increase in assets is attributable to increases in Due From Other Governments and Funds \$717 thousand and accrued interest and customer accounts receivable increases make up the rest.

The enterprise net assets that are not restricted for a specific purpose are \$8.3 million. There was a slight reduction of \$770 thousand in the unrestricted net assets between 2005 and 2006.

## Thurston County Enterprise Net Assets

Assets	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds
Cash & Pooled Investments	\$ 6,701,561	\$ 366,191	\$ 1,978,984	\$ 9,046,736
Other Current Assets	3,152,579	335,014	291,910	3,779,503
Restricted Assets:				
Cash and Pooled Investments	-	299,252	1,410,154	1,709,406
Total Current Assets	9,854,140	1,000,457	3,681,048	14,535,645
Long-Term Assets:				
Receivables and Deff Chrgs.	38,300	3,594,621	1,427,902	5,060,823
Capital Assets	32,020,496	14,486,001	14,780,903	61,287,400
Less Accumulated Depreciation	(20,531,459)	(2,057,847)	(5,140,439)	(27,729,745)
Restrict Assets: Cash and Pooled Investments	18,313,680	-	-	18,313,680
Total Long Term Assets	29,841,017	16,022,775	11,068,366	56,932,158
Total Assets	39,695,157	17,023,232	14,749,414	71,467,803
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable/ Due To's	2,425,154	68,552	450,011	2,943,717
Lim.Tax G.O.Bond-Current	-	511,983	110,000	621,983
Total Current Liabilities	2,425,154	580,535	560,011	3,565,700
Long-Term Liabilities:				
Limited G.O. Bonds Payable	-	10,480,000	409,302	10,889,302
Compensated Absences Payable	-	-	-	-
Intergov. Loans & Contracts Payable	-	105,363	1,881,818	1,987,181
Advances From Other Funds	-	30,000	8,300	38,300
Accumulated Landfill Closure Costs	20,708,258	-	-	20,708,258
Total Long Term Liabilities	20,708,258	10,615,363	2,299,420	33,623,041
Total Liabilities	23,133,412	11,195,898	2,859,431	37,188,741
<b>Net Assets</b>				
Invested in Capital Assets, net rel. debt	11,489,037	1,321,935	7,547,706	20,358,678
Restricted For:				
Postclosure, Net Of Related Liability	5,072,708	-	-	5,072,708
Debt Service	-	-	570,504	570,504
Unrestricted (Deficit)	-	4,505,399	3,771,773	8,277,172
Total Net Assets	\$ 16,561,745	\$ 5,827,334	\$ 11,889,983	\$ 34,279,062

**Enterprise Funds Revenue/Expense Analysis**

Total operating revenues for (Charges for Services and Miscellaneous) enterprise funds equated to \$18.4 million, covering all but 4% of the operating expenses. Total operating revenues increased by \$2.7 million compared to 2005 totals. In the 2006 financial statements we present revenue in our storm water fund under charges for services as opposed to Other Revenues and Expenses in previous years. Charges are billed out on the property tax statements, yet the fees are determined by type of lot and impervious area hence these revenues should be classified as a charge for service. The revenues are used to support projects to assist with storm water runoff. Operating revenues and expenses are presented in the body of the financial statements and **not** segregated out on the chart below.

**Thurston County Washington  
Enterprise Funds Revenues and Expenses**

	<b>Solid Waste</b>	<b>Grand Mound</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Revenues:</b>				
Charges for Services	\$ 16,152,574	\$ 258,526	\$ 1,889,584	\$ 18,300,684
Miscellaneous	24,172	6,239	32,459	62,870
Interest Revenue	1,047,596	250,169	157,695	1,455,460
Other Nonoperating Revenue	-	25	117,901	117,926
<b>Total Revenues</b>	<b>17,224,342</b>	<b>514,959</b>	<b>2,197,639</b>	<b>19,936,940</b>
<b>Expenses:</b>				
Salaries and Benefits	1,674,523	266,840	1,097,660	3,039,023
Other Supplies and Expenses	256,569	21,035	121,300	398,904
Contractual Services	1,805,707	55,842	188,084	2,049,633
Longhaul Contract	10,950,263	-	-	10,950,263
Interfund Services and Charges	720,652	23,193	227,584	971,429
Depreciation/Amortization	747,875	367,117	600,996	1,715,988
Misc. Nonoperating Expenses	262,825	558,443	53,332	874,600
<b>Total Expenses</b>	<b>16,418,414</b>	<b>1,292,470</b>	<b>2,288,956</b>	<b>19,999,840</b>
Income (Loss) before contrib. and trans.	805,928	(777,511)	(91,317)	(62,900)
Capital Contributions	-	859,847	-	859,847
Transfers In (Out)	(253,024)	-	40,000	(213,024)
<b>Change in Net Assets</b>	<b>552,904</b>	<b>82,336</b>	<b>(51,317)</b>	<b>583,923</b>
<b>Net Assets as of January 1</b>	<b>16,008,841</b>	<b>5,744,998</b>	<b>11,941,300</b>	<b>33,695,139</b>
<b>Net Assets as of December 31</b>	<b>\$ 16,561,745</b>	<b>\$ 5,827,334</b>	<b>\$ 11,889,983</b>	<b>\$ 34,279,062</b>

Revenues from the Solid Waste fund contributed 86% of the total enterprise fund revenues in 2006. The table above provides a condensed look at revenues, expenses, and net change in net assets for the enterprise funds. The \$1.4 million decrease in non-operating revenues is attributable to storm water assessments (other enterprise funds) that now are presented as charges for services. The solid waste utility earned 72% of the total interest earnings for all enterprise funds. This is mainly due to the large amount of required cash reserves for post closure costs.

Grand Mound Utility had a positive change in net assets in 2006 in the amount of \$82,336. Interest revenues comprised 48% of total revenues for the grand mound utility in 2006 which are primarily used for the repayment of outstanding general obligation bonded debt. Capital contributions related to new connections to the utility increased by \$533 thousand or 163%. Connections through 2006 included 240 connections to the water system and 403 to the sewer system. Maple Lane correctional facility comprised 229 of the sewer connections. The \$299 thousand dollars in restricted investments presented above in the Net Asset Statement is related to proceeds from the GO Bonds issued in 1999 for the construction of the utility. Operating expenses, excluding depreciation expense, exceeded operating revenues by \$102 thousand in 2006 as opposed to \$59 thousand in 2005.

Development within the grand mound area is starting to increase. In April of 2007 the County signed an agreement with the Chehalis Tribal for \$1.6 million for water-line construction and service for the Great Wolf Lodge water park, convention center and hotel. The agreement states that the utility will provide up to 85,000 gallons of water per day to this new facility. The lodge is expected to open in 2008.

### **General Fund Budgetary Highlights**

Thurston County adopts an annual budget in December of the preceding year. Adjustments are made to the budget throughout the year with a major review process taking place in June. The following table shows the changes between the original and the final budget as of December 31, 2006. If final budgeted revenues exceed the original budget it is a positive variance, but if final budgeted expenditures exceed the original budget it is a negative variance.

**See Next Page**

## Thurston County General Fund Changes in Budget

	Original Budget	Final Budget	Variance Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 44,514,925	\$ 44,877,873	\$ 362,948
Licenses & Permits	37,600	37,600	-
Intergovernmental	6,274,176	7,332,293	1,058,117
Charges for Services	6,732,495	6,761,095	28,600
Fines & Forfeitures	1,448,700	1,448,700	-
Miscellaneous	1,673,657	1,923,657	250,000
<b>Total General Revenues</b>	<b>60,681,553</b>	<b>62,381,218</b>	<b>1,699,665</b>
<b>Other Financing Sources:</b>			
Other Finance Sources - Capital Asset Sales	400	400	-
Transfers In	1,455,174	1,510,174	55,000
<b>Total Other Financing Sources</b>	<b>1,455,574</b>	<b>1,510,574</b>	<b>55,000</b>
<b>Total Revenues</b>	<b>\$ 62,137,127</b>	<b>\$ 63,891,792</b>	<b>\$ 1,754,665</b>
<b>Expenditures by Department *</b>			
Total Assessor's Office	\$ 3,131,129	\$ 3,131,129	\$ -
Total Auditor's Office	4,266,833	4,656,361	(389,528)
Total Assigned Counsel	2,579,342	2,527,428	51,914
Total Civil Service	97,055	110,115	(13,060)
Total Clerk's Office	2,745,082	2,786,715	(41,633)
Total Commissioner's Office	1,079,474	1,079,474	-
Total Coroner's Office	597,214	665,722	(68,508)
Total Corrections	10,983,033	12,241,480	(1,258,447)
Total District Court	2,574,581	2,579,581	(5,000)
Total Human Resources	1,222,358	1,222,358	-
Total Juvenile Probation	5,720,257	5,732,257	(12,000)
Total Non-Departmental	4,260,585	4,083,510	177,075
Total Prosecuting Attorney	6,706,362	7,161,203	(454,841)
Total State Examiner	112,335	114,335	(2,000)
Total Sheriff	13,197,813	13,514,224	(316,411)
Total Superior Court	3,575,252	3,825,625	(250,373)
Total Treasurer's Office	970,485	999,938	(29,453)
Total WSU Extension	392,989	484,093	(91,104)
<b>Total General Fund Expenditures</b>	<b>64,212,179</b>	<b>66,915,548</b>	<b>(2,703,369)</b>
<b>Net Changes in Fund Balances</b>	<b>(2,075,052)</b>	<b>(3,023,756)</b>	<b>(948,704)</b>
<b>Fund Balances as of January 1</b>	<b>6,677,122</b>	<b>7,406,038</b>	<b>728,916</b>
<b>Fund Balances as of December 31</b>	<b>\$ 4,602,070</b>	<b>\$ 4,382,282</b>	<b>\$ (219,788)</b>

\*Expenditures Include Transfers Out

Overall differences from the original general fund budget to the final adopted budget for 2006 were minimal with a 2.8% increase in total revenues and a 4.2% increase in budgeted expenditures. The largest dollar value change in the revenue budget was intergovernmental revenues, increasing by 17% or \$1.1 million. In previous years the revenue increases between the original and final budget were significant. Total budgeted revenues for the general fund increased by 7.7% over 2005 budgeted revenues, and expenditures ended with 8% increases over the previous year.

The most significant dollar value change in expenditures was in the Corrections office, with a variance of \$1.3 million or 11% greater than the original budget. This is mainly attributable to the additional overtime and inmate medical cost increases.

### **General Fund Budget to Actual**

The final results for 2006 showed actual revenues coming in 1% over budget and actual expenditures 3% less than budgeted. The combined effect including other financing sources and uses, including transfers, resulted in a \$4 million positive variance to the projected general fund ending fund balance. Within the following schedule transfers are included in the expenditures by department.

When compared to the previous year, actual general fund revenues increased by 6% and expenditures (including transfers out) grew by 8%. The result was an actual decrease of \$218 thousand dollars and when added to the \$390 thousand related to prior period adjustments, the 2006 total ending fund balance was at \$8.4 million.

An analysis of general fund expenditures shows an increase of \$4.8 million over 2005 actual totals (including transfers out). The largest increase occurred in Public Safety (\$4.1 million). Together the Sheriff's Office and Corrections expenditure increases totaled \$2.2 million over 2005 totals. Both of these offices had significant increases in salaries and benefits and increased grant programs.

**See Next Page**



**Thurston County**  
**General Fund Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**as of December 31, 2006**

	Final 2006 Budget	2006 Actuals	Variance Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 44,877,873	\$ 44,656,072	\$ (221,801)
Licenses & Permits	37,600	54,785	17,185
Intergovernmental	7,332,293	7,203,261	(129,032)
Charges for Services	6,761,095	6,626,095	(135,000)
Fines & Forfeitures	1,448,700	1,906,416	457,716
Miscellaneous	1,923,657	2,588,212	664,555
<b>Total General Revenues</b>	<b>62,381,218</b>	<b>63,034,841</b>	<b>653,623</b>
<b>Other Financing Sources:</b>			
Capital Lease Financing	-	75,358	75,358
Other Finance Sources - Capital Asset Sales	400	371	(29)
Transfers In	1,510,174	1,470,909	(39,265)
<b>Total Other Financing Sources</b>	<b>1,510,574</b>	<b>1,546,638</b>	<b>36,064</b>
<b>Total Revenues</b>	<b>\$ 63,891,792</b>	<b>\$ 64,581,479</b>	<b>\$ 689,687</b>
<b>Expenditures by Department *</b>			
Total Assessor's Office	\$ 3,131,129	\$ 3,128,142	\$ 2,987
Total Auditor's Office	4,656,361	4,456,594	199,767
Total Assigned Counsel	2,527,428	2,308,300	219,128
Total Civil Service	110,115	104,291	5,824
Total Clerk's Office	2,786,715	2,828,438	(41,723)
Total Commissioner's Office	1,079,474	1,060,256	19,218
Total Coroner's Office	665,722	658,672	7,050
Total Corrections	12,241,480	12,008,776	232,704
Total District Court	2,579,581	2,457,452	122,129
Total Human Resources	1,222,358	1,154,630	67,728
Total Juvenile Probation	5,732,257	5,556,804	175,453
Total Non-Departmental	4,083,510	3,266,456	817,054
Total Prosecuting Attorney	7,161,203	7,122,757	38,446
Total State Examiner	114,335	114,201	134
Total Sheriff	13,514,224	13,337,992	176,232
Total Superior Court	3,825,625	3,831,223	(5,598)
Total Treasurer's Office	999,938	977,972	21,966
Total WSU Extension	484,093	426,943	57,150
<b>Total General Fund Expenditures</b>	<b>66,915,548</b>	<b>64,799,899</b>	<b>2,115,649</b>
<b>Net Changes in Fund Balances</b>	<b>(3,023,756)</b>	<b>(218,420)</b>	<b>2,805,336</b>
Fund Balances as of January 1	7,406,038	9,035,744	1,629,706
Prior Period Adjustments	-	(390,408)	(390,408)
Fund Balances as of January 1 - Restated	7,406,038	8,645,336	1,239,298
<b>Fund Balances as of December 31</b>	<b>\$ 4,382,282</b>	<b>\$ 8,426,916</b>	<b>\$ 4,044,634</b>

\*Expenditures Include Transfers Out

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Thurston County's total investment in capital assets amounts to \$425.6 million net of related depreciation. This represents all of the capital assets in both governmental and business-type activities. Capital assets include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. Capital assets amount to 69% of total assets. Of the \$425.6 million in net capital assets, 67% or \$284.1 million are non-depreciable assets and 33% or \$141.5 million are depreciated. A breakdown of the activity associated with capital assets is included in Note VI of the financial statement section.

Major capital asset events that occurred during the current year:

A number of projects were active Construction in Progress during 2006. We are in the process of replacing the HVAC system in the county jail and spent approximately \$1.2 million. We also remodeled Heritage Hall building at the fair grounds spending \$730 thousand on this project. The new customer service center is also in the planning stages; costs incurred on this project totaled \$381 thousand.

Net depreciable assets increased by \$1.6 million during 2006, so this number includes both depreciation expense and any retired or disposed assets. The largest application purchased in 2006 was the new Eagle recording system used by the Auditor – Recordings office. Roads had the largest percentage of asset increases including the following projects: Major road construction projects include the structural overlay of various county roads (\$1.4 million); Duterrow Street improvements (\$1.5 million); Old highway 99 bridge (\$1 million); Old Highway 99 and 93 street (\$700 thousand); Delphi and Mud Bay (\$603 thousand); and Yelm Highway (\$370 thousand). The county roads and transportation department spent approximately \$7.7 million on road construction projects during 2006.

### **Long-Term Debt**

As of December 31, 2006, Thurston County had total general obligation debt outstanding of \$51.4 million (\$39.9 million in governmental activities and \$11.5 million in Business-type activities). Loans, contracts and leases stand at \$3.6 million.

The County did not issue any general obligation debt during 2006.

The County is far from exceeding its limitation of indebtedness having the legal ability to issue debt without a vote in the amount of \$352 million. Currently the excess of debt liabilities over assets is \$38.6 million, leaving \$313.5 million of additional indebtedness available under the 1.5% limit of taxable property value.

See financial statement note VII for more information on the various debt issuances outstanding and the original reason for their issuance.

## **Economic Factors**

The average growth rate of the Thurston County's population over the past decade was 2.2% per year. In 2006 the county's population increased 3.1% to 231,100 residents. This is a little faster growth rate than the average and the region is experiencing exceptional strength in new affordable housing.

Senior citizens continue to be one of the fastest growing segments of Thurston County's population. Senior citizens constitute 11.6% of our total population. Continued increases in this sector of the population will place increased pressure on our public health care services and retirement communities.

With the increases in population comes the increase in housing starts and prices. The average sales price for a home in 2005 rose sharply to \$252,452 which is a 21% increase over the previous year. Thurston County continues to have affordable housing, especially when compared to the state averages.

Thurston County's economic vitality has traditionally come from being the capital of the state. State and local government is one of the major employers of our county. The county has experienced stabilization in this employment sector over the past few years, but it may be revitalized with the proposed State budget for the next biennium. The cities within Thurston County continue to grow and attract large national retail stores. South Thurston County is in the process of adding a large conference center and water park. The increase in jobs associated with this facility should help offset the recent closures of major companies in surrounding counties.

**Statement Of Net Assets**  
**December 31, 2006**  
**Page 1 of 2**

ASSETS	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Current Assets:</b>			
Cash & Pooled Investments	\$ 120,835,588	\$ 9,046,736	\$ 129,882,324
<i>Receivables:</i>			
Taxes Receivable	1,726,345	-	1,726,345
Special Assessment Receivables	58,402	294,696	353,098
Accrued Interest & Penalties	3,265,732	372,617	3,638,349
Customer Account Receivables	10,386,455	1,591,990	11,978,445
Internal Balances	98,207	(98,207)	-
Due from Other Government Units	8,376,414	788,739	9,165,153
Inventory	962,181	-	962,181
Prepayments	481,096	-	481,096
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	748,092	748,092
Investments at Cost	-	961,314	961,314
<b>Long-Term Assets:</b>			
Deferred Charges	177,351	207,116	384,467
Community Loans Receivable	-	132,977	132,977
Other Long-Term Receivables	-	-	-
Special Assessment Receivables	332,720	4,637,430	4,970,150
Advances To Other Funds	-	83,300	83,300
Investment in Joint Ventures, Net	3,933,691	-	3,933,691
<i>Capital Assets:</i>			
Non-Depreciable	279,204,198	4,895,116	284,099,314
Depreciable, Net	112,832,483	28,662,539	141,495,022
<i>Restricted Assets: Cash and Pooled Investments</i>	-	18,313,680	18,313,680
<b>Total Assets</b>	<b>542,670,863</b>	<b>70,638,135</b>	<b>613,308,998</b>

See accompanying notes to the financial statements

**Statement Of Net Assets**  
**December 31, 2006**  
**Page 2 of 2**

LIABILITIES	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Current Liabilities:</b>			
Accounts Payable	7,358,852	1,169,449	8,528,301
Due To Other Funds	-	-	-
Notes Payable	335,326	217,258	552,584
Due to Other Government Units	1,398,221	-	1,398,221
Limited G.O. Bonds Payable	3,175,314	621,983	3,797,297
Unearned Revenue	1,032,559	-	1,032,559
<b>Long-Term Liabilities:</b>			
Limited G.O. Bonds Payable	36,735,000	10,889,302	47,624,302
Compensated Absences Payable	6,389,412	-	6,389,412
Claims & Judgments Payable	3,367,586	-	3,367,586
Intergovernmental Loans & Contracts Payable	1,022,234	1,987,181	3,009,415
Advances From Other Funds	45,000	38,300	83,300
Accumulated Landfill Closure Costs	-	20,708,258	20,708,258
<b>Total Liabilities</b>	<b>60,859,504</b>	<b>35,631,731</b>	<b>96,491,235</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	351,868,678	20,358,678	372,227,356
<b>Restricted Net Assets:</b>			
Culture & Recreation	263,800	-	263,800
Economic Environment	5,808,900	-	5,808,900
General Government	23,817,600	-	23,817,600
Health and Human Services	18,498,300	-	18,498,300
Internal Service	19,408,265	-	19,408,265
Public Safety	22,473,800	-	22,473,800
Physical Environment	3,506,800	-	3,506,800
Transportation	17,601,800	-	17,601,800
Debt Service	-	570,504	570,504
Landfill Postclosure	-	5,072,708	5,072,708
Unrestricted (Deficit)	18,563,416	9,004,514	27,567,930
<b>Total Net Assets</b>	<b>\$ 481,811,359</b>	<b>\$ 35,006,404</b>	<b>\$ 516,817,763</b>

See accompanying notes to the financial statements.

**Statement Of Activities**  
**For The Year Ended December 31, 2006**  
**Page 1 of 2**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants And Contributions	Capital Grants & Contributions
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 13,934,217	\$ (4,027,517)	\$ 2,714,911	\$ 31,539	\$ 102,096
Culture & Recreation	2,940,837	91,846	983,184	157,306	-
Economic Environment	13,558,128	646,067	6,507,519	7,763,177	963,820
Health & Human Services	42,419,332	927,069	2,156,834	28,172,034	-
Public Safety	54,330,459	1,183,769	6,750,616	3,406,010	-
Transportation	21,515,638	839,116	1,050,167	186,011	4,750,083
Utilities & Environment	1,555,657	38,224	584,671	48,874	-
Interest and Fiscal Charges	1,826,956	-	-	-	-
Total Governmental Activities	152,081,224	(301,426)	20,747,902	39,764,951	5,815,999
Business-Type Activities:					
Solid Waste	16,068,642	81,808	16,153,474	159,991	-
Grand Mound	1,290,373	20,852	258,526	-	859,847
Other	2,177,072	198,766	1,727,718	124,467	117,996
Total Business-Type Activities	19,536,087	301,426	18,139,718	284,458	977,843
Total Primary Government	\$ 171,617,311	\$ -	\$ 38,887,620	\$ 40,049,409	\$ 6,793,842

See accompanying notes to the financial statements

**Statement Of Activities**  
**For The Year Ended December 31, 2006**  
**Page 2 of 2**

Functions/Programs	Net (Expense) Revenue and Changes In Net Assets Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>PRIMARY GOVERNMENT</b>			
<i>Governmental Activities:</i>			
General Government	\$ (7,058,154)	\$ -	\$ (7,058,154)
Culture & Recreation	(1,892,193)	-	(1,892,193)
Economic Environment	1,030,321	-	1,030,321
Health & Human Services	(13,017,533)	-	(13,017,533)
Public Safety	(45,357,602)	-	(45,357,602)
Transportation	(16,368,493)	-	(16,368,493)
Utilities & Environment	(960,336)	-	(960,336)
Interest and Fiscal Charges	(1,826,956)	-	(1,826,956)
<b>Total Governmental Activities</b>	<b>(85,450,946)</b>	<b>-</b>	<b>(85,450,946)</b>
<i>Business-Type Activities:</i>			
Solid Waste	-	163,015	163,015
Grand Mound	-	(192,852)	(192,852)
Other	-	(405,657)	(405,657)
<b>Total Business-Type Activities</b>	<b>-</b>	<b>(435,494)</b>	<b>(435,494)</b>
<b>Total Primary Government</b>	<b>(85,450,946)</b>	<b>(435,494)</b>	<b>(85,886,440)</b>
<b>General Revenues:</b>			
<i>Taxes:</i>			
Property Taxes, Levied for Specific Purposes	24,635,604	-	24,635,604
Franchise and Public Serv. Taxes, Assessed for Specific Purposes	22,302,991	-	22,302,991
Property Taxes, Levied for General Purposes	29,078,258	-	29,078,258
Franchise and Public Serv. Taxes, Assessed for General Purposes	15,759,125	-	15,759,125
<i>Other General Revenues:</i>			
Interest & Investment Earnings	7,598,430	1,455,460	9,053,890
Other Non/Operating Revenues/(Expenses)	-	(547,353)	(547,353)
Gain/(Loss) on Sale of Capital Assets	(278,102)	-	(278,102)
Miscellaneous	177,382	34,648	212,030
Insurance/Settlement Recoveries/(Losses)	2,716,582	-	2,716,582
Transfers In/(Out)	213,024	(213,024)	-
<b>Total General Revenues, Special Items and Transfers</b>	<b>102,203,294</b>	<b>729,731</b>	<b>102,933,025</b>
<b>Change in Net Assets</b>	<b>16,752,348</b>	<b>294,237</b>	<b>17,046,585</b>
Net Assets as of January 1	465,185,564	34,712,167	499,897,731
Prior Period Adjustment	(126,553)	-	(126,553)
Net Assets as of January 1 - Restated	465,059,011	34,712,167	499,771,178
<b>Net Assets as of December 31</b>	<b>\$ 481,811,359</b>	<b>\$ 35,006,404</b>	<b>\$ 516,817,763</b>

See accompanying notes to the financial statements

# Balance Sheet

## Governmental Funds

### December 31, 2006

ASSETS	General Fund	Real Estate Excise Tax	Roads	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
<b>Current Assets:</b>							
Cash & Pooled Investments	\$ 6,391,539	\$15,871,964	\$15,982,115	\$15,737,082	\$ 5,032,045	\$ 38,594,684	\$ 97,609,429
<i>Receivables:</i>							
Taxes Receivable	873,000	-	572,080	233,290	11,643	36,332	1,726,345
Special Assessment Receivables	-	-	-	-	-	58,402	58,402
Accrued Interest & Penalties	2,036,229	111,247	53,867	134,547	113,339	623,860	3,073,089
Customer Account Receivables	1,650,080	-	1,304	-	140	548,780	2,200,304
Due from Other Funds	99,632	24,556	373,082	-	355,011	246,899	1,099,180
Due from Other Government Units	1,093,840	-	2,335,476	7,000	3,344,332	1,566,651	8,347,299
Inventory	-	-	768,145	-	-	1,309	769,454
Prepayments	4,475	-	-	-	774	-	5,249
<b>Total Assets</b>	<b>\$12,148,795</b>	<b>\$16,007,767</b>	<b>\$20,086,069</b>	<b>\$16,111,919</b>	<b>\$ 8,857,284</b>	<b>\$ 41,676,917</b>	<b>\$ 114,888,751</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts Payable	\$ 1,033,046	\$ -	\$ 932,227	\$ 1,060,601	\$ 2,062,192	\$ 1,415,065	\$ 6,503,131
Due to Other Funds	49,107	-	299,513	5,330	51,384	459,545	864,879
Due to Other Government Units	3,900	-	8,701	341,818	762,468	281,334	1,398,221
Deferred Revenues	2,635,826	-	1,583,423	233,290	11,643	142,010	4,606,192
Advances From Other Funds	-	-	-	-	-	45,000	45,000
<b>Total Liabilities</b>	<b>3,721,879</b>	<b>-</b>	<b>2,823,864</b>	<b>1,641,039</b>	<b>2,887,687</b>	<b>2,342,954</b>	<b>13,417,423</b>
<b>FUND BALANCES</b>							
<b>Reserved For:</b>							
Debt Service	-	-	-	-	-	38,676	38,676
<b>Unreserved-Designated, Reported In:</b>							
Inventories	-	-	768,145	-	-	1,309	769,454
Petty Cash	25,000	-	300	100	2,850	18,225	46,475
<b>Unreserved-Undesignated, Reported In:</b>							
General Fund	8,401,916	-	-	-	-	-	8,401,916
Special Revenue Funds	-	16,007,767	16,493,760	14,470,780	5,966,747	29,774,169	82,713,223
Capital Projects Funds	-	-	-	-	-	9,501,584	9,501,584
<b>Total Fund Balance</b>	<b>8,426,916</b>	<b>16,007,767</b>	<b>17,262,205</b>	<b>14,470,880</b>	<b>5,969,597</b>	<b>39,333,963</b>	<b>101,471,328</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$12,148,795</b>	<b>\$16,007,767</b>	<b>\$20,086,069</b>	<b>\$16,111,919</b>	<b>\$ 8,857,284</b>	<b>\$ 41,676,917</b>	<b>\$ 114,888,751</b>

See accompanying notes to the financial statements



**Reconciliation Of The Balance Sheet Of Governmental Funds  
To The Statement Of Net Assets  
December 31, 2006**

	<u>Governmental Funds</u>
<b>Fund balance as shown in the Governmental Funds Balance Sheet</b>	\$ 101,471,328
The cost of capital assets, which is expended in governmental funds, is deferred to future periods in the statement of net assets	385,155,845
Long term debt, which is not reported in governmental funds, is reported in the statement of net assets	(40,362,886)
Assets, liabilities and resulting net assets of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net assets	29,566,333
Long term special assessment receivables and unamortized debt discount on long term debt, which is not reported in governmental funds, is reported in the statement of net assets	510,071
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net assets	11,658,538
Compensated absences, which are not reported in governmental funds, are reported as an accrued liability in the statement of net assets	(5,460,528)
Interfund balances, which are reported in governmental and proprietary funds, are eliminated in the statement of net assets (except for a residual amount outstanding between governmental and enterprise activities)	<u>(727,342)</u>
<b>Net assets for governmental funds as shown in Statement of Net Assets</b>	<u><u>\$ 481,811,359</u></u>

See accompanying notes to the financial statements

**Statement Of Revenues, Expenditures And Changes In Fund Balances**  
**Governmental Funds**  
**For The Year Ended December 31, 2006**

	General Fund	Real Estate Excise Tax	Roads	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$44,656,072	\$ 6,001,589	\$16,300,338	\$ 7,603,663	\$ 487,454	\$ 7,270,630	\$ 82,319,746
Licenses & Permits	54,785	-	-	-	389,342	3,169,685	3,613,812
Intergovernmental	7,203,261	-	10,443,877	152,814	28,802,335	9,535,484	56,137,771
Charges for Services	6,626,095	15,900	564,002	50	2,133,033	5,087,491	14,426,571
Fines & Forfeits	1,906,416	-	-	-	-	40,475	1,946,891
Miscellaneous Revenue	2,588,212	2,309,213	160,186	598,301	337,217	5,367,302	11,360,431
<b>Total Revenues</b>	<b>63,034,841</b>	<b>8,326,702</b>	<b>27,468,403</b>	<b>8,354,828</b>	<b>32,149,381</b>	<b>30,471,067</b>	<b>169,805,222</b>
<b>Expenditures:</b>							
General Government	11,042,656	92	-	-	-	1,415,565	12,458,313
Culture & Recreation	485,459	-	-	-	-	2,140,728	2,626,187
Economic Environment	278,864	-	-	-	111,825	13,603,821	13,994,510
Health & Human Services	-	-	-	6,344,593	36,544,708	81,409	42,970,710
Public Safety	49,931,770	-	1,684,209	-	-	2,905,772	54,521,751
Transportation	693	2,986	15,265,152	-	-	1,757,049	17,025,880
Utilities & Environment	471,437	-	-	-	-	1,198,527	1,669,964
Capital Outlay	297,698	-	7,747,979	39,470	52,501	4,628,780	12,766,428
Debt Service:							
Principal	30,771	-	204	3,637	3,036	2,300,578	2,338,226
Interest & Fiscal Charges	11,481	-	139	2,074	4,016	1,854,955	1,872,665
<b>Total Expenditures</b>	<b>62,550,829</b>	<b>3,078</b>	<b>24,697,683</b>	<b>6,389,774</b>	<b>36,716,086</b>	<b>31,887,184</b>	<b>162,244,634</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>484,012</b>	<b>8,323,624</b>	<b>2,770,720</b>	<b>1,965,054</b>	<b>(4,566,705)</b>	<b>(1,416,117)</b>	<b>7,560,588</b>
<b>Other Financing Sources (Uses)</b>							
Capital Lease Financing	75,358	-	12,752	-	30,721	103	118,934
Sale of Capital Assets	371	-	103,703	-	-	-	104,074
Transfers In	1,470,909	-	-	4,991	1,626,449	9,527,713	12,630,062
Transfers Out	(2,249,070)	(1,932,482)	(1,151,179)	(4,991)	(57,780)	(7,179,477)	(12,574,979)
<b>Total Other Financing Sources (Uses)</b>	<b>(702,432)</b>	<b>(1,932,482)</b>	<b>(1,034,724)</b>	<b>-</b>	<b>1,599,390</b>	<b>2,348,339</b>	<b>278,091</b>
<b>Net Changes In Fund Balances</b>	<b>(218,420)</b>	<b>6,391,142</b>	<b>1,735,996</b>	<b>1,965,054</b>	<b>(2,967,315)</b>	<b>932,222</b>	<b>7,838,679</b>
Fund Balances as of January 1	9,035,744	\$ 9,616,625	15,526,209	\$12,505,826	\$ 8,936,912	38,137,886	93,759,202
Prior Period Adjustments	(390,408)	-	-	-	-	263,855	(126,553)
Fund Balances as of January 1 - Restated	8,645,336	9,616,625	15,526,209	12,505,826	8,936,912	38,401,741	93,632,649
<b>Fund Balances as of December 31</b>	<b>\$ 8,426,916</b>	<b>\$ 16,007,767</b>	<b>\$17,262,205</b>	<b>\$14,470,880</b>	<b>\$ 5,969,597</b>	<b>\$ 39,333,963</b>	<b>\$ 101,471,328</b>

See accompanying notes to the financial statements

**Reconciliation Of The Statement Of Revenues, Expenditures And  
Changes in Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2006**

		<b>Governmental Funds</b>
<b>Change in fund balance as shown in the Governmental Funds</b>		
<b>Statement of Revenues, Expenditures and Changes in Fund Balances</b>	\$	7,838,679
<b>Capital Assets:</b>		
Capital outlays, which are reported as expenditures in governmental funds, are capitalized and deferred to future periods and therefore not reported in the statement of activities	12,766,428	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(7,833,175)	
Gain (Loss) on the sale and disposition of governmental capital assets, which is not reported in governmental funds, is reported in the statement of activities	<u>(278,102)</u>	4,655,151
<b>Long-Term Debt:</b>		
Bond and capital lease principal payments (which are reported as expenditures in governmental funds) are not reported as expenditures in the statement of activities (however, they are reported as reductions in the amount owed in the statement of net assets)	2,359,629	
Debt issues costs, and other similar costs on debt issues, which are reported as expenditures in governmental funds, are deferred in the statement of net assets and then expensed over the life of the bond issue in the statement of activities	45,709	
Long-term bond and capital lease financing proceeds (which are reported as "other financing sources" in governmental funds), are not recognized or reported in the statement of activities (however, they are reported as an increase in the amount owed in the statement of net assets for new debt)	<u>(118,934)</u>	2,286,404
<b>Interfund Transactions:</b>		
Profit or (loss) from internal service funds, which is reported separately in proprietary fund statements, is credited or charged to governmental expenses in the statement of activities	2,076,051	
Other interfund transactions, which are reported in governmental funds, are eliminated in the statement of activities, except for a residual amount outstanding between governmental and business activities	(11,740)	
Unbilled internal service costs from the County's cost allocation plan, which is not allocated to service users in governmental fund statements, is allocated to service users in the statement of activities, resulting in a residual amount outstanding between governmental and business activities	<u>301,426</u>	2,365,737
<b>Other:</b>		
Long term (non-available) revenues, which are deferred in governmental funds, are reported as revenues (or as a debit adjustment) in the statement of activities	(46,281)	
Compensated absences, which is not reported in governmental funds, is reported as an expense (or as a credit adjustment) in the statement of activities	<u>(347,342)</u>	<u>(393,623)</u>
<b>Change in net assets for governmental funds as shown in the</b>		
<b>Statement of Activities</b>	\$	<u><u>16,752,348</u></u>

See accompanying notes to the financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**

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	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Revenues By Funding Source</b>				
<b>General Revenues:</b>				
Taxes	\$ 44,514,925	\$ 44,877,873	\$ 44,656,072	\$ (221,801)
Licenses & Permits	37,600	37,600	54,785	17,185
Intergovernmental	6,274,176	7,332,293	7,203,261	(129,032)
Charges for Services	6,732,495	6,761,095	6,626,095	(135,000)
Fines & Forfeits	1,448,700	1,448,700	1,906,416	457,716
Miscellaneous Revenue	1,673,657	1,923,657	2,588,212	664,555
<b>Total General Revenues</b>	<b>60,681,553</b>	<b>62,381,218</b>	<b>63,034,841</b>	<b>653,623</b>
<b>Other Financing Sources:</b>				
Capital Lease Financing	-	-	75,358	75,358
Other Finance Sources - Capital Asset Sales	400	400	371	(29)
Transfers In	1,455,174	1,510,174	1,470,909	(39,265)
<b>Total Other Financing Sources</b>	<b>1,455,574</b>	<b>1,510,574</b>	<b>1,546,638</b>	<b>36,064</b>
<b>Total Revenues</b>	<b>\$ 62,137,127</b>	<b>\$ 63,891,792</b>	<b>\$ 64,581,479</b>	<b>\$ 689,687</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**

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	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Assessor's Office:</b>				
General Government	\$ 3,131,129	\$ 3,131,129	\$ 3,128,142	\$ 2,987
<b>Total Assessor's Office</b>	<b>3,131,129</b>	<b>3,131,129</b>	<b>3,128,142</b>	<b>2,987</b>
<b>Auditor's Office:</b>				
General Government	4,261,813	4,550,738	4,361,996	188,742
Capital Outlay	-	99,136	88,454	10,682
Debt Service:				
Principal	4,174	4,462	4,257	205
Interest and Fiscal Charges	846	2,025	1,887	138
<b>Total Auditor's Office</b>	<b>4,266,833</b>	<b>4,656,361</b>	<b>4,456,594</b>	<b>199,767</b>
<b>Assigned Counsel:</b>				
Public Safety	2,579,342	2,527,428	2,293,313	234,115
Capital Outlay	-	-	11,085	(11,085)
Debt Service:				
Principal	-	-	2,370	(2,370)
Interest and Fiscal Charges	-	-	1,532	(1,532)
<b>Total Assigned Counsel</b>	<b>2,579,342</b>	<b>2,527,428</b>	<b>2,308,300</b>	<b>219,128</b>
<b>Civil Service:</b>				
Public Safety	97,055	110,115	103,745	6,370
Capital Outlay	-	-	546	(546)
<b>Total Civil Service</b>	<b>97,055</b>	<b>110,115</b>	<b>104,291</b>	<b>5,824</b>
<b>Clerk's Office:</b>				
Public Safety	2,739,382	2,781,015	2,771,762	9,253
Capital Outlay	-	-	45,485	(45,485) *
Debt Service:				
Principal	5,100	5,100	9,000	(3,900)
Interest and Fiscal Charges	600	600	2,191	(1,591)
<b>Total Clerk's Office</b>	<b>2,745,082</b>	<b>2,786,715</b>	<b>2,828,438</b>	<b>(41,723) *</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**

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	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Commissioner's Office:</b>				
General Government	1,075,619	1,075,619	1,056,388	19,231
Debt Service:				
Principal	1,928	1,928	2,477	(549)
Interest and Fiscal Charges	1,927	1,927	1,391	536
<b>Total Commissioner's Office</b>	<b>1,079,474</b>	<b>1,079,474</b>	<b>1,060,256</b>	<b>19,218</b>
<b>Coroner's Office:</b>				
Public Safety	595,064	663,572	656,579	6,993
Debt Service:				
Principal	1,500	1,500	1,539	(39)
Interest and Fiscal Charges	650	650	554	96
<b>Total Coroner's Office</b>	<b>597,214</b>	<b>665,722</b>	<b>658,672</b>	<b>7,050</b>
<b>Corrections:</b>				
Public Safety	10,983,033	12,223,625	11,987,859	235,766
Capital Outlay	-	17,855	20,917	(3,062)
<b>Total Corrections</b>	<b>10,983,033</b>	<b>12,241,480</b>	<b>12,008,776</b>	<b>232,704</b>
<b>District Court</b>				
Public Safety	2,574,581	2,579,581	2,457,452	122,129
<b>Total District Court</b>	<b>2,574,581</b>	<b>2,579,581</b>	<b>2,457,452</b>	<b>122,129</b>
<b>Human Resources:</b>				
General Government	1,217,908	1,217,908	1,152,317	65,591
Public Safety	2,450	2,450	1,175	1,275
Debt Service:				
Principal	2,000	2,000	1,110	890
Interest and Fiscal Charges	-	-	28	(28)
<b>Total Human Resources</b>	<b>1,222,358</b>	<b>1,222,358</b>	<b>1,154,630</b>	<b>67,728</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**  
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	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Juvenile Probation:</b>				
Public Safety	5,720,257	5,732,257	5,552,344	179,913
Debt Service:				
Principal	-	-	4,307	(4,307)
Interest and Fiscal Charges	-	-	153	(153)
<b>Total Juvenile Probation</b>	<b>5,720,257</b>	<b>5,732,257</b>	<b>5,556,804</b>	<b>175,453</b>
<b>Non-Departmental:</b>				
General Government	1,320,252	1,043,746	251,640	792,106
Public Safety	-	13,500	13,500	-
Utilities & Environment	452,538	471,437	471,437	-
Transportation	994	994	693	301
Economic Environment	363,502	278,511	278,864	(353)
Culture and Recreation	-	73,815	61,885	11,930
Transfers Out	2,123,299	2,201,507	2,188,437	13,070
<b>Total Non-Departmental</b>	<b>4,260,585</b>	<b>4,083,510</b>	<b>3,266,456</b>	<b>817,054</b>
<b>Prosecuting Attorney:</b>				
Public Safety	6,706,362	7,161,203	7,122,757	38,446
<b>Total Prosecuting Attorney</b>	<b>6,706,362</b>	<b>7,161,203</b>	<b>7,122,757</b>	<b>38,446</b>
<b>State Examiner:</b>				
General Government	112,335	114,335	114,201	134
<b>Total State Examiner</b>	<b>112,335</b>	<b>114,335</b>	<b>114,201</b>	<b>134</b>
<b>Sheriff:</b>				
Public Safety	13,147,213	13,349,188	13,225,569	123,619
Capital Outlay	50,600	165,036	112,423	52,613
<b>Total Sheriff</b>	<b>13,197,813</b>	<b>13,514,224</b>	<b>13,337,992</b>	<b>176,232</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**  
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	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Superior Court:</b>				
Public Safety	3,514,619	3,764,992	3,745,715	19,277
Capital Outlay	-	-	18,788	(18,788)*
Debt Service:				
Principal	-	-	4,136	(4,136)
Interest and Fiscal Charges	-	-	1,951	(1,951)
Transfers Out	60,633	60,633	60,633	-
<b>Total Superior Court</b>	<b>3,575,252</b>	<b>3,825,625</b>	<b>3,831,223</b>	<b>(5,598)*</b>
<b>Treasurer's Office</b>				
General Government	970,485	999,938	977,972	21,966
<b>Total Treasurer's Office</b>	<b>970,485</b>	<b>999,938</b>	<b>977,972</b>	<b>21,966</b>
<b>WSU Extension</b>				
Culture and Recreation	389,619	480,723	423,574	57,149
Debt Service:				
Principal	1,575	1,575	1,575	-
Interest and Fiscal Charges	1,795	1,795	1,794	1
<b>Total WSU Extension</b>	<b>392,989</b>	<b>484,093</b>	<b>426,943</b>	<b>57,150</b>
<b>Total General Fund Expenditures</b>	<b>\$ 64,212,179</b>	<b>\$ 66,915,548</b>	<b>\$ 64,799,899</b>	<b>\$ 2,115,649</b>
Net Changes in Fund Balances	(2,075,052)	(3,023,756)	(218,420)	2,805,336
Fund Balances as of January 1	6,677,122	7,406,038	9,035,744	1,629,706
Prior Period Adjustments	-	-	(390,408)	(390,408)
Fund Balances as of January 1 - Restated	6,677,122	7,406,038	8,645,336	1,239,298
Fund Balances as of December 31	4,602,070	4,382,282	8,426,916	4,044,634

\* - See Notes for explanation of budget variance

SEE ACCOMPANYING NOTES TO FINANCIAL



**Real Estate Excise Tax**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
***For The Year Ended December 31, 2006***

	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 4,000,000	\$ 6,000,000	\$ 6,001,589	\$ 1,589
Charges for Services	15,900	15,900	15,900	-
Miscellaneous Revenue	252,311	252,311	2,309,213	2,056,902
<b>Total Revenues</b>	<b>4,268,211</b>	<b>6,268,211</b>	<b>8,326,702</b>	<b>2,058,491</b>
<b>Expenditures:</b>				
General Government	376,887	376,887	92	376,795
Culture & Recreation	1,633	1,633	-	1,633
Health & Human Services	3,023	3,023	-	3,023
Public Safety	62,261	62,261	-	62,261
Transportation	3,820	3,820	2,986	834
Capital Outlay	637,693	637,693	-	637,693
<b>Total Expenditures</b>	<b>1,085,317</b>	<b>1,085,317</b>	<b>3,078</b>	<b>1,082,239</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,182,894</b>	<b>5,182,894</b>	<b>8,323,624</b>	<b>3,140,730</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,174,230)	(1,932,539)	(1,932,482)	57
<b>Total Other Financing Sources (Uses)</b>	<b>(2,174,230)</b>	<b>(1,932,539)</b>	<b>(1,932,482)</b>	<b>57</b>
Net Changes In Fund Balances	1,008,664	3,250,355	6,391,142	3,140,787
Fund Balances as of January 1	7,242,977	9,616,625	9,616,625	-
<b>Fund Balances as of December 31</b>	<b>\$ 8,251,641</b>	<b>\$ 12,866,980</b>	<b>\$ 16,007,767</b>	<b>\$ 3,140,787</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**Roads and Transportation**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**

	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 16,473,234	\$ 16,473,234	\$ 16,300,338	\$ (172,896)
Intergovernmental	13,335,603	12,598,103	10,443,877	(2,154,226)
Charges for Services	150,600	1,026,600	564,002	(462,598)
Miscellaneous Revenue	116,600	116,600	160,186	43,586
<b>Total Revenues</b>	<b>30,076,037</b>	<b>30,214,537</b>	<b>27,468,403</b>	<b>(2,746,134)</b>
<b>Expenditures:</b>				
Public Safety	2,688,390	2,688,390	1,684,209	1,004,181
Transportation	18,286,873	19,573,798	15,265,152	4,308,646
Capital Outlay	9,518,922	9,729,497	7,747,979	1,981,518
Debt Service:				
Principal	-	-	204	(204)
Interest & Fiscal Charges	-	-	139	(139)
<b>Total Expenditures</b>	<b>30,494,185</b>	<b>31,991,685</b>	<b>24,697,683</b>	<b>7,294,002</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(418,148)</b>	<b>(1,777,148)</b>	<b>2,770,720</b>	<b>4,547,868</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	-	12,752	12,752
Sale of Capital Assets	30,000	30,000	103,703	73,703
Transfers Out	(1,391,279)	(1,153,779)	(1,151,179)	2,600
<b>Total Other Financing Sources (Uses)</b>	<b>(1,361,279)</b>	<b>(1,123,779)</b>	<b>(1,034,724)</b>	<b>89,055</b>
Net Changes In Fund Balances	(1,779,427)	(2,900,927)	1,735,996	4,636,923
Fund Balances as of January 1	9,571,840	15,525,910	15,526,209	299
<b>Fund Balances as of December 31</b>	<b>\$ 7,792,413</b>	<b>\$ 12,624,983</b>	<b>\$ 17,262,205</b>	<b>\$ 4,637,222</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**Medic One**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**

	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 7,510,427	\$ 7,510,427	\$ 7,603,663	\$ 93,236
Intergovernmental	139,000	139,000	152,814	13,814
Charges for Services	230	230	50	(180)
Miscellaneous Revenue	301,800	301,800	598,301	296,501
<b>Total Revenues</b>	<b>7,951,457</b>	<b>7,951,457</b>	<b>8,354,828</b>	<b>403,371</b>
<b>Expenditures:</b>				
Health & Human Services	7,240,029	7,269,679	6,344,593	925,086
Capital Outlay	318,125	318,125	39,470	278,655
Debt Service:				
Principal	3,637	3,637	3,637	-
Interest & Fiscal Charges	2,074	2,074	2,074	-
<b>Total Expenditures</b>	<b>7,563,865</b>	<b>7,593,515</b>	<b>6,389,774</b>	<b>1,203,741</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>387,592</b>	<b>357,942</b>	<b>1,965,054</b>	<b>1,607,112</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	5,250	5,250	4,991	(259)
Transfers Out	(5,250)	(5,250)	(4,991)	259
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes In Fund Balances	387,592	357,942	1,965,054	1,607,112
Fund Balances as of January 1	11,493,643	12,505,726	12,505,826	100
<b>Fund Balances as of December 31</b>	<b>\$ 11,881,235</b>	<b>\$ 12,863,668</b>	<b>\$ 14,470,880</b>	<b>\$ 1,607,212</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**Public Health & Social Services**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2006**

	Original 2006 Budget	Final 2006 Budget	Actual 2006	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 479,801	\$ 479,801	\$ 487,454	\$ 7,653
Licenses & Permits	180,765	401,075	389,342	(11,733)
Intergovernmental	28,619,156	29,283,985	28,802,335	(481,650)
Charges for Services	1,585,751	2,408,316	2,133,033	(275,283)
Miscellaneous Revenue	194,300	199,137	337,217	138,080
<b>Total Revenues</b>	<b>31,059,773</b>	<b>32,772,314</b>	<b>32,149,381</b>	<b>(622,933)</b>
<b>Expenditures:</b>				
Economic Environment	112,166	112,166	111,825	341
Health & Human Services	34,571,421	35,479,551	36,544,708	(1,065,157)*
Capital Outlay	-	-	52,501	(52,501)
Debt Service:				
Principal	-	-	3,036	(3,036)
Interest & Fiscal Charges	-	-	4,016	(4,016)
<b>Total Expenditures</b>	<b>34,683,587</b>	<b>35,591,717</b>	<b>36,716,086</b>	<b>(1,124,369)*</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,623,814)</b>	<b>(2,819,403)</b>	<b>(4,566,705)</b>	<b>(1,747,302)</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	-	30,721	30,721
Transfers In	2,629,836	1,629,049	1,626,449	(2,600)
Transfers Out	(57,780)	(57,780)	(57,780)	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,572,056</b>	<b>1,571,269</b>	<b>1,599,390</b>	<b>28,121</b>
<b>Net Changes In Fund Balances</b>	<b>(1,051,758)</b>	<b>(1,248,134)</b>	<b>(2,967,315)</b>	<b>(1,719,181)</b>
<b>Fund Balances as of January 1</b>	<b>8,898,258</b>	<b>8,936,562</b>	<b>8,936,912</b>	<b>350</b>
<b>Fund Balances as of December 31</b>	<b>\$ 7,846,500</b>	<b>\$ 7,688,428</b>	<b>\$ 5,969,597</b>	<b>\$ (1,718,831)</b>

\* - See Notes for explanation of budget variance

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**Statement Of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**  
**Page 1 of 2**

ASSETS	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other	Total	
			Enterprise Funds	Enterprise Funds	
<b>Current Assets:</b>					
Cash & Pooled Investments	\$ 6,701,561	\$ 366,191	\$ 1,978,984	\$ 9,046,736	\$ 23,226,159
<i>Receivables:</i>					
Special Assessment Receivables	-	200,000	94,696	294,696	-
Accrued Interest & Penalties	318,701	6,594	47,322	372,617	192,643
Customer Account Receivables	1,532,288	22,628	37,074	1,591,990	110,046
Due From Other Funds	722,306	49	9,106	731,461	872,928
Due From Other Government Units	579,284	105,743	103,712	788,739	29,115
Inventory	-	-	-	-	192,727
Prepayments	-	-	-	-	475,847
<i>Restricted Assets:</i>					
Cash and Pooled Investments	-	299,252	448,840	748,092	-
Investments at Cost	-	-	961,314	961,314	-
<b>Long-Term Assets:</b>					
Deferred Charges	-	204,556	2,560	207,116	-
Community Loans Receivable	-	-	132,977	132,977	-
Special Assessment Receivables	-	3,390,065	1,247,365	4,637,430	-
Advances to Other Funds	38,300	-	45,000	83,300	-
Capital Assets	32,020,496	14,486,001	14,780,903	61,287,400	28,962,103
Accumulated Depreciation	(20,531,459)	(2,057,847)	(5,140,439)	(27,729,745)	(18,147,576)
<i>Restricted Assets: Cash and Pooled Investments</i>	18,313,680			18,313,680	
<b>Total Assets</b>	<b>39,695,157</b>	<b>17,023,232</b>	<b>14,749,414</b>	<b>71,467,803</b>	<b>35,913,992</b>

See accompanying notes to the financial statements

**Statement Of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**  
**Page 2 of 2**

LIABILITIES	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
<b>Current Liabilities:</b>					
Accounts Payable	1,106,820	9,503	53,126	1,169,449	855,721
Notes Payable	-	8,873	208,385	217,258	248,529
Due To Other Funds	1,318,334	50,176	188,500	1,557,010	281,680
Unearned Revenue	-	-	-	-	8,800
Lim.Tax G.O.Bond-Current Portion	-	511,983	110,000	621,983	125,951
<b>Long-Term Liabilities:</b>					
Limited G.O. Bonds Payable	-	10,480,000	409,302	10,889,302	-
Compensated Absences Payable	-	-	-	-	928,884
Claims and Judgments Payable	-	-	-	-	3,367,586
Intergovernmental Loans & Contracts Payable	-	105,363	1,881,818	1,987,181	530,508
Advances From Other Funds	-	30,000	8,300	38,300	-
Accumulated Landfill Closure Costs	20,708,258	-	-	20,708,258	-
<b>Total Liabilities</b>	<b>23,133,412</b>	<b>11,195,898</b>	<b>2,859,431</b>	<b>37,188,741</b>	<b>6,347,659</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net Of Related Debt	11,489,037	1,321,935	7,547,706	20,358,678	9,909,539
<b>Restricted For:</b>					
Postclosure	5,072,708	-	-	5,072,708	-
Debt Service	-	-	570,504	570,504	-
Unrestricted (Deficit)	-	4,505,399	3,771,773	8,277,172	19,656,794
<b>Total Net Assets</b>	<b>\$ 16,561,745</b>	<b>\$ 5,827,334</b>	<b>\$ 11,889,983</b>	<b>\$ 34,279,062</b>	<b>\$ 29,566,333</b>

See accompanying notes to the financial statements

**Reconciliation Of The Statement Of  
Net Assets Of Proprietary Funds  
To The Statement Of Net Assets  
*December 31, 2006***

	<b>Business Type Funds</b>
	<hr/>
<b>Enterprise net assets as shown in the Proprietary Funds Statement of Net Assets</b>	<b>\$ 34,279,062</b>
 Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	
	<hr/>
<b>Net assets for business-type funds as shown in Statement of Net Assets</b>	<b>\$ 35,006,404</b>
	<hr/>

See accompanying notes to the financial statements

**Statement Of Revenues, Expenses And Changes In Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended December 31, 2006**

	Enterprise Funds				Internal
	Solid	Grand	Other	Total	Service
	Waste	Mound	Enterprise	Enterprise	Funds
			Funds	Funds	
<b>Operating Revenues:</b>					
Charges for Services	\$ 16,152,574	\$ 258,526	\$ 1,889,584	\$ 18,300,684	\$ 341,362
Equipment Rental	-	-	-	-	5,265,201
Interfund Contributions	900	-	27,322	28,222	15,228,410
Miscellaneous	23,272	6,239	5,137	34,648	19,314
<b>Total Operating Revenues</b>	<b>16,176,746</b>	<b>264,765</b>	<b>1,922,043</b>	<b>18,363,554</b>	<b>20,854,287</b>
<b>Operating Expenses:</b>					
Salaries and Benefits	1,674,523	266,840	1,097,660	3,039,023	13,286,586
Other Supplies and Expenses	256,569	21,035	121,300	398,904	2,550,371
Contractual Services	1,805,707	55,842	188,084	2,049,633	4,996,800
Longhaul Contract	10,950,263	-	-	10,950,263	-
Interfund Services and Charges	720,652	23,193	227,584	971,429	1,415,446
Depreciation/Amortization	747,875	367,117	600,996	1,715,988	2,467,256
Claims Payments	-	-	-	-	1,008,863
<b>Total Operating Expenses</b>	<b>16,155,589</b>	<b>734,027</b>	<b>2,235,624</b>	<b>19,125,240</b>	<b>25,725,322</b>
<b>Operating Income (Loss)</b>	<b>21,157</b>	<b>(469,262)</b>	<b>(313,581)</b>	<b>(761,686)</b>	<b>(4,871,035)</b>
<b>Nonoperating Revenue (Expenses):</b>					
Interest Revenue	1,047,596	250,169	157,695	1,455,460	716,206
Other Nonoperating Revenue (Expense)	(262,825)	25	117,901	(144,899)	5,867,851
Interest Expense & Fiscal Charges	-	(558,443)	(53,332)	(611,775)	(61,269)
<b>Total Nonoperating Revenue (Expense)</b>	<b>784,771</b>	<b>(308,249)</b>	<b>222,264</b>	<b>698,786</b>	<b>6,522,788</b>
<b>Income Before Contributions and Transfers:</b>	<b>805,928</b>	<b>(777,511)</b>	<b>(91,317)</b>	<b>(62,900)</b>	<b>1,651,753</b>
Capital Contributions	-	859,847	-	859,847	266,357
Transfers In (Out)	(253,024)	-	40,000	(213,024)	157,941
<b>Change in Net Assets</b>	<b>552,904</b>	<b>82,336</b>	<b>(51,317)</b>	<b>583,923</b>	<b>2,076,051</b>
Net Assets as of January 1	16,008,841	5,744,998	11,941,300	33,695,139	27,490,282
<b>Net Assets as of December 31</b>	<b>\$ 16,561,745</b>	<b>\$ 5,827,334</b>	<b>\$ 11,889,983</b>	<b>\$ 34,279,062</b>	<b>\$ 29,566,333</b>

See accompanying notes to the financial statements



**Reconciliation Of The Statement Of Revenues, Expenses And  
Changes in Fund Net Assets Of Proprietary Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2006**

	<u>Business-Type Funds</u>
<b>Change in enterprise net assets as shown in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>	\$ 583,923
Internal services, provided primarily by internal service funds, also occurs between other County funds. The net effect of the elimination of these services is reflected in the statement of activities:	
Other interfund transactions	11,740
Allocated direct and indirect costs from the County's cost plan	<u>(301,426)</u>
<b>Change in net assets for business-type funds as shown in the Statement of Net Assets</b>	<u>\$ 294,237</u>

See accompanying notes to the financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2006**  
**Page 1 of 2**

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 15,649,600	\$ 282,726	\$ 1,912,286	\$ 17,844,612	\$ 20,114,835
Cash Paid for Goods & Services	(13,439,577)	(101,943)	(563,852)	(14,105,372)	(10,016,304)
Cash Paid to Employees	(1,674,523)	(228,662)	(962,206)	(2,865,391)	(13,124,286)
Net Cash Provided (Used) by Operating Activities	535,500	(47,879)	386,228	873,849	(3,025,755)
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Transfers In	719,661	-	590,000	1,309,661	393,163
Operating Transfers Out	(972,685)	-	(550,000)	(1,522,685)	(235,222)
Grant Proceeds	(141,392)	(96,787)	134,784	(103,395)	-
Tax and Assessment Receipts	-	-	-	-	5,834,007
Receipts On Community Loans	-	-	15,351	15,351	-
Payments On Community Loans	-	-	(20,051)	(20,051)	-
Insurance Recoveries	-	-	-	-	19,340
Tax Payments	(419,893)	(9,315)	(25,393)	(454,601)	(8,544)
Net Cash Provided (Used) by Noncapital Financing Activities	(814,309)	(106,102)	144,691	(775,720)	6,002,744
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>					
Cash Gain/Loss on Sales/Dispositions Of Capital Assets	60,635	31,742	(6,048)	86,329	(27,770)
Capital Asset Acquisitions	(608,784)	(122,098)	(706,067)	(1,436,949)	(1,509,335)
Bond/Loan Payments	-	(218,551)	(321,885)	(540,436)	(374,922)
Bond/Loan Proceeds	-	-	8,300	8,300	-
Grant Proceeds	-	-	117,996	117,996	-
Contributed Capital	-	408,391	-	408,391	33,737
Assessment Receipts	-	641,669	149,821	791,490	-
Interest Payments	-	(574,449)	(54,185)	(628,634)	(61,269)
Net Cash Provided (Used) by Capital & Related Financing Activities	(548,149)	166,704	(812,068)	(1,193,513)	(1,939,559)
<b>Cash Flows from Investing Activities:</b>					
Interest Receipts	912,023	247,737	151,052	1,310,812	626,140
Net Cash Provided (Used) by Investing Activities	912,023	247,737	151,052	1,310,812	626,140
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<b>85,065</b>	<b>260,460</b>	<b>(130,097)</b>	<b>215,428</b>	<b>1,663,570</b>
Cash & Cash Equivalents as of January 1	24,930,176	404,983	3,519,235	28,854,394	21,562,589
Cash & Cash Equivalents as of December 31	\$ 25,015,241	\$ 665,443	\$ 3,389,138	\$ 29,069,822	\$ 23,226,159

See accompanying notes to the financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**December 31, 2006**  
**Page 2 of 2**

	Enterprise Funds				
	Solid	Grand	Other	Total	Internal
	Waste	Mound	Enterprise	Enterprise	Service
			Funds	Funds	Funds
<b>Reconciliation of Operating Income To Net Cash Provided</b>					
<b>(Used) by Operating Income:</b>					
Operating Income	\$ 21,157	\$ (469,262)	\$ (313,581)	\$ (761,686)	\$ (4,871,035)
<b>Adjustments to Reconcile Operating Income to Net Cash</b>					
<b>Provided (Used) by Operating Activities:</b>					
Depreciation Expense	747,875	367,117	600,996	1,715,988	2,467,256
<b>(Increase) Decrease in:</b>					
Customer Account Receivables	(205,339)	18,010	(2,265)	(189,594)	(10,184)
Due from Other Funds	(321,807)	(49)	(7,492)	(329,348)	(702,570)
Due from Other Government Units	-	-	-	-	(26,698)
Inventories	-	-	-	-	(23,051)
Prepaid Expense	-	-	-	-	(375,730)
<b>Increase (Decrease) in:</b>					
Accounts Payable	61,816	(1,873)	(26,884)	33,059	359,648
Due to Other Funds	680,891	38,178	135,454	854,523	228,659
Claims and Judgments	-	-	-	-	(137,414)
Compensated Absences Payable	-	-	-	-	65,364
Accumulated Landfill Closure	(449,093)	-	-	(449,093)	-
<b>Total Adjustments</b>	<b>514,343</b>	<b>421,383</b>	<b>699,809</b>	<b>1,635,535</b>	<b>1,845,280</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 535,500</b>	<b>\$ (47,879)</b>	<b>\$ 386,228</b>	<b>\$ 873,849</b>	<b>\$ (3,025,755)</b>

**Noncash Investing, Capital, and Financing Activities:**

Gain on Purchase/Sale Of Capital Assets	\$ -	\$ -	-	\$ -	\$ 44,530
Loss on Purchase/Sale of Capital Assets	\$ (2,923)	\$ -	(99,168)	\$ (102,091)	\$ -
Contribution of Capital Assets	\$ -	\$ 451,456	-	\$ 451,456	\$ 266,357

See accompanying notes to the financial statements

**Statement Of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2006**

ASSETS	Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>Assets:</b>			
Cash & Pooled Investments	\$ 250,937,017	\$ 3,392,027	\$ 17,905,776
Cash and Investments in Trust	-	-	491,744
Cash and Deposits with Fiscal Agent	-	-	175,000
<b>Receivables:</b>			
Accrued Interest Receivables	979,768	-	-
<b>Total Assets</b>	<b>251,916,785</b>	<b>3,392,027</b>	<b>18,572,520</b>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Warrant Payable	-	-	15,563,039
Accounts Payable	-	-	405,311
Payroll Payable	-	-	1,937,426
Due to Other Governments	-	-	666,744
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>18,572,520</b>
<b>NET ASSETS</b>			
Investments Held in Trust for Pool Participants	251,916,785	-	-
Investments Held in Trust for Other Purposes	-	3,392,027	-
<b>Total Net Assets</b>	<b>\$ 251,916,785</b>	<b>\$ 3,392,027</b>	<b>\$ -</b>

See accompanying notes to the financial statements

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For The Year Ended December 31, 2006**

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Additions By Participants	\$ 854,960,816	\$ 15,818,350
Trust Revenues	128,958	-
Total Contributions	<u>855,089,774</u>	<u>15,818,350</u>
<b>Investment Income:</b>		
Net Decrease In Fair Value Of Investments	1,771,904	-
Interest, Dividends and Other	-	26,816
Total Investment Income	<u>1,771,904</u>	<u>26,816</u>
<b>Total Additions</b>	<u>856,861,678</u>	<u>15,845,166</u>
<b>Deductions:</b>		
Distributions to Participants	821,326,829	14,344,309
Trust Administrative Costs	128,958	-
Total Deductions	<u>821,455,787</u>	<u>14,344,309</u>
 Change in Net Assets Held for Individuals, Organizations and Other Governments	 35,405,891	 1,500,857
Net Assets as of January 1 - Restated	<u>216,510,894</u>	<u>1,891,170</u>
<b>Net Assets as of December 31</b>	<u><u>\$ 251,916,785</u></u>	<u><u>\$ 3,392,027</u></u>

See accompanying notes to the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## Year Ended December 31, 2006

### Note I - Summary of Significant Accounting Policies

The financial statements of Thurston County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

#### A. REPORTING ENTITY

The financial statements present Thurston County as the primary government as required by generally accepted accounting principles.

##### Component Unit

The Comprehensive Annual Financial Report (CAFR) of Thurston County does not include any component units for which the County is financially accountable.

#### B. COMPREHENSIVE ANNUAL FINANCIAL REPORT

This report is segregated into introductory, financial, supplementary information and statistical sections. The introductory section complements the other two sections and may include information (for example - prospective and economic information) that would normally be excluded from the financial section of this report. The statistical section includes supporting statistical schedules to the financial section.

The financial section includes all statements required by GASB for the year end financial report. The financial section includes the following statements: independent auditor's opinion, management discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements and major fund budget to actual statements. The auditor's opinion provides an independent opinion by the Washington State Auditor's Office on the overall accuracy of this report. The management discussion and analysis provides our analysis of the financial condition and activities of Thurston County based on supporting facts and decisions by the County.

The supplementary information section includes all the combining statements required for a CAFR by the Government Finance Officers Association. The supplementary information section includes the following statements: non-major governmental and enterprise fund statements, internal service fund statements and fiduciary fund statements. Grant schedules are also included within this section that detail federal, state and local grants and awards.

Government wide financial statements, fund financial statements and the notes to the financial statements comprise the basic financial statements within the financial section of this report. Balances and activities in the government wide financial statements are reported differently than balances and activities reported in the fund financial statements, each using a different measurement focus and basis of accounting, as explained in more detail in note I.C. below.

Government wide financial statements provide an overview of the financial condition and activity of the entire governmental unit. This overview is reported in the statement of net assets and the statement of activities. The statement of net assets reports assets, liabilities and net assets or equity of the entire governmental unit. Likewise, the statement of activities reports revenues, expenses and resulting change in net assets of the entire governmental unit. Governmental balances and activities are segregated from business-type balances and activities in both statements (governmental activities are primarily supported by taxes and intergovernmental revenues whereas business type activities are primarily supported by user fees and charges).

#### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government wide, proprietary, and fiduciary trust fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. All assets and liabilities (whether current or non-current) are reported in the balance sheet. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. All revenues and service costs are reported each year regardless whether they were received or paid in the current year or soon thereafter.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds, subject to the same limitations. The County has elected not to apply subsequent private sector guidance.

##### 1. Government-Wide Financial Statements

Internal service balances are summarized with governmental balances in the statement of net assets since most internal services are provided to governmental functions. However, the doubling effect of internal service activities has been removed from the statement of activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Purchased capital assets are capitalized in the statement of net assets and not immediately expensed in the statement of activities. Capital assets include governmental infrastructure (primarily road) assets (See Note VI). However, the use of these assets over time is recognized as a depreciation expense in the statement of activities (See Note VI for depreciation expenses reported in the statement of activities).

Long-term debt proceeds are reported as liabilities in the statement of net assets and therefore not reported as general revenues in the statement of activities. Amounts paid to reduce long-term indebtedness are reported as a reduction in the related liability in the statement of net assets and therefore not reported as an expense in the statement of activities.

Program revenues in the statement of activities include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges
- Fines & forfeitures
- Special assessments
- Grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment

Taxes, entitlements, unrestricted grants, interest and other special and extraordinary items are non-exchange revenues and reported as general revenues in the statement of activities. Non-exchange revenues occur when the County gives (or receives) value without directly receiving (or giving) equal value in exchange.

Taxes and entitlements are reported as either property taxes or franchise and public service taxes and then segregated as either unrestricted for general use or restricted for specific purposes. Franchise and public service taxes in the statement of activities include the following general tax revenues and regulatory fees: cable TV, document preservation, forest board, government land lease, harvest, leasehold excise, liquor excise, motel/hotel, motor vehicle license/excise, pull tabs, punch board, real estate, retail sales, and timber sales.

Property tax revenues are recognized in the fiscal year for which the taxes are levied. Grant, entitlement, and donation revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The County's cost allocation plan allocates unbilled indirect and direct service costs to individual functions. The full allocation of these costs has been included, and separately reported, as program expenses for each reported activity.

The effect of interfund activity has been eliminated, as a general rule, from the government wide financial statements. Exceptions to this general rule include internal charges for normal and recurring services provided by one fund or department to another fund or department.

## 2. Governmental Fund Financial Statements

All governmental funds are accounted on a current financial resources or "financial flow" measurement focus. This means only current assets and current liabilities are included in the balance sheet. Likewise, governmental fund operating statements focus on measuring changes in current financial position. They report increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

These funds are also reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Consequently, fund balance measures "available spendable resources." Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. Revenues that are measurable but not available are recorded as a receivable and offset by deferred revenues. See Note D.2. for revenue availability policies and guidelines.



Expenditures are generally recorded when the related fund liability is incurred. However, the modified accrual measurement focus and basis of accounting differs from full accrual in the following ways:

- Purchases of capital assets are expenditures
- Redemptions of long-term debt are expenditures when due
- Interest on long-term debt is not accrued but is recorded as an expenditure when due
- Accumulated unpaid vacation and sick leave are considered expenditures when paid

Thurston County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It is used to account for all activities of the general government not accounted for in another fund.
- The County Road Fund accounts for the design, construction, and maintenance of County roads.
- The Public Health and Social Services Fund accounts for the following services: mental health, developmental disabilities, substance abuse treatment, prevention, children and family, environmental, and personal health.
- The Medic One Fund accounts for countywide delivery of advanced life support response and transport services.
- The Real Estate Excise Tax Fund accounts for proceeds dedicated to capital projects from the one-half percent tax on real property sales in unincorporated Thurston County.

### 3. Proprietary Fund Financial Statements

Proprietary funds are reported using the economic resources measurement focus and accrual basis of accounting as noted above. However, only proprietary funds disclose cash flows in a separate statement that reports cash flows from operating, financing and investing activities. Proprietary funds also distinguish operating from non-operating revenues and expenses in their operating statements. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of personnel and contractual services, other supplies and expenses and depreciation on capital assets. All revenues and expenses not meeting this definition, including capital and non-capital financing and investing activities and non-exchange and exchange like transactions, are reported as non-operating revenues and expenses.

The County reports the following major proprietary funds:

- The Solid Waste Fund accounts for all solid waste activity including the maintenance and operation of the County's waste and recovery center.
- The Grand Mound Water and Wastewater Fund accounts for maintenance and operations of the Grand Mound water & wastewater systems.

Proprietary funds provide fee based services to external customers as enterprise funds and internally as internal service funds to the County's internal customers which may at times include other governmental units. The County's internal service funds are reported in total only in the proprietary fund statements. However, internal service fund balances are included within governmental fund balances in the governmental activities section of the statement of net assets. Internal service activity is excluded from the statement of activities and any profit or loss is allocated to the appropriate governmental activity.

#### 4. Fiduciary Fund Financial Statements

Fiduciary trust funds are also reported using the economic resources measurement focus and accrual basis of accounting as noted above. However, agency funds have no measurement focus with only assets and liabilities reported in total for these funds in the fiduciary fund statements. Fiduciary funds are used to account for resources held for the benefit of parties other than Thurston County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Thurston County's programs.

Thurston County has three types of fiduciary funds:

- Investment Trust funds report pooled investments held on behalf of external participants in the County's investment program.
- Private Purpose Trust funds report trust arrangements where the principal and interest benefit those outside of the primary government.
- Agency Funds account for assets and liabilities the County holds for others in an agency capacity. These funds are custodial in nature and do not present results of operations or have a measurement focus. These funds primarily comprise clearing accounts for assets and liabilities held by the County in its role as custodian until the funds are allocated to private parties, organizations, or government agencies to which they belong.

#### D. ASSETS, LIABILITIES AND NET ASSETS OR FUND BALANCE

##### 1. Deposits and Investments

The County pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested, in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. A segment, activity or fund's portion of total cash and pooled investments is summarized in the government-wide and major fund financial statements 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 cash and pooled investments are allocated to participating funds on an average daily balance basis. For purposes of the statement of cash flows, unrestricted and restricted cash and pooled investments are treated as cash and cash equivalents since balances are available as demand deposits.

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 book value of deposits does not differ materially from the bank balances of deposits. The average compensatory balance maintained during 2006 was approximately \$3,004,000.

##### 2. Receivables from External Sources

Taxes receivable consist of current and delinquent property taxes (See Note V) and are partially offset by deferred revenue in the governmental funds balance sheet. The County considers property taxes to be available if they are collected within sixty days after year end. However, the County does not accrue these amounts unless they are material to the amount collected or the outstanding balance. Sales taxes are reported and accrued based on information and reports from the State of Washington.

Accrued interest receivable includes interest and penalties on property taxes, interest on investments (See Note III) and on special assessments at year end. The County considers interest on investments to be available if they are collected within sixty days after year-end.

Special Assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments. Deferred assessments are unbilled special assessments, including any related interest, that are liens against the property benefited.

Customer account receivables consist of amounts owed from private individuals or organizations for goods and services, including court, incarceration and public health receivables. Customer account receivables are considered to be available if they are expected to be collected within twelve months after year end. Receivables include amounts owed for which billings have not been prepared and are 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.

Deferred revenues are revenues that have been deferred, and therefore not recognized as income, until received or earned. Deferred revenues consist of tax and assessment revenue deferrals and amounts received but not earned.

### 3. Receivables To and From Internal Sources

Inter-fund activity representative of lending/borrowing arrangements and outstanding at year end are either "Interfund loans receivable/payable" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds" in the governmental funds balance sheet and proprietary funds statement of net assets. However, "due to/from other funds" are netted within "internal balances" in the statement of net assets. See Note VII for a balanced summary schedule of interfund balances by major fund and by non-major fund category.

Due to and from other funds and governments is reported as a cash flow change impacting operating activities in the statement of cash flows. However, cash flows from governmental receivables are treated differently for enterprise and internal service funds in the statement of cash flows. Due from other governments for enterprise funds is reported as a cash flow change impacting grant cash proceeds from non-capital financing activities. Due from other governments for internal service funds is reported as a cash flow change impacting operating activities.

### 4. Inventories and Prepaid Items

Inventories are assets held for internal consumption or for resale. Any material inventory remaining at year-end is included in the balance sheet of the appropriate fund.

The purchase method, where the cost is recorded as an expenditure when the item is purchased; is used in governmental funds, except for the Roads Special Revenue Fund. The perpetual inventory method is used in the Roads Special Revenue Fund and proprietary funds. The perpetual inventory method capitalizes the cost when inventory is purchased and then records an expenditure or expense when the item is consumed. Inventories recorded in the Roads Special Revenue fund and proprietary funds are stated at cost on a moving weighted average basis.

Prepayments are payments in advance of the receipt of goods and services in an exchange transaction and are recorded as an expenditure or expense only when consumed. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements. These items primarily include prepaid rents for computer software.

## 5. Long-Term Liabilities

Revenue and general obligation bonds and intergovernmental loans and contracts directly related to and financed from enterprise funds are accounted for in the respective enterprise funds. All other long-term debt is reported in the governmental column of the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, gain/loss and issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, is reported as debt service expenditures.

Amounts reserved, as stipulated in bond covenants or agreements, for the current portion of long-term liabilities is shown as a reservation of fund balance in the fund financial statements and a restriction of fund balance in the statement of net assets. Specific debt service requirements are described in Note VII – Long-Term and Other Significant Debt.

## 6. Capital Assets and Depreciation

Capital assets include land, improvements to land, easements, buildings, building improvements, machinery and equipment, construction in progress, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Thurston County defines capital assets as assets (including capital leases) valued at \$5,000 or more (including ancillary costs) with an estimated useful life in excess of one year.

Infrastructure assets are long-lived assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, drainage systems, sidewalks, trails and paths, and water and sewer systems. Infrastructure assets acquired after July 1, 1980 are reported in the statement of net assets. Some infrastructure assets are reported at historical costs using County Road Administration Board and Washington State Department of Transportation annual reports. Other infrastructure assets are reported at estimated historical costs on a discounted current replacement value basis. Infrastructure acquired prior to June 30, 1980, except for Right of Ways and easements, is not reported.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair market value, if estimable, or donor's net book value on the date received.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Infra-structure costs are capitalized when the cost is for a component that has been replaced or depreciated. The cost of normal maintenance and repairs that do not significantly impact the value of the asset or materially extend the assets' life is expensed in the year incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Machinery & Equipment	3-20 years
Improvements	10-40 years
Buildings	10-40 years
Infrastructure	20-40 years

Interest expense was not capitalized during asset construction since interest costs were offset by interest earnings on the investments of funds for these projects.

#### 7. Rebatable Arbitrage

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

#### 8. Net Assets and Fund Balance

Restrictions, commitments and other limitations significantly affecting the availability of net assets and fund balances are reflected in their classifications in the statement of net assets and fund financial statements. Net assets is reported as (a) an investment in capital assets, net of related debt, (b) restricted or (c) unrestricted. Fund balance is reported as (a) reserved, (b) unreserved—designated or (c) unreserved—undesignated.

Fees and charges for services (except for the general fund), as reported in the statement of net assets, are usually considered to be restricted since they have been charged or levied for a specific purpose or use. When both restricted and unrestricted resources are available for use, it is the County's policy to use these resources proportionately based on their overall contribution to the total resources of that fund, function or program.

Net assets is restricted in proprietary fund statements and fund equity is reserved in governmental fund statements if "outside" restrictions have been placed on the use of these funds (see Note I.D.5. above for debt service restrictions and reservations). Solid waste cash and investments is restricted to fund a 30 year landfill postclosure care period (see Note XIII – Closure and Post Closure Care Costs). Solid waste net assets restricted for this purpose comprise the remainder of the net asset balance.

### **Note II - Reconciliation of Government Wide and Fund Financial Statements**

#### **A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

Account balances in the governmental fund balance sheet are reconciled to balances in the government-wide statement of net assets within the accompanying "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets" statement. Three line items in this reconciliation are described and explained in more detail on the next page.

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The first line item adjustment, as detailed below, was for \$385,155,844 because the "cost of capital assets, which is expended in governmental funds, is deferred to future periods in the statement of net assets":

Governmental Net Book Value - 12/31/05	\$ 380,500,694
Gains (Losses) on Dispositions of Capital Assets	(278,102)
Governmental Capital Outlays	12,766,428
Governmental Depreciation Expense	<u>(7,833,175)</u>
Governmental Net Book Value - 12/31/06	<u>\$ 385,155,845</u>

The second line item adjustment, as detailed below, was for \$40,362,886 because "long-term debt, which is not reported in governmental funds, is reported in the statement of net assets":

Governmental Debt - 12/31/05	\$ (42,649,290)
Debt Principal Payments	2,359,629
Lease Financing Proceeds And Adjustments	(130,318)
Amortization of Premium and Refunding Deferral	<u>57,093</u>
Computed Governmental Debt - 12/31/06	<u>\$ (40,362,886)</u>

The third line item adjustment, as detailed below, was for \$29,566,333 because "assets, liabilities and resulting net assets of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net assets":

Net Assets - 12/31/05	\$ 27,490,282
Net Profit	<u>2,076,051</u>
Net Assets - 12/31/06	<u>\$ 29,566,333</u>
Interfund Receivables	\$ 872,928
Capital Assets	10,814,527
Other Assets	24,226,537
Interfund Payables	(281,680)
Debt	(1,833,872)
Other Liabilities	<u>(4,232,107)</u>
Net Assets - 12/31/06	<u>\$ 29,566,333</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Account balances in the governmental income statement (statement of revenues, expenditures and changes in fund balances) are reconciled to balances in the government-wide statement of activities within the accompanying "Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities" statement. These line item reconciliations are available and reported in detail within this statement.

**Note III - Stewardship, Compliance and Accountability**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

The County prepares its budgets in accordance with state law. In November 2005, the County Administrator submitted to the Board of County Commissioners a proposed operating budget for 2006. 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 19, 2005 the budget was legally enacted through passage of a resolution.

For 2006, appropriations were authorized by department in the General Fund and at the total fund level for all other funds. These are the legal levels of budgetary control. The Board of County Commissioners must approve any revisions that increase the total appropriation of any General Fund department or other County fund. These changes must be approved through a resolution by a majority of the Board of County Commissioners after holding a public hearing.

Administrative control is maintained through the establishment of detailed line-item budgets and formal budgetary integration is employed as a management control device during the year for all budgeted funds. Budgets for all County funds are adopted on a GAAP basis. Budgets are recorded in the financial system for management use for some Non-County agency funds. However, the Board of County Commissioners does not adopt Non-County agency budgets and the County is not responsible for enforcing the legal limits on these 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 19, 2005 and various amendments made throughout the year. All appropriations lapse each year. Thurston County's expenditures did not exceed the legally authorized level allowed by state statute or the legally authorized level allowed by County budget appropriation policies. The following reported budget over expenditures did not violate these statutes and policies as described below:

1. The Clerks Office and Superior Court have reported expenditures exceeding budget of \$41,723 and \$5,598 respectively. The reported over expenditures are due to lease purchase accruals. The actual cash outlay for these leases is approved by the board and in compliance with the reported budget and county budget policies.
2. The Public Health and Social Services Fund have reported fund expenditures exceeding budget of \$1,124,369. The reported over expenditure is due to food commodity and vaccination grant accruals that do not require cash outlays. The actual cash outlay for food commodities and vaccinations by this Fund is approved by the Board and in compliance with the reported budget and county budget policies.

3. The investment Administration, Tax Refund and Treasurer's M & O Funds were excluded from the special revenue combining schedules of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual because these funds are not statutorily required to have budget authority and County budget policies do not require budgets for these funds.
4. The Tax Refund Fund had a deficit fund balance of (\$6,325) at December 31, 2006. This is a statutorily required fund that has specific requirements associated with recording tax refunds that will sometimes produce a negative fund balance. The timing of revenues and expenditures should produce a positive fund balance in 2007.

The following proprietary funds had deficit net assets at December 31, 2006: Solid Waste Reserve for Post Closure (\$173,908), Olympic View Debt Service (\$5,729), Grand Mound Debt Service (\$6,893,017) and Water & Waste Management Administration (\$38,467). These funds have contributed capital and generally 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. Additionally, the timing of revenues and expenditures should produce a positive fund balance for the Water & Waste Management Administration Fund in 2007.

#### **Note IV - Deposits and Investments**

The Thurston County Treasurer, acting in their legal capacity as treasurer for the County and other taxing districts, receipts, disburses and invests all cash.

##### **A. DEPOSITS**

All receipts received by the Treasurer are deposited into qualified bank depositaries as specified by the Washington Public Deposit Protection Commission (PDPC). All deposits, including money markets and certificates of deposits 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. 3. All deposits held at December 31, 2006 and throughout the year were classified as category 1, insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name. Total undistributed cash deposits at December 31, 2006 were \$2,983,192.

##### **B. INVESTMENTS**

Investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute, which include U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, money market account and the State Treasurer's Local Government Investment Pool (LGIP). There is no statutory regulatory oversight of the LGIP other than annual audits through the Washington State Auditor's Office. The fair value of County shares in the LGIP is dollar for dollar equal to the value of pool shares.

The investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. Union Bank of California acts as safekeeping agent for the Thurston County Treasurer. During 2006 we did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.



# Thurston County, Washington 2006

As of December 31, 2006, the County's investment values and maturities for pool and individual fund investments are as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Weighted Average Maturity (Years)</u>
<b>Pool Investments:</b>		
State Treasurer's LGIP	\$ 19,700,000	0.0
Money Market Account	25,000,000	0.0
U.S. agencies	<u>373,737,376</u>	3.5
Pool Investments	<u>418,437,376</u>	3.1
<b>Investments:</b>		
Municipal Bonds	<u>953,985</u>	0.6
Investments	<u>953,985</u>	0.6
Total Investments	<u>\$ 419,391,361</u>	

The interest rate, credit and concentration risks are described below:

**Interest Rate Risk** – The adopted investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – State law and the adopted investment policy limit investment in securities that have one of the three highest ratings of a national rating agency at the time of investment. All investments have a rating by Standard & Poors of either AAA or AA at the time of purchase.

**Concentration of Credit Risk** – The adopted investment policy requires that no more than 25% of the investments will be in a single security type, with the exception of U.S. treasury and agency securities and the State Local Government Investment Pool. The investments held are in compliance with this requirement.

A reconciliation of pool investments, investments, cash and cash deposits to the fund and entity wide statements is as follows on the next page:

## Reconciliation of Deposits and Investments

### December 31, 2006

	Total	Cash & Pool Investments	Investments
<b>Pool Investments:</b>			
State Treasurer's Local Govt. Investment Pool (LGIP)	\$ 19,700,000	\$ 19,700,000	\$ -
Money Market Account	25,000,000	25,000,000	-
U.S. Agency & Instrumentality Securities	373,737,376	373,737,376	-
<b>Investments:</b>			
Municipal Bonds	953,985	-	953,985
<b>Total Investments</b>	<u>419,391,361</u>	<u>418,437,376</u>	<u>953,985</u>
<b>Cash and Cash Deposits:</b>			
Cash with Fiscal Agent and Deposits With Financial Institutions	2,983,192	2,983,192	-
Cash with Fiscal Agent (Communications)	70,528 *	70,528	-
Petty Cash, Change, Revolving, and Advance Travel Funds	50,940	50,940	-
Clerk's Trust Funds	3,392,027	3,392,027	-
<b>Total Cash &amp; Investments</b>	<u>425,888,048</u>	<u>424,934,063</u>	<u>953,985</u>
Net Increase (Decrease) in the Fair Value of Investments	<u>(3,081,074)</u>	<u>(3,088,403)</u>	<u>7,329</u>
<b>Total Reported Cash &amp; Investments</b>	<u><u>\$ 422,806,974</u></u>	<u><u>\$ 421,845,660</u></u>	<u><u>\$ 961,314</u></u>
<b>Reconciliation to Statements:</b>			
Statement of Net Assets:			
Cash & Pooled Investments - Unrestricted	\$ 129,882,324		
Cash & Pooled Investments - Restricted	19,061,772		
Investments at Cost	961,314		
Statement of Fiduciary Net Assets:			
Investment Trust Funds	250,937,017		
Private Purpose Trust Funds	3,392,027		
Agency Funds	17,905,776		
Cash and Investments in Trust	491,744		
Cash and Deposits with Fiscal Agent	175,000		
<b>Total Reported Cash &amp; Investments</b>	<u><u>\$ 422,806,974</u></u>		

\* Note Cash with Fiscal Agent (Communications) is not held through the Treasurers Office

A summary of current and restricted assets for pooled investments and investments is as follows:

**Current and Restricted Assets**  
**December 31, 2006**

	Total	Current Assets	Restricted Assets
Pooled Investments	\$ 418,437,376	\$ 397,196,797	\$ 21,240,579
Investments	953,985	-	953,985
Total	<u>\$ 419,391,361</u>	<u>\$ 397,196,797</u>	<u>\$ 22,194,564</u>

**C. THURSTON COUNTY INVESTMENT POOL (TCIP)**

The Thurston County Investment Pool (TCIP) operates on an amortized cost-book value basis. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. There are no legally binding guarantees for TCIP. Authorized investments for the TCIP are the same as investments held outside of the pool. These are defined in statute and discussed in this note IV (B). TCIP also has holdings in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in a manner consistent with SEC Rule 2a7. As a 2a7-like pool, investments in the LGIP are reported at amortized cost.

All funds deposited in the TCIP are available 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 balances. The Thurston County Treasurer, by law, is the treasurer of most governments within the county, including schools, fire and library districts. These districts do not have a legal option to have their cash handled by other than the County Treasurer.

The TCIP did experience a net decrease in the fair value of the investments during 2006, as market interest rates increased. At 12/31/2006, the market value of investments was \$3,088,403 less than the amortized cost. These unrealized losses will not be recognized in the various funds as management intends to hold these investments to maturity. During 2006, TCIP sold 3 investments with a total realized loss of \$260,238.

Fair value of the TCIP is reviewed by the County Treasurer, on an ad hoc basis, and monthly by the County Finance Committee. Fair value is determined using information from our safekeeping agent, Union Bank of California and with "Bloomberg", an on-line financial services system.

There is no involuntary participation in the TCIP. Districts do have the option to participate in the TCIP or they can have the treasurer manage their cash in investments outside of TCIP by requesting specific investment amounts and maturity dates.

A condensed statement of net assets and statement of changes in net assets for the TCIP, including the external and internal portions of the pool, at December 31, 2006 is as follows:

**Condensed Statement of Net Assets  
December 31, 2005**

	Total
<b>Assets</b>	
Cash, Cash Equivalents and Pooled Investments	\$ 418,437,376
Total Assets	<u>418,437,376</u>
Net Assets Held in Trust for Pool Participants	<u><u>\$ 418,437,376</u></u>

**Condensed Statement of Changes in Net Assets  
December 31, 2006**

Changes in Net Assets Resulting from Operations	\$ 18,812,060
Distribution to Participants	(18,812,060)
Changes in Net Assets Resulting from Cash Transactions	<u>42,286,543</u>
Net Assets Available	42,286,543
Net Assets - 1/1/06	<u>376,150,833</u>
Net Assets - 12/31/06	<u><u>\$ 418,437,376</u></u>
Internal Investment Pool - 12/31/06	\$ 166,520,591
External Investment Pool - 12/31/06	<u>251,916,785</u>
Thurston County Investment Pool - 12/31/06	<u><u>\$ 418,437,376</u></u>

**Note V – 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.

## Thurston County, Washington 2006

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 as noted below.

The Washington State Constitution limits total regular property taxes to 1 percent of true and fair market valuation. This would equate to a regular levy rate of \$10 per \$1,000 of value if the property were assessed at its true and fair value. If 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 five dollars and ninety cents 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 101 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 2005 for collection in 2006:

	<u>Levy In Dollars Per Thousand</u>	<u>Assessed Value</u>	<u>Total Levy</u>
County	\$ 1.3477	\$ 19,930,800,551	\$ 26,860,071
Roads	1.5363	\$ 10,764,084,064	16,536,861
	<u>\$ 2.8840</u>		<u>\$ 43,396,932</u>

**Note VI - Capital Assets and Commitments****A. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2006 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 01/01/06	Increases	Decreases	Ending Balance 12/31/06
Capital Assets - Non-Depreciable:				
Land	\$ 251,590,012	\$ 692,930	\$ 1,470,579	\$ 250,812,363
Construction in Progress	25,899,275	3,334,117	841,557	28,391,835
Capital Assets - Non-Depreciable	<u>277,489,287</u>	<u>4,027,047</u>	<u>2,312,136</u>	<u>279,204,198</u>
Capital Assets - Depreciable:				
Buildings	60,403,093	5,404,152	3,976,860	61,830,385
Improvements Other Than Buildings	5,071,227	50,300	2,003	5,119,524
Machinery & Equipment	38,916,513	4,264,523	4,702,109	38,478,927
Infrastructure	97,899,541	28,004,201	23,881,239	102,022,503
Original Cost	<u>202,290,374</u>	<u>37,723,176</u>	<u>32,562,211</u>	<u>207,451,339</u>
Less Accumulated Depreciation:				
Buildings	(15,080,195)	(1,508,385)	603,085	(15,985,495)
Improvements Other Than Buildings	(1,440,522)	(194,654)	3,092	(1,632,084)
Machinery & Equipment	(25,337,745)	(3,445,076)	3,487,247	(25,295,574)
Infrastructure	(49,985,613)	(5,152,316)	3,432,226	(51,705,703)
Accumulated Depreciation	<u>(91,844,075)</u>	<u>(10,300,431)</u>	<u>7,525,650</u>	<u>(94,618,856)</u>
Capital Assets - Depreciable, Net	<u>110,446,299</u>	<u>27,422,745</u>	<u>40,087,861</u>	<u>112,832,483</u>
Total Original Cost	479,779,661	41,750,223	34,874,347	486,655,537
Total Accumulated Depreciation	<u>(91,844,075)</u>	<u>(10,300,431)</u>	<u>7,525,650</u>	<u>(94,618,856)</u>
Governmental Capital Assets, Net	<u>\$ 387,935,586</u>	<u>\$ 31,449,792</u>	<u>\$ 42,399,997</u>	<u>\$ 392,036,681</u>

Depreciation Expense was charged to functions as follows:

General Government	\$ 1,651,777
Public Safety	380,000
Utilities and Environment	1,351
Transportation	5,323,701
Economic Environment	90,197
Health and Human Services	42,645
Culture and Recreation	343,504
Subtotal	<u>7,833,175</u>

In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based upon their usage of the assets.

2,467,256

Total Governmental Activities Depreciation Expense \$ 10,300,431

Thurston County, Washington 2006

Business Type Activities for the year ended December 31, 2006 was as follows:

BUSINESS TYPE ACTIVITIES	Beginning Balance 01/01/06	Increases	Decreases	Ending Balance 12/31/06
Capital Assets, Not Being Depreciated:				
Land	\$ 1,606,972	\$ 4,753	\$ -	\$ 1,611,725
Construction In Progress	2,452,248	1,255,658	424,515	3,283,391
Total Capital Assets, Not Being Depreciated	4,059,220	1,260,411	424,515	4,895,116
Capital Assets, Being Depreciated:				
Buildings	21,957,601	567,580	404	22,524,777
Improvements Other Than Buildings	29,904,710	45,127	31,689	29,918,148
Machinery & Equipment	4,021,437	430,931	490,219	3,962,149
Total Capital Assets, Being Depreciated	55,883,748	1,043,638	522,312	56,405,074
Less Accumulated Depreciation For:				
Buildings	3,645,063	640,767	-	4,285,830
Improvements Other Than Buildings	20,660,556	857,823	26,477	21,491,902
Machinery & Equipment	2,098,450	217,398	351,045	1,964,803
Total Accumulated Depreciation	26,404,069	1,715,988	377,522	27,742,535
Total Capital Assets Being Depreciated, Net	29,479,679	(672,350)	144,790	28,662,539
Business Type Activities Capital Assets, Net	\$ 33,538,899	\$ 588,061	\$ 569,305	\$ 33,557,655

Depreciation expense was charged to functions as follows:

Solid Waste	\$ 747,875
Grand Mound	367,117
Other Enterprise Funds	600,996
Total	\$ 1,715,988

## B.CONSTRUCTION COMMITMENTS

Thurston County has the following active construction commitments, including the Accountability and Restitution Center and Juvenile Remediation project, as of December 31, 2006:

Project	Spent-to-Date	Remaining Commitment
Accountability and Restitution Center	\$ 1,097,351	\$ 4,264,067
Juvenile Remediation Project	971,178	379,682
Customer Service Center	362,397	1,399,677
Devoe Housing	281,302	606,198
BHR Tumwater Gardens	83,865	205,153
HATC (Tenant Base Rental, Admin, Rehabilitation)	41,737	663,111
	\$ 2,837,830	\$ 7,517,888

These projects are financed with general obligation bonds which are then repaid with sales and real estate excise taxes.

## **Note VII - Long-Term and Other Significant Debt**

### **A. DISCLOSURES ABOUT EACH SIGNIFICANT DEBT INCURRED**

#### **1. 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. The proprietary portion of general obligation debt is reported in proprietary funds because repayments will come from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Payments on these bonds are funded from voter approved levies, real estate excise tax fees and proprietary revenues.

1997 General Obligation Bonds of \$26,415,000 (refunding and new issue) and 1997 Advance Refunding Bonds of \$4,660,000 were issued in annual principal installments of \$1,020,000 to \$2,260,000. There was only \$3,060,000 of the G. O. Bond portion of the issue left outstanding at December 31, 2005 after the issuance of 2005 Partial Advance Refunding General Obligation Bonds in 2005. The G. O. bond portion of the issue was used for new construction and to currently refund the 1995 (\$8,200,000) and 1996 (\$9,900,000) G. O. Bonds. The G. O. bond portion of this issue was used to finance various capital projects including: a juvenile detention center and family court facility, an emergency service center, an information technology tax appraisal/assessment system, jail facilities/improvements, other capital equipment and Road Improvement District #2 construction. The G. O. bond portion is serviced by the 1997 General Obligation Bond Redemption Fund (Debt Service Fund). \$16,175,000 was refunded with 2005 Advanced Refunding Bonds. The remaining outstanding balance as of December 31, 2006 was \$1,235,000. The advance refunding bond portion of this issue was used for a partial advance refunding of \$1,075,000 of 1990 bonds and an advance refunding of \$3,470,000 of 1991 bonds. The advanced refunding bond portion is serviced by the Boston Harbor Water/Sewer Debt Redemption Fund (Enterprise Fund) and has \$540,000 in bonds outstanding at December 31, 2006. The bonds of the entire issue bear an interest rate of 4.75% to 5.0%.

1998 General Obligation Bonds of \$3,170,000 were issued in 1998 and bear an interest rate of 50% of a bank reference rate. \$1,700,000 was issued for the acquisition of farmland development rights in annual principal installments of \$242,858. This issue portion is serviced by the 1998 General Obligation Bond Redemption Fund (Debt Service Fund) and has \$242,856 in bonds outstanding at December 31, 2006. The other \$1,470,000 was issued in annual principal installments of \$67,145 to \$98,015. These proceeds were used to construct and equip a regional emergency dispatch center. This issue portion is serviced by the Communications Fund (Internal Service Fund) and has \$125,951 in bonds outstanding at December 31, 2006.

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 were used for constructing and equipping Grand Mound water and wastewater facilities. The bonds bear an interest rate of 5.0% to 5.6%. \$7,500,000 was refunded with 2005 Advanced Refunding Bonds. The remaining outstanding balance as of December 31, 2006 was \$3,420,000.

2002 Limited General Obligation Bonds of \$10,635,000 were issued in annual principal installments of \$320,000 to \$790,000 beginning in 2002 and running through 2022. Proceeds were used to payoff the 2000 General Obligation Bonds and for improvements to various county facilities. The bonds bear an interest rate of 4.0% to 5.13% with \$8,765,000 outstanding as of December 31, 2006.



2004 Limited General Obligation Bonds of \$11,000,000 were issued in 2004. The proceeds were used to acquire property and for improvements to various county facilities including: a) acquiring land to construct a jail facility, b) expanding the county/regional park system, c) acquiring a building adjacent to the courthouse to ease overcrowding and relieve existing space problems and d) replacing the County's 20-year old central phone system. The bonds bear an interest rate of 2.5% to 4.50% semi annually with principal repayments from \$400,000 to \$800,000 a year. The term of the bonds is for 20 years with the final payment due in 2024. The balance at December 31, 2006 was \$10,325,000

2005 General Obligation Bonds of \$26,135,000 were issued in 2005. The bonds were used as follows: \$15,700,000 was used for a partial advance refunding of \$16,175,000 of outstanding 1997 bonds and \$7,510,000 was used for an advance refunding of \$7,500,000 of outstanding 1999 bonds. The other portion of the issue amounting to \$2,925,000 will be utilized to finance park acquisitions and other capital improvements. The bonds bear an interest rate of 3.0% to 5.0% semi annually with principal repayments ranging from \$100,000 to \$3,000,000 a year. The term of the bonds is for 20 years with the final payment due in 2025. The balance at December 31, 2006 was \$26,035,000.

## 2. Loans and Contracts Payable

The County has entered into an agreement with the Department of Community Development, State of Washington, for six 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 water and sewer utility revenues, general obligation tax assessments, and other available County monies.

The Boston Harbor Water/Sewer Debt Redemption Fund (Enterprise Fund) has the first two Public Works Trust Fund loans which total \$212,298 at December 31, 2006. The first loan is not to 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, 2006 of \$86,234. 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, 2006 is \$126,064.

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, 2006 of \$28,624.

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, 2006 of \$58,216.

Road Improvement District #2 Fund (Debt Service Fund) has the fifth 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, 2006 of \$368,421.

Grand Mound-water has the sixth Public Works Trust Fund loan that is not to exceed \$37,358 with an interest rate of 2% per annum. Yearly loan payments are due on July 1 and are equal to 1/4th of the principal balance plus interest on the unpaid balance of the loan starting in 2007. The term of the loan is for five years. The balance at December 31, 2006 is \$28,019.

The Community Loan Repayment Funds (Enterprise Funds) entered into six 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, 2006 is \$134,002. 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, 2006 is \$64,585. The third loan is not to exceed \$200,000 with an interest rate of 4.3%. Repayment began in 2003. The term of the loan is for twenty years. The balance at December 31, 2006 is \$125,256. A fourth loan began in 2000 and is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2006 is \$18,035. During 2002 a fifth loan began with a not to exceed value of \$150,000 and an interest rate of 1.5%. Repayment began after project completion on December 31, 2005. The balance as of December 31, 2006 is \$95,571. The sixth loan is not to exceed \$200,000 with an interest rate of 1.5%. Repayment will begin in December 2007. The term of the loan is for twenty years and the balance at December 31, 2006 was \$22,815.

Water and Waste Management entered into a state revolving fund (SRF) loan agreement with the State of Washington Department of Ecology to create a new Utility Local Improvement District for Tamoshan/Beverly Beach Wastewater Plant Improvements in 2002. Repayments began in 2004 and the loan balance at December 31, 2006 was \$1,330,801. The interest rate of the loan is 0% with a 20-year repayment term.

Water and Waste Management entered into a state revolving fund (DWSRF) loan agreement with the State of Washington Department of Community Development to construct a corrosion control system for the Grand Mound water system in 2006. The term of the loan is for 20 years and the amount to be financed is \$132,518 with an interest rate of 1%. The balance at December 31, 2006 was \$86,217.

Communications entered into an agreement with Government Capital Corporation to fund a new computer aided dispatch system during 2003. Principal payments began in 2003 and the note will be complete in 2009 with principal payments varying from \$142,611 to \$259,611. The total financed is \$1,522,000 with an effective interest rate of 4.94%. The amount outstanding at December 31, 2006 is \$740,472.

### 3. Leases

#### Capital Lease Liabilities

The County has entered into the transactions that are recorded as a capital lease purchases. These long-term contracts incorporate some or all of the benefits and risks of ownership. These lease agreements qualify as capital leases and recorded at the present value of future minimum lease payments as of the inception date. Leases payable totaled \$248,666 at December 31, 2006.

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2006 were as follows:

	<u>Governmental Activities</u>
Machinery & Equipment	\$ 402,281
Less: Accumulated Depreciation	<u>(153,615)</u>
Present Value of Minimum Lease Payments	248,666
Plus amount representing interest	<u>48,845</u>
Total minimum lease payments	<u><u>\$ 297,511</u></u>

#### Operating Leases

The County has lease commitments for leases of buildings and office space that are cancelable and non-cancelable with lease terms primarily from month to month with only one lease with a term in excess of five years that terminates in 2016. Operating lease expenditures for the year ended December 31, 2006 were \$700,838. The future minimum lease payments for these leases are:

<u>Year</u>	<u>Amount</u>
2007	\$ 549,200
2008	\$ 528,562
2009	\$ 405,092
2010	\$ 244,616
2011	\$ 86,284
2012-16	\$ 56,930

## Thurston County, Washington 2006

### Lease Receivables

The County has contracts with various businesses to lease County owned buildings for office space. The leases are cancelable and non-cancelable with month to month terms of five years with one that extends to 2015. The County received \$333,488 in cancelable and non-cancelable operating lease revenues in 2006. Amounts that will be received in future years under these lease agreements are noted below:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$ 181,970
2008	\$ 140,269
2009	\$ 132,648
2010	\$ 116,801
2011	\$ 66,795
2012-15	\$ 261,073

### 4. Long-term Compensated Absences

Thurston County has traditional and alternative leave plans. 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 annual or 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 (280 hours for alternative leave) and, if retiring, half of unused sick leave to a maximum of 360 hours.

The County reported a liability of \$6,389,412 at December 31, 2006 for that portion of unpaid accumulated vacation and personal leave payable in the statement of net assets. \$4,176,098 of this liability is expected to be incurred in 2007. The entire amount is reported as a long term liability since the estimated expense in 2007 will be derived in it's entirety from the additional amount earned. Leave costs are paid from governmental funds that fund the personnel costs for those employees. This long-term liability for accumulated vacation and personal leave payable includes \$5,460,528 for governmental funds and \$928,884 for internal service funds. Payroll, benefits and associated administrative services for enterprise funds are billed to the enterprise funds by two internal service funds. Consequently, balances for compensated absences in enterprise funds is rolled up into internal service funds which is in turn included within governmental activities in the following table and in the statement of net assets. 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, 2006**

	Balance At January 1 2006	New Issues And Adjustments	Reductions	Balance At December 31, 2006		
				Total Ending Balance	Current	Long Term
<b>Governmental Activities:</b>						
Loans & Contracts Payable	\$ 1,358,735	\$ -	\$ (249,841)	\$ 1,108,894	\$ 266,365	\$ 842,529
Leases Payable	155,939	165,100	(72,373)	248,666	68,961	179,705
Notes Payable	1,514,674	165,100	(322,214)	1,357,560	335,326	1,022,234
General Obligation Bonded Debt	41,686,624	-	(2,467,817)	39,218,807	2,483,807	36,735,000
Deferred Amount On Refunding	(671,758)	-	33,588	(638,170)	(638,170)	-
Unamortized Premium	1,399,660	-	(69,983)	1,329,677	1,329,677	-
Limited G.O. Bonds Payable	42,414,526	-	(2,504,212)	39,910,314	3,175,314	36,735,000
Compensated Absences	5,976,706	5,544,383	(5,131,677)	6,389,412	4,176,098	2,213,314
Balance at Dec 31, 2006	49,905,906	5,709,483	(7,958,103)	47,657,286	7,686,738	39,970,548
<b>Business-Type Activities:</b>						
Loans & Contracts Payable	2,317,058	94,837	(207,456)	2,204,439	217,258	1,987,181
General Obligation Bonded Debt	11,875,000	-	(405,000)	11,470,000	560,000	10,910,000
Deferred Amount On Refunding	(527,363)	-	43,145	(484,218)	(461,221)	(22,997)
Unamortized Premium	566,516	-	(41,013)	525,503	523,204	2,299
Limited G.O. Bonds Payable	11,914,153	-	(402,868)	11,511,285	621,983	10,889,302
Balance at Dec 31, 2006	14,231,211	94,837	(610,324)	13,715,724	839,241	12,876,483
Total Long-term Debt	\$ 64,137,117	\$ 5,804,320	\$ (8,568,427)	\$ 61,373,010	\$ 8,525,979	\$ 52,847,031

Enterprise segment information is not disclosed since revenue streams are not pledged to support proprietary long-term debt.

**C. DEBT SERVICE REQUIREMENTS**

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

**For Debt Payments  
As Of December 31, 2006**

	General Obligation Bonded Debt		Leases Payable		Loans/Contracts/Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 3,043,807	\$ 2,345,576	\$ 68,961	\$ 23,618	\$ 483,623	\$ 71,369	\$ 6,036,954
2008	2,710,000	2,210,718	80,586	15,380	490,058	56,955	5,563,697
2009	3,010,000	2,106,830	60,542	7,303	466,030	41,338	5,692,043
2010	3,355,000	1,985,595	28,906	2,217	149,738	25,128	5,546,584
2011	3,255,000	1,828,328	9,671	327	149,511	22,434	5,265,271
2012-2016	18,660,000	6,662,345	-	-	748,159	72,737	26,143,241
2017-2021	12,720,000	2,351,523	-	-	617,977	19,889	15,709,389
2022-2026	3,935,000	339,823	-	-	205,559	1,669	4,482,051
2027-2031	-	-	-	-	2,678	50	2,728
Total	<u>\$ 50,688,807</u>	<u>\$ 19,830,738</u>	<u>\$ 248,666</u>	<u>\$ 48,845</u>	<u>\$ 3,313,333</u>	<u>\$ 311,569</u>	<u>\$ 74,441,958</u>

**D. ASSETS AVAILABLE FOR DEBT SERVICE**

The County is meeting debt service requirements. The County has sufficient assets in variety of different funds, including the General Fund, Real Estate Excise Tax Fund, debt holding funds and proprietary funds to meet current and future debt service payments. At December 31, 2006, the County had an additional \$38,031 available in reserve in the Debt Service Funds to service general obligation debt.

**E. LEGAL DEBT MARGIN**

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

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 352,117,124	\$ 313,541,517
General Government (With 3/5-majority vote)	\$ 586,861,874	\$ 548,286,267

**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, 2006

	01/01/06	Increases	Decreases	12/31/06
Refunded & Defeased Bonds Outstanding	\$ 23,770,000	\$ -	\$ 95,000	\$ 23,675,000

General Obligation Bonds of \$26,135,000 were issued in 2005 of which \$15,700,000 were used for a partial advance refunding of \$16,175,000 of outstanding 1997 governmental bonds and \$7,510,000 were used for an advance refunding of \$7,500,000 of outstanding 1999 enterprise bonds. The advance refunding of the 1997 bonds resulted in an economic gain of \$867,803 with a \$861,415 reduction in debt service payments over the next 12 years. The advance refunding of the 1999 bonds resulted in an economic gain of \$440,635 with a \$567,825 reduction in debt service payments over the next 14 years.

**Note VIII - Interfund Transactions****A. INTERFUND RECEIVABLES AND PAYABLES**

Revenues, expenditures and expenses between County funds are reported as if they were from external organizations in the fund financial statements. These balances and transactions were eliminated in the government-wide financial statements if they did not represent an exchange of goods and services in a normal business relationship (see Notes I.C.1. and I.D.3. above). The composition of interfund receivables and payables in the fund financial statements as of December 31, 2006 is shown in the following table.

	Due From Other Funds	Due To Other Funds
General Fund	\$ 99,632	\$ 49,107
Real Estate Excise Tax	24,556	-
Roads	373,082	299,513
Medic One	-	5,330
Public Health & Social Services	355,011	51,384
Non-Major Governmental Funds	246,899	459,545
Internal Service Funds	872,928	281,680
<b>TOTAL GOVERNMENTAL &amp; INTERNAL SERVICE FUNDS</b>	<b>1,972,108</b>	<b>1,146,559</b>
Enterprise Funds		
Solid Waste	722,306	1,318,334
Grand Mound	49	50,176
Non-Major Enterprise Funds	9,106	188,500
<b>TOTAL ENTERPRISE FUNDS</b>	<b>731,461</b>	<b>1,557,010</b>
<b>TOTAL COUNTY FUNDS</b>	<b>2,703,569</b>	<b>2,703,569</b>

## B. INTERFUND LOANS AND ADVANCES

Interfund loans and advances are fund transfers, usually interest bearing, that will be repaid in a future years. Interfund loans are fund transfers for less than a year that are outstanding at year end and advances are fund transfers for more than one year. The following advances were outstanding as of December 31, 2006:

1. Solid Waste Fund advanced \$30,000 to Grand Mound Wastewater Operating in the Grand Mound Fund in 2004. The advance will be repaid over 5 years with the repayment period starting in 2005 and ending in 2009. The advance bears an annual interest rate of 3%. Interest only will be repaid during the first two years with equal interest and principal payments occurring during the last three years of the advance repayment period.
2. Solid Waste Fund advanced \$8,300 to Tamoshan Beverly Beach in the Tamoshan Utility Fund. The advance will be repaid with equal interest and principal payments over 3 years. The advance bears an interest rate of 4%.
3. Storm Water Operations in the Storm and Surface Water Utility Fund advanced \$45,000 to the Long Lake, Lake Management District Fund. The advance will be repaid in a lump sum payment in the 3rd year of the advance repayment period. The advance bears an interest rate of 4.1%.

## C. INTERFUND TRANSFERS

Interfund transfers are subsidies or contributions provided by one fund to another fund with no corresponding promise for repayment. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. Transfers out from the General Fund are usually made to subsidize other activities in other funds such as Parks, Fair and Public Health that are not self supporting through other taxes, grants or program and service fees. Transfers in to the General Fund are primarily from sales tax holding funds for public safety purposes. Transfers in to the Public Health and Social Services Fund comprise subsidies and support service payments from the General and Development Service Funds. Transfers in and out for proprietary and non-major governmental fund transfers are usually made to fund debt service and associated capital projects. Transfers may also include transfers of residual fund balances to an active fund, usually preparatory to closure of the transferring fund.



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Interfund transfers occurring between major funds, non-major governmental funds, non-major enterprise funds and internal service funds of the county during the year ended December 31, 2006 are summarized below:

	Transfers In	Transfers Out
General Fund	\$ 1,470,909	\$ 2,249,070
Real Estate Excise Tax	-	1,932,482
Roads	-	1,151,179
Medic One	4,991	4,991
Public Health & Social Services	1,626,449	57,780
Non-Major Governmental Funds	9,527,713	7,179,477
Internal Service Funds	393,163	235,222
<b>TOTAL GOVERNMENTAL &amp; INTERNAL SERVICE FUNDS</b>	<b>13,023,225</b>	<b>12,810,201</b>
Enterprise Funds		
Solid Waste	719,661	972,685
Non-Major Enterprise Funds	590,000	550,000
<b>TOTAL ENTERPRISE FUNDS</b>	<b>1,309,661</b>	<b>1,522,685</b>
<b>TOTAL COUNTY FUNDS</b>	<b>\$ 14,332,886</b>	<b>\$ 14,332,886</b>

## Note IX - Pension Plans

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

Historical trend and other information regarding each plan are presented in the State Department of Retirement Systems 2006 Consolidated 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 3 plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining thereafter are enrolled in Plan 2. As of September 1, 2002 employees had an option of switching from PERS 2 to a new retirement plan, PERS 3. The window for the switch closed May 31, 2003 but new employees may enroll in either PERS 2 or PERS 3. Retirement benefits in all PERS plans are financed from employee and employer contributions and investment earnings.

Plan 1 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 monthly 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 3 percent annually.

Plan 2 members may retire at age 65 with 5 years of service, or at 55 with 20 years of service actuarially reduced for each year under age 65, or age 55 with 30 years of service, benefit reduced 3% for each year under age 65. The monthly benefit is 2% of average final compensation per year of service. There is no cap on years of service and a cost of living allowance is granted to a maximum of 3% per year.

Plan 3 members may retire at age 65 with at least 10 service credit years; or 5 service credit years, including 12 service credit months that were earned after age 54; or 5 service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members may retire at age 55 with at least 10 years of service actuarially reduced for each year under age 65, or with 30 years of service, benefit reduced by 3% for each year under age 65. PERS Plan 3 has a dual benefit structure. Member contributions finance a defined contribution component, and employer contributions finance a defined benefit component. The monthly benefit for the defined portion is 1% of average final compensation per year of service. There is no cap on years of service and cost of living allowance is granted to a maximum of 3% per year.

Each biennium the state Pension Funding Council adopts Plan 1 employer contribution rates needed to fully amortize the total costs of the plan. Employee contribution rates for Plan 1 are established by statute at 6 percent and do not vary from year to year. The Pension Funding Council establishes the employer and employee contribution rates for Plan 2. 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. The Pension Funding Council sets the employer contribution for Plan 3. The employee contribution rates are chosen by the employee upon switching to the plan and cannot change unless you terminate from employment, or change employers and re-enter PERS covered employment.

# Thurston County, Washington 2006

Thurston County's and employee's contribution rates expressed as a percentage of covered payroll for the prior years ending December 31, were:

PLAN	2004		2005		2006	
	Employer	Employee	Employer	Employee	Employer	Employee
<u>PERS 1:</u>						
1/1 - 6/30			1.38%	6.00%	2.44%	6.00%
7/1 - 12/31			2.44%	6.00%	3.69%	6.00%
1/1 - 8/31	1.40%	1.18%				
9/1 - 12/31	1.38%	1.18%				
<u>PERS 2:</u>						
1/1 - 6/30	1.40%	1.18%	1.38%	1.18%	2.44%	3.69%
7/1 - 12/31	1.38%	1.18%	2.44%	2.25%	2.25%	3.50%
<u>PERS 3:</u>						
1/1 - 6/30	1.40%	5%-15%	1.38%	5%-15%	2.44%	5%-15%
7/1 - 12/31	1.38%	5%-15%	2.44%	5%-15%	3.69%	5%-15%

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

	PERS 1	PERS 2	PERS 3
2004	\$ 84,672	\$ 592,788	\$ 32,380
2005	\$ 114,466	\$ 857,198	\$ 58,489
2006	\$ 182,179	\$ 1,411,628	\$ 109,874

## 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 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits in both Plan 1 and 2 are vested after completion of 5 years of eligible service.

# Thurston County, Washington 2006

Plan 1 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:

<u>Term of Service</u>	<u>Percent of Final Average</u>
20+	2.0%
10-19	1.5%
5-9	1.0%

Plan 2 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 2 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 3 percent annually.

Plan 1 employer and employee contribution rates are established by statute at 0 percent. State contribution rates for Plan 1 are set by the Pension Funding Council to fully amortize the total costs of the plan. The Pension Funding Council also sets employer, employee, and state contribution rates for Plan 2. 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, were:

<u>PLAN</u>	<u>2004</u>		<u>2005</u>		<u>2006</u>	
	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>
<u>LEOFF 1</u>						
1/1 - 6/30			0.19%	0.00%	0.19%	0.00%
7/1 - 12/31			0.19%	0.00%	0.18%	0.00%
1/1 - 8/31	0.22%	0.00%				
9/1 - 12/31	0.19%	0.00%				
<u>LEOFF 2</u>						
1/1 - 6/30			3.25%	5.09%	4.39%	6.99%
7/1 - 12/31						
7/1 - 8/31			4.24%	6.75%	4.87%	7.79%
9/1 - 12/31			4.39%	6.99%	4.90%	7.85%
1/1 - 1/31	3.25%	5.05%				
2/1 - 8/31	3.26%	5.07%				
9/1 - 12/31	3.25%	5.09%				

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

	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2004	\$ 1,131	\$ 178,066
2005	\$ 894	\$ 230,863
2006	\$ 680	\$ 297,739

### C. Public Safety Employees' Retirement System (PSERS)

PSERS is a cost-sharing multiple-employer defined benefit pension plan. Membership includes all full time, fully compensated employees working in PSERS covered positions as defined by RCW 41.37. Members of PERS Plan 2 or 3, working in PSERS positions on or before July 1, 2006 had the opportunity to elect PSERS membership from July 1, 2006 through September 30, 2006. PSERS Membership is prospective only. Employees hired into designated PSERS positions on or after July 1, 2006 are enrolled in the PSERS plan.

PSERS Plan 2 members may retire at age 65 with five years of service credit, or at age 60 with 10 years of PSERS service credit, or at age 53 with 20 years of service credit, benefit reduced 3% per year from age 60.

PSERS benefits are funded by contributions made by the employee and employer. The methods used to determine the contribution rates are established under statute in accordance with Chapter 41.45 RCW.

Both County and employees made the required contributions. The County's required contributions for the year ending December 31, 2006 were:

<b><u>PSERS 2 - Contribution Rates</u></b>	<b><u>July 1 -Dec 31</u></b>
Employer	6.76%
Employee	6.57%
<b><u>PSERS 2 - Total Contributions</u></b>	<b><u>Jul 1-Dec 31</u></b>
Employer	107,702
Employee	104,674

### Note X - Risk Management

#### A. RISK POOL AND GENERAL LIABILITY INSURANCE

Thurston County is a member of the Washington Counties Risk Pool (Pool). 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 joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the extent that they may individually purchase insurance, self insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on August 18, 1988 when several 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. Thirty counties have joined the Pool, and twenty eight counties are members presently.

The Pool allows members to establish a plan of self-insurance, jointly purchase excess or reinsurance and provide related services. All Pool joint self-insurance liability coverage, including public officials' errors and omissions, and property insurance program are on an "occurrence" basis. The Pool provides the following forms of group purchased insurance coverage for its members: "following form" excess liability, and property that includes vehicles, mobile equipment, and EDP equipment. Special events/concessionaires is another optional group purchase insurance coverage.

## Thurston County, Washington 2006

Members make an annual contribution to fund the pool. The Pool acquires liability reinsurance and "following form" excess insurance from unrelated underwriters that is subject to a per-occurrence self-insured retention of \$100,000, or the member-selected deductible, whichever is greater. Members are responsible for their elected deductible amounts ranging from \$10,000 to \$500,000 of each covered claim while the pool is responsible for the remaining difference up to the pool's \$100,000 to the maximum limits of each policy. The reinsurance and excess insurance carriers cover losses exceeding the greater of the Pool's retention or the member county's deductible to the maximum limits of each policy.

The pool is governed by a board of directors that is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the pool. Members contract to remain in the pool for a minimum of five years, and must give notice one year before terminating participation. Thurston County rejoined the pool on October 1, 2000, after a one-year absence. The contract with the pool is renewed automatically each year until terminated. Each member is responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period(s) during which it was a signatory to the interlocal agreement, even after termination of the contractual relationship.

The pool is fully funded by its member participants as a cooperative program with joint liability among the participating members. Claims are filed by members with the pool. Any deficits or program assets which are insufficient to cover program liabilities are financed through retroactive assessments of responsible members.

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. Furthermore, the County's settlements have not exceeded the County's insurance coverage in each of the past three years. In the opinion of management, the County's insurance policies, including its participation in the Washington Counties Risk Pool, in conjunction with our funded retention are adequate to pay all known or pending claims as they come due.

The County paid general claims costs of \$653,826 during 2006. The County's suggested minimum claim reserves, and therefore the County's potential liability for claims and costs not covered by the risk pool, were estimated by the pool's actuary on December 31, 2006 as \$3,367,586. The suggested reserve 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 are projections. As estimates, these values are subject to inherent variability and may or may not become payable over the course of several years.

### Schedule of Claims and Judgments Payable

	2006	2005
Beginning Claims Liability	\$ 3,505,000	\$ 3,483,173
Claims Incurred During the Year (including IBNRs)*	516,412	445,384
Claims Payments	(653,826)	(423,557)
Ending Claims Liability	<u>\$ 3,367,586</u>	<u>\$ 3,505,000</u>

\*Includes total provision for events of the current fiscal year and any changes in the provision for events for prior fiscal years.

## **B. OTHER**

The County is not self insured for other types of risks and losses except as described above under "Risk Pool and General Liability Insurance". The County reimburses Washington State Employment Security for unemployment compensation claims. These claims are funded through employee related fund transfers into the County's Unemployment Compensation fund. The County also pays Washington State Labor and Industries a stipulated amount per employee per payroll period for a state mandated industrial insurance program for worker compensation claims. As discussed in Note VII.F., the County also has a contingent financial liability for the payment of refunded debt.

### **Note XI - Postemployment Health Care Benefits**

In addition to the pension benefits described in Note IX, and in accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26), the County pays health insurance and medical costs not covered by insurance for retired full time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. Substantially all of the County's law enforcement officers who established membership in the LEOFF 1 retirement system may become eligible for those benefits when they reach normal retirement age. Thurston County reimburses retired LEOFF 1 police officers for reasonable medical charges as described in the LEOFF act. In 2006, 20 retirees received benefits under this act. As of December 31, 2006, there were 3 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 2006, these costs total \$73,547 with an average cost per retiree of \$3,677. Thurston County used the Long Term Care Special Revenue Fund to purchase additional long-term care insurance for LEOFF 1 in 2006.

### **Note XII - Joint Ventures/Jointly Governed Organizations**

Thurston County participates in inter-local agreements with five other Thurston County governmental units or agencies. The County participates inter-locally with Animal Control Services, the Inter-local Drug Control Unit, Olympia Region Clean Air Agency (ORCAA), the Thurston Regional Planning Council (TRPC) and the Regional Athletic Complex.

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 \$959,298 as of December 31, 2006 resulting in a decrease of 508,804 from the prior year. The decrease in equity interest resulted from the asset being transferred to the real-estate excise tax fund at it's fair market value at the time of transfer. This interest was capitalized as a general governmental asset of the County. The County contributed \$425,563 as its share of operations in 2006. Each member's contribution is based on a formula factoring population and basic service components. The 2006 contribution was 55.94% 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 2006. 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.

# Thurston County, Washington 2006

Olympic Region Clean Air Agency is a jointly governed organization governed by a nine-member board of which Thurston County is a member. Thurston County contributed \$45,874 as its share of operations in 2006. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2006. Complete financial statements for ORCAA can be obtained from its administrative office at 2940 B Limited Lane NW, Olympia, Washington 98502.

Thurston Regional Planning Council is a jointly governed organization governed by a fifteen-member council of which Thurston County is a member. Thurston County contributed \$235,276 as its share of operations in 2006. Of that \$48,385 went to the Historic Commission and \$186,891 was for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2006. Complete financial statements for TRPC can be obtained from its administrative office at 2404-B Heritage Court SE, Olympia, Washington 98502.

The Regional Athletic Complex is governed by Thurston County and the City of Lacey. In 1998, Thurston County and the City of Lacey agreed to purchase, develop and jointly share the costs of a Regional Athletic Complex. Total net capital investment as of December 31, 2006 for Thurston County and the City of Lacey was \$2,965,424 and \$2,779,644, respectively. This represents an equity interest of 52.92% for Thurston County and 47.08% for the City of Lacey. Any excess costs for maintenance, operation and capital expenditures are the joint and equal responsibility of Thurston County and the City of Lacey. In September, 2005 the complex was dedicated and opened for the benefit of the citizens of Thurston County. The County may, in its sole discretion, transfer its share of ownership to the City of Lacey after 2014. Additional financial information may be obtained from Thurston County Financial Services, 2000 Lakeridge Drive SW, Olympia, Washington 98502.

The following is condensed financial information on joint ventures for which the County has an equity interest as of December 31, 2006:

<b>Animal Control</b>	
Assets	\$ 3,018,660
Liabilities	(289,778)
Net Assets	<u>\$ 2,728,882</u>
Revenues	\$ 1,388,364
Expenses	(1,224,290)
Net Income	<u>\$ 164,074</u>

<b>Regional Athletic Complex</b>	
Current Assets	\$ 114,410
Capital Assets	5,745,067
Liabilities	-
Net Assets	<u>\$ 5,859,477</u>
Revenues	\$ 220,710
Expenses & Adjustments	(300,134)
Net Income	<u>\$ (79,424)</u>



## Thurston County, Washington 2006

Activity for investments in joint ventures for Animal Control Services and the Regional Athletic Complex for the year ended December 31, 2006 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 1/1/2006	Increases	Decreases	Ending Balance 12/31/2006
Non-Depreciable	\$ 3,260,309	\$ 3,976,425	\$ 4,484,290	\$ 2,752,444
Depreciable - Original Cost	1,293,813	-	1,878	1,291,935
Less Accumulated Depreciation	(508,804)	(110,688)	508,804	(110,688)
Investment in Joint Ventures, Net	<u>\$ 4,045,318</u>	<u>\$ 3,865,737</u>	<u>\$ 4,994,972</u>	<u>\$ 3,933,691</u>

### Note XIII - Closure and Post Closure Care Costs

State and federal laws and regulations require Thurston County to perform landfill maintenance and monitoring activities for thirty years after closure. An expense provision and related liability for these activities was recognized in the Solid Waste Enterprise Fund before the landfill was closed. This expense provision was based on estimated future post closure care costs after closure.

Cell No. 1, the last landfill cell used for waste disposal at the Hawke's Prairie landfill site, 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. Post closure costs were funded with operating fees through December 31, 2002. The post closure care period was subsequently initiated on January 1, 2003. The estimated remaining liability for post closure care costs is \$20,708,259 on December 31, 2006.

Thurston County, as required by state and federal laws and regulations, made annual contributions to finance post closure care. The County is in compliance with these requirements, and at December 31, 2006, cash and pooled investments of \$18,313,680 are held for these purposes and reported as restricted cash and pooled investments on the balance sheet.

The post closure care cost was based on the amount that would have been paid if all equipment, facilities and services required to monitor and maintain the landfill site were acquired as of December 31, 2000. However, the actual cost of post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. 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 post closure 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 XIV - Other Disclosures

#### A. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

Governmental net assets and General Fund balance were reduced by \$126,553 in 2006. This was due to reclassifying receivables for fines and forfeitures from the Clerk's Office in the General Fund to a local drug fund managed by the City of Lacey. The General Fund balance was reduced an additional \$263,855 to reclassify fines and forfeitures to the Victim Advocate Program and Clerk's Collection Funds.

The Investment Trust Fund beginning balance was restated and increased by \$2,153,418 in the fiduciary fund statements. This change was primarily due to reclassifying cash with treasurer from Payroll and Claims Clearing, which is an agency fund, to the external investment pool which comprises the Investment Trust Fund. 95% of the change in the beginning balances of these two funds was due to this change in the accounting treatment of cash with treasurer. There were other minor restatements in the beginning account balances of agency funds. These changes were primarily related to beginning account balance reclassifications within each the fund.

#### B. OTHER FINANCIAL ADJUSTMENTS

\$2,037,975 from a gain on refunding of long term debt is reported as interest under miscellaneous revenues in the County Building Capital Projects Fund. This gain was due to excess interest on investment proceeds which remained in the refunding account after the debt issue was fully refunded. \$2,716,582 from insurance and settlement recoveries was primarily a result of the negotiated settlement on the cost to repair the recently constructed juvenile and justice center.

#### C. CONTINGENCIES

The County is planning to get clarification from the State Legislature during the 2007 legislative session on the allowability of using real estate excise tax revenues for making capital purchases. The State Auditors Office has questioned the use of these funds for purchasing major business systems, computer hardware and software. Subsequently the County is reevaluating its current use of real estate excise tax revenues to ensure compliance with the state law. We do not consider any potential liabilities to be probable and therefore have not recorded such liabilities.

The County plans to call and liquidate \$536,462 of long term general obligation bonds and intergovernmental loans in the Boston Harbor Utility Fund sometime in the 2<sup>nd</sup> half of 2007. These liabilities are reported as long term liabilities since this decision is not irrevocable and may be rescinded prior to the call.

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

**THURSTON COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Schedule 16

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<b>Department of Justice</b>								
<i>Direct</i>								
0010	09	Community Capacity Development (Weed/Seed)	16.595	331.16.00	331160	2005-WS-Q5-00	\$51,284	
0010	09	Community Capacity Development (Weed/Seed)	16.595	331.16.00	331160	2006-WS-Q6-00	\$181,641	
<b>TOTAL FOR 16.595</b>							<b>\$232,925</b>	
<i>Direct</i>								
0010	10	Justice Assistance Grant	16.738	331.16.00	331160	2005	\$27,100	
0010	10	Justice Assistance Grant	16.738	331.16.00	331160	2006	\$30,203	Note 2
<b>TOTAL FOR 16.738</b>							<b>\$57,303</b>	
<b>Department of Labor</b>								
<i>Direct</i>								
1260	32	Homeless Veterans Reintegration Project	17.805	331.17.00	331170	E-9-5-6-0097	\$3,890	
<b>TOTAL FOR 17.805</b>							<b>\$3,890</b>	
<b>Housing &amp; Urban Development</b>								
<i>Direct</i>								
1400	31	Community Development Block Grants-HOME 06	14.239	331.14.00	331140	M-06-DC-53-020	\$47,923	
1400	31	Community Development Block Grants-HOME 05	14.239	331.14.00	331140	M-05-DC-53-020	\$740,141	
1400	31	Community Development Block Grants-HOME 04	14.239	331.14.00	331140	M-04-DC-53-020	\$86,752	
1400	31	Community Development Block Grants-HOME 03	14.239	331.14.00	331140	M-03-DC-53-020	\$83,865	
<b>TOTAL FOR 14.239</b>							<b>\$958,681</b>	
<b>Office of the Surgeon General</b>								
<i>Direct</i>								
1500	40	Medical Reserve Corps Small Grant Program	93.008	331.93.00	331930	US2SG03108-0	\$53,125	
<b>TOTAL FOR 93.008</b>							<b>\$53,125</b>	
<b>Department of Defense</b>								
<i>Direct</i>								
3010	34	Military Forest Yield	12.999	332.12.00	332120	Title 10	\$135,761	Note 5
<b>TOTAL FOR 12.999</b>							<b>\$135,761</b>	
<b>Department of Agriculture</b>								
<i>Passed Thru - Department of Social &amp; Health Services</i>								
0010	09	Food Stamp Act of 1977	10.551	333.10.00	333100	0361-34811	\$276	
<b>TOTAL FOR 10.551</b>							<b>\$276</b>	
<i>Passed Thru - Superintendent of Public Instruction</i>								
0010	08	National School Breakfast Program	10.553	333.10.00	333100	34-111-9757	\$25,832	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<b>TOTAL FOR 10.553</b>							<b>\$25,832</b>	
<i>Passed Thru - Superintendent of Public Instruction</i>								
0010	08	National School Lunch Program	10.555	333.10.00	333100	34-111-9757	\$34,040	
0010	11	National School Lunch Program	10.555	333.10.00	333100	Non Cash Award	\$368	Note 2/3
<b>TOTAL FOR 10.555</b>							<b>\$34,408</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	WIC-Special Supplemental Nutrition Program	10.557	333.10.00	333100	C13052	\$330,432	
<b>TOTAL FOR 10.557</b>							<b>\$330,432</b>	
<b>Department of Education</b>								
<i>Passed Thru - Employment Security Department</i>								
1260	32	Vocational Education-Basic Grants to States	84.048	333.84.00	333840	06-174-1A	\$49,322	
1260	32	Vocational Education-Basic Grants to States	84.048	333.84.00	333840	07-174-1A	\$51,131	
<b>TOTAL FOR 84.048</b>							<b>\$100,452</b>	
<i>Passed Thru - North Thurston Public Schools</i>								
0010	08	Safe & Drug Free Schools	84.184	333.84.00	333840	N/A	\$115,000	Note 4
0010	10	Safe & Drug Free Schools	84.184	333.84.00	333840	551403	\$19,055	
1500	41	Safe & Drug Free Schools	84.184	333.84.00	333840	N/A	\$379,224	Note 4
<b>TOTAL FOR 84.184</b>							<b>\$513,279</b>	
<b>Department of Homeland Security</b>								
<i>Passed Thru - Wa State Military Department</i>								
1190	34	State Domestic Preparedness Equipment Support	97.004	333.97.00	333970	9160-04	\$21,747	
1190	34	State Domestic Preparedness Equipment Support	97.004	333.97.00	333970	E05-065	\$677,459	
<b>TOTAL FOR 97.004</b>							<b>\$699,206</b>	
<i>Passed Thru - Wa State Military Department</i>								
1190	34	Preparedness Technical Assistance Program	97.007	333.97.00	333970	E06-031	\$447,673	
<b>TOTAL FOR 97.007</b>							<b>\$447,673</b>	
<i>Passed Thru - Wa State Military Department</i>								
1190	34	Emergency Management Performance Grant	97.042	333.97.00	333970	E06-408	\$64,984	
<b>TOTAL FOR 97.042</b>							<b>\$64,984</b>	
<i>Passed Thru - Wa State Military Department</i>								
1190	34	Homeland Security Grant Program	97.067	333.97.00	333970	OFM570-07	\$10,697	
1190	34	Homeland Security Grant Program	97.067	333.97.00	333970	C050254FED	\$56,491	
1190	34	Homeland Security Grant Program	97.067	333.97.00	333970	C060541FED	\$141,321	
<b>TOTAL FOR 97.067</b>							<b>\$208,510</b>	
<i>Passed Thru - Wa State Military Department</i>								
0010	10	Buffer Zone Protection Plan (BZPP)	97.078	333.97.00	333970	E06-262	\$44,202	Note 2

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
0010	10	Buffer Zone Protection Plan (BZPP)	97.078	333.97.00	333970	E06-261	\$47,479	
		<b>TOTAL FOR 97.078</b>					<b>\$91,681</b>	
		<b>Department of Justice</b>						
		<i>Passed Thru - Juvenile Rehabilitation Admin</i>						
0010	08	Juvenile Accountability Block Grant (JAIBG)	16.523	333.16.00	333160	0663-98464	\$5,449	Note 2
0010	08	Juvenile Accountability Block Grant (JAIBG)	16.523	333.16.00	333160	0563-77177	\$10,720	Note 2
		<b>TOTAL FOR 16.523</b>					<b>\$16,169</b>	
		<i>Passed Thru - Office of Financial Management</i>						
0010	11	National Criminal History Improvement Program	16.554	333.16.00	333160	2004-RU-BX-K0	\$17,855	Note 2
		<b>TOTAL FOR 16.554</b>					<b>\$17,855</b>	
		<i>Passed Thru - Community Trade &amp; Economic Development</i>						
0010	09	Crime Victim Assistance (VOCA)	16.575	333.16.00	333160	F05-31119-211	\$152,322	Note 2
		<b>TOTAL FOR 16.575</b>					<b>\$152,322</b>	
		<i>Passed Thru - Community Trade &amp; Economic Development</i>						
0010	10	Edward Byrne Memorial Grant	16.579	333.16.00	333160	N/A	\$28,689	Note 4
		<b>TOTAL FOR 16.579</b>					<b>\$28,689</b>	
		<i>Passed Thru - Office of Justice Programs</i>						
0010	06	Drug Court Discretionary Grant	16.585	333.16.00	333160	2003-DC-BX-00	\$107,550	
		<b>TOTAL FOR 16.585</b>					<b>\$107,550</b>	
		<i>Passed Thru - Community Trade &amp; Economic Development</i>						
0010	09	Violence Against Women Formula Grant (STOP)	16.588	333.16.00	333160	F05-31103-065	\$27,253	Note 2
0010	09	Violence Against Women Formula Grant (STOP)	16.588	333.16.00	333160	F06-31103-056	\$7,848	Note 2
0010	10	Violence Against Women Formula Grant (STOP)	16.588	333.16.00	333160	N/A	\$10,400	Note 4
		<b>TOTAL FOR 16.588</b>					<b>\$45,501</b>	
		<i>Passed Thru - Community Trade &amp; Economic Development</i>						
0010	11	Residential Substance Abuse Treatment	16.593	333.16.00	333160	150007436	\$54,843	Note 2
0010	11	Residential Substance Abuse Treatment	16.593	333.16.00	333160	F06-66202103	\$24,996	Note 2
		<b>TOTAL FOR 16.593</b>					<b>\$79,839</b>	
		<i>Passed Thru - Office of Justice Programs</i>						
0010	11	Criminal Alien Assistance (SCAPP)	16.606	333.16.00	333160	F06-66201010	\$59,461	
		<b>TOTAL FOR 16.606</b>					<b>\$59,461</b>	
		<i>Passed Thru - Association of Sheriffs &amp; Police Chiefs</i>						
0010	10	Public Safety Partnership & Community Policing	16.710	333.16.00	333160	04-WSMI-020	\$2,049	
0010	10	Public Safety Partnership & Community Policing	16.710	333.16.00	333160	2005CKWX0392	\$40,220	
		<b>TOTAL FOR 16.710</b>					<b>\$42,268</b>	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<i>Passed Thru - Community Trade &amp; Economic Development</i>								
0010	10	Justice Assistance Grant	16.738	333.16.00	333160	N/A	\$30,644	Note 4
<b>TOTAL FOR 16.738</b>							<b>\$30,644</b>	
<i>Passed Thru - Community Trade &amp; Economic Development</i>								
0010	12	Paul Coverdell Forensic Sciences Grant	16.742	333.16.00	333160	F05-66202204	\$37,285	
<b>TOTAL FOR 16.742</b>							<b>\$37,285</b>	
<b>Department of Labor</b>								
<i>Passed Thru - Employment Security Department</i>								
1260	32	Employment Svc Wagner-Peyser Funded Activities	17.207	333.17.00	333170	06-271-2	\$33,324	
1260	32	Employment Svc Wagner-Peyser Funded Activities	17.207	333.17.00	333170	7405-07	\$14,591	
<b>TOTAL FOR 17.207</b>							<b>\$47,915</b>	
<i>Passed Thru - King County Workforce Development Council</i>								
1260	32	Senior Community Svce Employment Program 06	17.235	333.17.00	333170	X5PMC-932-SE	\$12,998	
1260	32	Senior Community Svce Employment Program 05	17.235	333.17.00	333170	X5PMC-932-SE	\$35,229	
<b>TOTAL FOR 17.235</b>							<b>\$48,227</b>	
<i>Passed Thru - Employment Security Department</i>								
1260	32	WIA Adult Program FY06	17.258	333.17.00	333170	06-1106	\$637,908	
1260	32	WIA Adult Program FY07	17.258	333.17.00	333170	6102-7106	\$518,766	
1260	32	WIA Adult Program Shared Costs	17.258	333.17.00	333170	6102-1107	\$292,976	
<b>TOTAL FOR 17.258</b>							<b>\$1,449,650</b>	
<i>Passed Thru - Employment Security Department</i>								
1260	32	WIA Youth Activities PY06	17.259	333.17.00	333170	6102-7006	\$509,477	
1260	32	WIA Youth Activities Shared Costs	17.259	333.17.00	333170	N/A	\$292,976	Note 4
1260	32	WIA Youth Activities PY05	17.259	333.17.00	333170	05-7005	\$819,320	
<b>TOTAL FOR 17.259</b>							<b>\$1,621,773</b>	
<i>Passed Thru - Employment Security Department</i>								
1260	32	WIA Dislocated Worker-Qualex/Simpson	17.260	333.17.00	333170	7513-05	\$73,564	
1260	32	WIA Dislocated Worker-Additional Assistance 06	17.260	333.17.00	333170	7505-21	\$35,265	
1260	32	WIA Dislocated Worker FY06	17.260	333.17.00	333170	05-7205	\$963,468	
1260	32	WIA Dislocated Worker-Weyerhaeuser/Simpson	17.260	333.17.00	333170	05-7505-18	\$357,327	
1260	32	WIA Dislocated Worker-Shared Costs	17.260	333.17.00	333170	N/A	\$292,976	Note 4
1260	32	WIA Dislocated Worker FY07	17.260	333.17.00	333170	06-1206	\$729,848	
1260	32	WIA Dislocated Worker-Additional Assistance 05	17.260	333.17.00	333170	7505-15	\$231,265	
1260	32	WIA Dislocated Worker-Weyerhaeuser Pulp Mill	17.260	333.17.00	333170	6102-7506-10	\$110,667	
<b>TOTAL FOR 17.260</b>							<b>\$2,794,378</b>	
<i>Passed Thru - Community Transportatin Assoc of America</i>								
1260	32	WIA Pilots, Demonstrations, & Research Projects	17.261	333.17.00	333170	Joblinks 05	\$63,576	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<b>TOTAL FOR 17.261</b>							<b>\$63,576</b>	
<b>Department of the Interior</b>								
<i>Passed Thru - Fish &amp; Wildlife Service</i>								
1350	30	Fish & Wildlife Management Assistance	15.608	333.15.00	333150	13320-6-J012	\$31,768	Note 2
<b>TOTAL FOR 15.608</b>							<b>\$31,768</b>	
<i>Passed Thru - Fish &amp; Wildlife Service</i>								
3010	34	Restoration of Lackamas Creek	15.FFB	333.15.00	333150	2003-0027-034	\$50,000	Note 5
<b>TOTAL FOR 15.FFB</b>							<b>\$50,000</b>	
<b>Election Assistance Commission</b>								
<i>Passed Thru - Office of the Secretary of State</i>								
0010	02	Help America Vote Act (HAVA)	90.401	333.39.00	333930	G-2858	\$3,864	
<b>TOTAL FOR 90.401</b>							<b>\$3,864</b>	
<b>Environmental Protection Agency</b>								
<i>Passed Thru - Department of Health</i>								
1500	40	Capitalization Grant for Drinking Water	66.468	333.66.00	333660	C13052	\$12,750	
<b>TOTAL FOR 66.468</b>							<b>\$12,750</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	Beach Monitoring & Notification Program	66.472	333.66.00	333660	C13052	\$4,237	
<b>TOTAL FOR 66.472</b>							<b>\$4,237</b>	
<b>Federal Highway Administration</b>								
<i>Passed Thru - Department of Transportation</i>								
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-05315	\$978,927	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-5980	\$210,800	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-6034	\$713,301	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-05885	\$8,103	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-05659	\$141,852	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-6118	\$5,028	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-5884	\$20,692	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-6028	\$13,350	
3010	34	Highway Planning & Construction	20.205	333.20.00	333200	LA-5524	\$117,750	
<b>TOTAL FOR 20.205</b>							<b>\$2,209,803</b>	
<b>General Services Administration</b>								
<i>Passed Thru - Office of the Secretary of State</i>								
0010	02	Help America Vote Act (HAVA)	90.401	333.39.00	333390	G-2858B	\$98,233	
<b>TOTAL FOR 90.401</b>							<b>\$98,233</b>	
<b>Health &amp; Human Services</b>								

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<i>Passed Thru - Department of Social &amp; Health Services</i>								
1500	41	Assistance in Transition from Homelessness	93.150	333.93.00	333930	0669-05133	\$43,251	
		<b>TOTAL FOR 93.150</b>					<b>\$43,251</b>	
<i>Passed Thru - Department of Social &amp; Health Services</i>								
1500	40	Family Planning Services Title X	93.217	333.93.00	333930	C13052	\$161,082	
		<b>TOTAL FOR 93.217</b>					<b>\$161,082</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	Immunization Grants	93.268	333.93.00	333930	C13052	\$69,647	
1500	40	Immunization Grants	93.268	333.93.00	333930	Non Cash Award	\$1,051,523	Note 3
		<b>TOTAL FOR 93.268</b>					<b>\$1,121,170</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	Disease Control & Prevention Investigation-STEPS	93.283	333.93.00	333930	C13052	\$430,273	
1500	40	Disease Control & Prevention Investigation-BT	93.283	333.93.00	333930	C13052	\$583,612	
		<b>TOTAL FOR 93.283</b>					<b>\$1,013,885</b>	
<i>Passed Thru - Community Trade &amp; Economic Development</i>								
1260	32	Temporary Assistance to Needy Families 06	93.558	333.93.00	333930	S07-16200-009	\$203,267	
1260	32	Temporary Assistance to Needy Families 05	93.558	333.93.00	333930	S05-16000-009	\$267,528	
		<b>TOTAL FOR 93.558</b>					<b>\$470,795</b>	
<i>Passed Thru - Department of Social &amp; Health Services</i>								
0010	05	IVD Child Support	93.563	333.93.00	333930	N/A	\$310,674	Note 4
0010	06	Child Support Enforcement-Title IV	93.563	333.93.00	333930	2110-80383	\$96,637	
0010	09	Child Support Enforcement	93.563	333.93.00	333930	2110-80383	\$529,533	
1020	05	Child Support Enforcement	93.563	333.93.00	333930	0463-61108	\$29,545	
		<b>TOTAL FOR 93.563</b>					<b>\$966,389</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	Child Care & Development Block Grant	93.575	333.93.00	333930	C13052	\$37,634	
		<b>TOTAL FOR 93.575</b>					<b>\$37,634</b>	
<i>Passed Thru - United Way</i>								
1500	40	Early Learning Fund	93.577	333.93.00	333930	N/A	\$71,500	Note 4
		<b>TOTAL FOR 93.577</b>					<b>\$71,500</b>	
<i>Passed Thru - Wa Council Prevention of Child Abuse</i>								
1500	40	Community Base Child Abuse Prevention Grant	93.590	333.93.00	333930	N/A	\$42,555	Note 4
		<b>TOTAL FOR 93.590</b>					<b>\$42,555</b>	
<i>Passed Thru - Department of Social &amp; Health Services</i>								
1500	40	Medical Assistance Program	93.778	333.93.00	333930	0563-75757	\$666,431	
1500	41	Medical Assistance Program	93.778	333.93.00	333930	0563-43263	\$81,317	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.



## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<b>TOTAL FOR 93.778</b>							<b>\$747,748</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	HIV Care Formula Grant	93.917	333.93.00	333930	N13714	\$146,580	
<b>TOTAL FOR 93.917</b>							<b>\$146,580</b>	
<i>Passed Thru - Clark County CDC</i>								
1500	40	HIV Prevention	93.940	333.93.00	333930	N/A	\$62,913	Note 4
<b>TOTAL FOR 93.940</b>							<b>\$62,913</b>	
<i>Passed Thru - Department of Social &amp; Health Services</i>								
1500	41	Prevention & Treatment of Substance Abuse	93.959	333.93.00	333930	0563-73263	\$853,437	
1500	41	Prevention & Treatment of Substance Abuse	93.959	333.93.00	333930	0669-05899	\$161,427	
<b>TOTAL FOR 93.959</b>							<b>\$1,014,864</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	Preventative Health & Health Services Block Grant	93.991	333.93.00	333930	C13052	\$12,514	
<b>TOTAL FOR 93.991</b>							<b>\$12,514</b>	
<i>Passed Thru - Department of Health</i>								
1500	40	Maternal & Child Health Services Block Grant	93.994	333.93.00	333930	C13052	\$139,682	
<b>TOTAL FOR 93.994</b>							<b>\$139,682</b>	
<b>Housing &amp; Urban Development</b>								
<i>Passed Thru - Community Trade &amp; Economic Development</i>								
1400	31	Home Investment Partnership Program	14.228	333.14.00	333140	06-64006-009	\$125,837	
1400	31	Home Investment Partnership Program	14.228	333.14.00	333140	05-64005-032	\$282,783	
1400	31	Home Investment Partnership Program	14.228	333.14.00	333140	04-64004-047	\$139,822	
1400	31	Home Investment Partnership Program	14.228	333.14.00	333140	03-64003-026	\$415,972	
<b>TOTAL FOR 14.228</b>							<b>\$964,414</b>	
<b>Nat'l Highway Safety Administration</b>								
<i>Passed Thru - State Traffic Safety Commission</i>								
0010	10	State & Community Highway Safety	20.600	333.20.00	333200	N/A	\$927	Note 4
<b>TOTAL FOR 20.600</b>							<b>\$927</b>	
<i>Passed Thru - State Traffic Safety Commission</i>								
0010	10	Occupant Protection (Click It/Ticket)	20.602	333.20.00	333200	N/A	\$5,434	Note 4
<b>TOTAL FOR 20.602</b>							<b>\$5,434</b>	
<i>Passed Thru - State Traffic Safety Commission</i>								
0010	10	Portable Breath Testing	20.604	333.20.00	333200	N/A	\$2,757	Note 4/5
0010	10	Smart Trailer Grant	20.604	333.20.00	333200	N/A	\$11,268	Note 4/5
<b>TOTAL FOR 20.604</b>							<b>\$14,025</b>	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

## THURSTON COUNTY

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**

Fund	Dept	Grantor Pass-Through Grantor Program Title	CFDA #	BARS Number	MUNIS Coding	Other Identification Number	Current Year Expenditures	Notes
<b>Office of National Drug Control</b>								
<i>Passed Thru - Employment Security</i>								
0010	06	NW HIDTA-High Intensity Drug Trafficking Area	07.000	333.16.00	333160	10064	\$25,300	Note 5
<b>TOTAL FOR 07.000</b>							<b>\$25,300</b>	
<b>Office of National Drug Control Policy</b>								
<i>Passed Thru - Wa State Patrol</i>								
0010	10	Domestic Highway Interdiction Program Support	07.000	333.16.00	333160	N/A	\$9,214	Note 4/5
<b>TOTAL FOR 07.000</b>							<b>\$9,214</b>	
<b>Environmental Protection Agency</b>								
<i>Direct</i>								
4350	35	Capitalization Grant for Drinking Water	66.468	382.80.00	382800	05-96300-025	\$86,217	
<b>TOTAL FOR 66.468</b>							<b>\$86,217</b>	
<b>TOTAL FEDERAL ASSISTANCE</b>							<b>\$20,170,269</b>	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule.

**THURSTON COUNTY**  
**Notes to the Schedule of Expenditures of**  
**Federal, State, and Local Awards**  
**For the Year Ended December 31, 2006**

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**NOTE 1 – BASIS OF ACCOUNTING**

The Schedule of Financial Assistance is prepared on the same basis of accounting as Thurston County's financial statements. Thurston County uses the accrual basis of accounting for all funds except the government types and agency funds, which use the modified accrual basis of accounting.

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal and state portion of the costs. Actual program costs, including Thurston County's portion may be more than shown.

**NOTE 3 – NONCASH AWARDS**

The amount of vaccines reported on this schedule is the value of vaccines distributed by the County during the current year and priced as prescribed by the Washington State Department of Health.

The amount of food commodities reported on this schedule is the value of the commodities distributed by the County during the current year and priced as prescribed by the Washington State Superintendent of Public Instruction.

**NOTE 4 – NOT AVAILABLE (N/A)**

The County was unable to obtain other identification numbers.

**NOTE 5 – CFDA NUMBER**

Per contractual agreement for Northwest HIDTA Drug Court Development Initiative, ONDCP does not use CFDA numbers. Per contractual agreement for Domestic Highway Interdiction Program and Domestic Cannabis Eradication Program, Washington State Patrol does not use CFDA numbers. In addition, the Department of Justice does not use a CFDA number for Military Forest Yield payments. The CFDA number for the restoration of Lackamas Creek was given to us by Fish & Wildlife. CFDA number 20.604 was discontinued after October 1, 2006.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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**T**he State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

**State Auditor**  
**Chief of Staff**  
**Chief Policy Advisor**  
**Director of Administration**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free hotline for government efficiency**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Jerry Pugnetti**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Linda Long, CPA, CGFM**  
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**Web Site**

**[www.sao.wa.gov](http://www.sao.wa.gov)**