

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

Thurston County

Audit Period
January 1, 2008 through December 31, 2008

Report No. 1001740

Issue Date
July 6, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

July 6, 2009

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.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Thurston County January 1, 2008 through December 31, 2008

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Federal Summary

Thurston County January 1, 2008 through December 31, 2008

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:

CFDA No.	Program Title
17.258/259/260	WIA Cluster
17.268	Job Training Grants (Wired)
97.036	Public Assistance Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$643,894.

The County qualified as a low-risk auditee under OMB Circular A-133.

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, 2008 through December 31, 2008**

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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 19, 2009.

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 and title.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 19, 2009

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, 2008 through December 31, 2008

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, 2008. 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, 2008.

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 19, 2009

Independent Auditor's Report on Financial Statements

Thurston County January 1, 2008 through December 31, 2008

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, 2008, which collectively comprise the County's basic financial statements as listed on page 9. 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Detention Facility Sales Tax Holding Fund, 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 10 through 26 and information on postemployment benefits other than pensions on page 93 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", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 19, 2009

Financial Section

Thurston County January 1, 2008 through December 31, 2008

REQUIRED SUPPLEMENTAL INFORMATION

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Thurston County, Washington 2008 MANAGEMENT DISCUSSION AND ANALYSIS

Thurston County's discussion and analysis provides a narrative overview and analysis of the County's financial activities for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- Thurston County's total assets exceeded its liabilities at December 31, 2008 by \$524.8 million.
- Total net assets of the County (governmental and business-type, combined) are comprised of the following:
 1. Capital assets, net of related debt, of \$383.7 million, include property, infrastructure, and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Restricted net assets of \$104.1 million represent the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 3. Unrestricted net assets of \$37.1 million represent the portion available to maintain the County's continuing obligations to citizens and creditors.
- As of December 31, 2008, Thurston County's governmental activities reported combined ending net assets of \$487.5 million compared to \$491.5 million at the end of 2007, representing a 0.8% decrease. Of the \$487.5 million of net assets, \$357.5 was invested in capital assets, net of related debt, \$98.7 million was legally restricted for specific projects or programs, and \$31.3 million was available for spending at the County's discretion. One of the major factors causing this net asset decrease was the transfer of Real Estate Excise Tax revenues to the expansion work on the Grand Mound Water and Sewer project.
- As of December 31, 2008, Thurston County's business-type activities reported combined total net assets of \$37.3 million compared to \$33.9 million at the end of 2007. This represents a 10.0% increase. This increase is a net result of revenues exceeding expenses by \$3.3 million and the benefit of the Great Wolf Lodge to the expansion of the Grand Mound Water and Sewer utilities.
- Thurston County's overall financial position began to weaken towards the end of 2008 as a result of the nationwide and state economic downturn. With General Fund revenues projected to be almost \$4.0 million below budget at mid-year, the Thurston County Board of County Commissioners passed a resolution that called for voluntary reductions in expenditures of an equal amount. As shown later on in the MD&A, both General Fund revenues and expenditures were \$3.9 million under budget. In addition to the voluntary reductions in expenditures, one time transfers were made from road diversion funds and capital funds to ensure an adequate ending fund balance.
- Unreserved fund balance for the General Fund was \$7.8 million at December 31, 2008 compared to \$6.5 million at December 31, 2007. A \$7.8 million ending fund balance represents 10.6% of 2008 total General Fund expenditures.
- Thurston County's total long term debt at December 31, 2008 was \$50.2 million, with a remaining capacity for non-voted debt of \$401.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Thurston County's basic financial statements. Thurston County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Thurston County's finances in a manner similar to a private sector business. Thurston County reports two Government-wide financial statements: the statement of net assets and the statement of activities.

The **statement of net assets** presents information on all of Thurston County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator or whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues related to uncollected taxes and earned but unused vacation leave and sick leave. This statement separates program income (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users can identify the extent to which each program relies on taxes for funding.

The government-wide financial statements distinguish functions of Thurston County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include services provided to the public such as law enforcement and public safety; road construction and maintenance; parks and open space preservation; employment and training; public health and social services; and general administration. Business-type activities of Thurston County include solid waste, development services, and sewer and water management. Both of the government-wide financial statements have separate columns for two different types of County programs or activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thurston County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information is useful in evaluating a government's near-term financing requirements in comparison to available near-term resources.

Because the focus of governmental fund financial statements is narrower than that of 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. This gives readers a better understanding of the long-term impact of the government's financing

decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances present separate columns for financial data for the following funds: General, Detention Facility Sales Tax Holding, Jail Capital Projects, Real Estate Excise Tax, Roads, Medic One, Public Health and Social Services, and Other Governmental, which are considered major funds for financial reporting purposes. The Other Governmental Fund aggregates data from all of the remaining non-major governmental funds into a single, combined presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements, following the notes to the financial statements.

The County maintains budgetary controls with an annual appropriated budget to ensure compliance with legal provisions. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund, all special revenue funds, debt service funds, and all capital project funds. Major fund budgetary variance statements are included with the basic financial statements, while non-major fund budget variance schedules follow the combining fund statements. Budgetary variances for the General fund are discussed in more detail later in this section.

Proprietary funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. Proprietary fund statements follow the governmental fund statements in this report. The County maintains two types of proprietary funds:

1) Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds account for the County's solid waste, development services, utilities planning and development, septic assistance community loan, storm water, and waste water programs. The Solid Waste and Grand Mound funds are both considered major funds for financial reporting purposes. The County reports seven non-major enterprise funds.

2) Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County internal service funds include: risk management, engineering services, benefits and utilities administration, central services (facilities maintenance and construction and information technology support) and equipment rental and replacement. The revenues and expenses of internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements.

Fiduciary funds are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. 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 own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County has three types of fiduciary funds: 1) Investment Trust Funds which report the portion of the County investments that belong to other jurisdictions, 2) Private Purpose Trust Funds which report trust arrangements where the principal and interest benefit those outside of the County, and 3) Agency Funds which are clearing accounts for assets held by Thurston County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to 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.

Other Supplementary Information

The section on grant schedules report a summary of amounts received and spent on federal and state awards. The statistical section presents a summary of County financial, revenue, debt, economic, demographic and performance information over the past ten years.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net Assets may serve over time as a useful indicator of a government's financial position. As indicated in the condensed financial information below, which was derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$524.8 million at the end of 2008. This reflects a net decrease of 0.1% or \$668,000 from fiscal year 2007. As such, it reflects the County's continuing ability to meet its ongoing obligations including its debt service requirements.

Of the County's total net assets, 73.1%, or \$383.7 million, is investments in capital assets, less outstanding debt used to acquire those assets. These assets provide services to County citizens and are not available for future spending purposes. However, resources needed to repay this debt must be provided by other sources since capital assets cannot be readily liquidated to pay these liabilities. Of the County's total net assets, 19.8%, or \$104.1 million, are subject to external spending restrictions. External restrictions include those provided in state law or by contractual agreement with outside entities, primarily state and federal agencies. The remaining 7.1%, or \$37.1 million (6.7% and \$35.4 million in 2007, respectively), is unrestricted and represents the amount that may be used to meet the County's ongoing general purpose obligations.

Thurston County reported \$628.5 million of total assets as of December 31, 2008, compared to \$623.0 million for 2007. For 2008, \$441.2 million, or 70.2%, was reported as capital assets, which includes infrastructure and construction in progress. The remaining assets include approximately \$150.9 million or 24.0% in cash and pooled investments, and \$36.3 million or 5.8% in current receivables, inventory, prepayments and long term assets.

Thurston County's total liabilities were \$103.6 million at the end of 2008 compared to \$97.5 million in 2007. Long term liabilities were \$78.2 million as of December 31, 2008, down \$2.3 million compared to the end of 2007. This decrease was due to debt service payments on the County's outstanding debt. Long-term general obligation bonds are 45.1% of total liabilities and accumulated landfill closure costs are 18.9% of total liabilities. The other significant liability is compensated absences and OPEB payable of \$12.2 million, or 11.8% of total liabilities. Current liabilities at the end of 2008 were \$25.4 million, compared to \$17.0 million at this point last year. This 49.4% increase was primarily due to a delayed issuance of \$42.8 million in general obligation bonds to finance the construction of a new county jail and other construction projects. The bond sale was delayed until April 2009 to provide sufficient time to review and adjust the project scope and size of the bond issuance due to budget shortfalls in 2008. The delay in financing resulted in \$5.3 million expenditure liability in the Jail Capital Project Fund at year end. Further details on this bond offering are provided later in this analysis and in the notes to the financial statements.

The condensed financial information that follows is derived from the government-wide Statement of Net Assets and reflects how the County's net assets in 2008 compare with 2007:

Thurston County Net Assets

Account	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets	\$ 152,865,905	\$ 158,805,573	\$ 34,376,543	\$ 34,736,338	\$ 187,242,448	\$ 193,541,911
Capital Assets	403,691,980	395,805,860	37,538,388	33,695,040	441,230,368	429,500,900
Total Assets	556,557,885	554,611,433	71,914,931	68,431,378	628,472,816	623,042,811
Current Liabilities	21,462,551	14,735,664	3,949,310	2,294,776	25,411,861	17,030,440
Long Term Liabilities	47,566,067	48,297,500	30,647,060	32,198,876	78,213,127	80,496,376
Total Liabilities	69,028,618	63,033,164	34,596,370	34,493,652	103,624,988	97,526,816
Net Assets:						
Invested in Capital Assets, Net of Related Debt	357,549,686	355,131,386	26,105,070	21,723,075	383,654,756	376,854,461
Restricted	98,672,400	107,897,449	5,403,545	5,361,448	104,075,945	113,258,897
Unrestricted	31,307,181	28,549,434	5,809,946	6,853,203	37,117,127	35,402,637
Total Net Assets	\$ 487,529,267	\$ 491,578,269	\$ 37,318,561	\$ 33,937,726	\$ 524,847,828	\$ 525,515,995

Governmental activities – Net assets for governmental activities in 2008 decreased by \$4.0 million from 2007 mainly due to the additional transfers out of the Real Estate Excise Tax fund for enterprise capital projects. Of the County's \$487.5 million in total net assets, \$456.2 million are either subject to external restrictions as to how they may be used, or are invested in capital assets less any related outstanding debt used to acquire those assets. In 2008 \$98.7 million is restricted for various purposes in almost every major service area in the County. Restricted net assets decreased by \$9.2 million from the prior year primarily due to decreases in restricted net assets for the major functional service areas of public safety of \$5.4 million, general government of \$2.6 million, and transportation of \$2.5 million. Unrestricted net assets for governmental activities were \$31.3 million in 2008, up from \$28.5 million in 2007 or 9.8%. These funds are available for future spending.

Business-type activities – Business-type activities saw an increase of \$3.4 million in total net assets in 2008 compared to 2007. This was mainly due to capitalization of construction spending and transfers-in for improvements to assets in the Grand Mound Water and Wastewater Utility Funds. Of the 2008 total net assets of \$37.3 million, \$26.1 million is invested in capital assets, net of related debt. Business-type activities use their capital assets to provide services to customers. Consequently, these assets are not available for future spending. For restricted net assets, 99.2% of the \$5.4 million is for landfill post-closure and the remainder is for debt repayment. At the close of 2008, \$20.8 million in restricted cash and investments funds has been set aside to meet the accumulated landfill closure cost liability. In 2008 \$5.8 million in unrestricted net assets is available for future spending in business-type activities.

Analysis of the Statement of Activities

The following chart presents key elements in the Statement of Activities. In 2008, total County revenues (including net general revenues and adjustments) increased by \$6.6 million or 3.2% compared to 2007. Revenues increased from \$202.7 million in 2007 to \$209.3 million in 2008. Total County expenses increased by \$12.4 million, or 6.4%, from \$194.8 million in 2007 to \$207.2 in 2008.

Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	\$ 20,159,377	\$ 19,244,740	\$ 23,338,201	\$ 22,650,457	\$ 43,497,578	\$ 41,895,197
Operating Grants & Contrib.	48,779,433	43,981,345	876,042	284,147	49,655,475	44,265,492
Capital Grants & Contrib.	6,667,935	5,967,081	1,994,457	217,312	8,662,392	6,184,393
General Revenues:						
Taxes	97,420,544	101,151,580	-	-	97,420,544	101,151,580
Interest and Invest. Earnings	8,209,189	6,900,520	1,765,132	1,713,000	9,974,321	8,613,520
Other General Revenues	34,972	517,886	18,112	61,783	53,084	579,669
Total Revenues	181,271,450	177,763,152	27,991,944	24,926,699	209,263,394	202,689,851
Program Expenses: (Net)						
General Government	10,679,357	9,729,554	-	-	10,679,357	9,729,554
Culture and Recreation	3,644,750	5,848,770	-	-	3,644,750	5,848,770
Economic Environment	13,173,730	10,968,763	-	-	13,173,730	10,968,763
Health and Human Services	48,541,104	45,933,859	-	-	48,541,104	45,933,859
Utilities and Environment	1,846,225	1,636,119	-	-	1,846,225	1,636,119
Public Safety	70,421,095	64,826,213	-	-	70,421,095	64,826,213
Transportation	27,925,015	25,223,760	-	-	27,925,015	25,223,760
Interest	2,095,802	1,911,474	-	-	2,095,802	1,911,474
Solid Waste	-	-	17,273,843	18,115,101	17,273,843	18,115,101
Water	-	-	817,856	669,564	817,856	669,564
Sewer	-	-	1,682,982	1,339,127	1,682,982	1,339,127
Stormwater	-	-	2,738,111	1,613,691	2,738,111	1,613,691
Development Services	-	-	6,406,427	6,947,327	6,406,427	6,947,327
Total Expenses	178,327,078	166,078,512	28,919,219	28,684,810	207,246,297	194,763,322
Excess (Deficiency) of Revenues over (under) Expenses before Transfers						
Transfers	2,944,372	11,684,640	(927,275)	(3,758,111)	2,017,097	7,926,529
Transfers	(4,308,110)	(2,865,367)	4,308,110	2,865,367	-	-
Change in Net Assets	(1,363,738)	8,819,273	3,380,835	(892,744)	2,017,097	7,926,529
Ending Net Assets January 1	491,543,019	481,811,359	33,937,726	35,006,404	525,480,745	516,817,763
Prior Period Adjustment	(2,650,014)	912,387	-	(175,934)	(2,650,014)	736,453
Restated Net Assets January 1	488,893,005	482,723,746	33,937,726	34,830,470	522,830,731	517,554,216
Ending Net Assets	\$ 487,529,267	\$ 491,543,019	\$ 37,318,561	\$ 33,937,726	\$ 524,847,828	\$ 525,480,745

Governmental activities provided \$181.3 million in revenues (86.6% of the total), while business-type activities provided \$28.0 million (13.4% of the total). The 2008 ratio of total revenues between governmental and business-type is consistent with 2007, with a 1.3% shift to business-type. The two largest governmental revenues are taxes at \$97.4 million, or 53.7%, of total governmental revenues and operating grants and contributions at \$48.8 million, or 26.9%, of total governmental revenues. The remaining 19.4% of governmental revenues include charges for services, capital grants, interest and investment earnings and other general revenues.

The net change in governmental revenues was an increase of \$3.5 million. The largest increases in governmental revenues were operating grants and contributions of \$4.8 million, mainly in Public Health and Human Services, and interest and investment earnings of \$1.3 million. This was offset by decreases in governmental revenues from taxes of \$3.8 million.

In 2008, charges for services accounted for 83.2% of total business-type revenues. Solid waste revenues accounted for 69.1% of business-type charges for services. The remaining revenues

included 10.3% for operating and capital grants and contributions and 6.7% for Interest and other miscellaneous and general revenues.

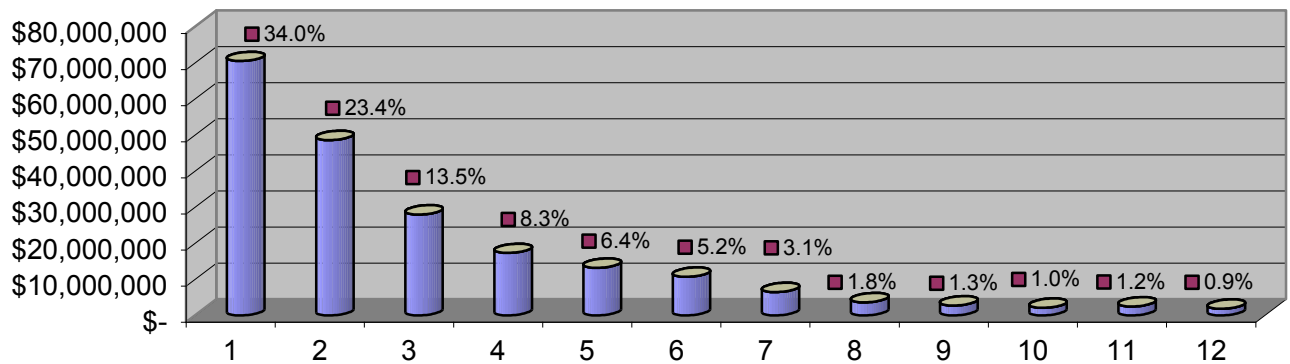
The County increased total primary governmental expenses by \$12.5 million to \$207.2 million in 2008. The increase was almost entirely in governmental activities. The governmental and business-type expense distribution in 2008 closely resembles the distribution from the prior year: \$178.3 million, or 86.1%, was in governmental activities and \$28.9 million, or 13.9%, was in business-type activities.

Public safety, health and human services, transportation, and economic environment programs comprise 87.2% of governmental expenses and 75% of total expenses. The largest increase in expenses compared to 2007 includes a \$5.0 million increase in public safety. Other significant increases included a \$2.6 million increase in health and human service expenses, and increases in transportation of \$2.7 million, economic environment of \$2.1 million, and general government of \$1.8 million. There was a decrease of \$2.2 million in culture and recreation activities.

The solid waste comprises 60% of the \$28.9 million in business-type expenses. Although the total expenses for business-type expenses were relatively unchanged, the Grand Mound utility showed a net operating income before contributions and transfers for the first time mainly due to the opening of the Great Wolf lodge.

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. Development Services | 10. Interest |
| 2. Health & Human Serv. | 5. Economic Environment | 8. Culture & Recreation | 11. Water & Sewer |
| 3. Transportation | 6. Gen Government | 9. Other Bus Type | 12. Utilities & Environment |

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

Following is an analysis of the county's major governmental and proprietary funds.

Governmental Funds Analysis

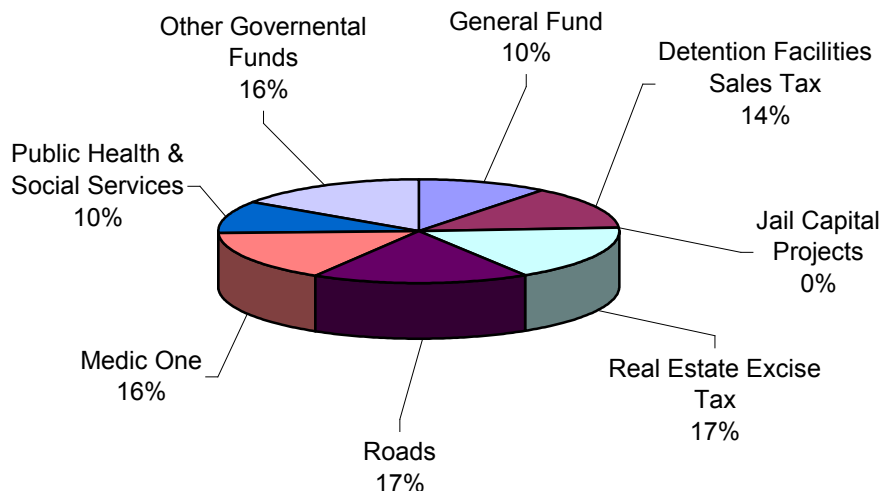
The focus of Thurston County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Unreserved/undesignated fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2008, the County's governmental funds reported combined ending fund balances of \$95.2 million, a decrease of \$14.1 million compared with the prior year. This decrease was due to the Jail Capital Project bond sale delay (described earlier) and increased expenditures on capital projects compared to 2007. Of the \$95.2 million ending fund balance, all but \$28,000 for debt service is unreserved. However, while unreserved, most of the funds are in essence restricted to fund specific activities and programs. Only \$7.8 million is considered available for discretionary spending.

Total assets in the governmental funds decreased \$9.0 million compared to 2007, whereas total governmental funds liabilities increased by \$5.2 million. The largest decrease in assets was in cash and pooled investments of \$6.7 million chiefly due to increased spending on capital outlay for governmental assets. The largest increase in total liabilities was in Accounts Payable due to the bond sale delay discussed earlier.

The County's major funds account for 84.4% of total governmental fund assets and 83.6% of total governmental fund balance. The following chart shows the distribution of total assets for all major governmental funds:

Total Assets - Governmental Funds

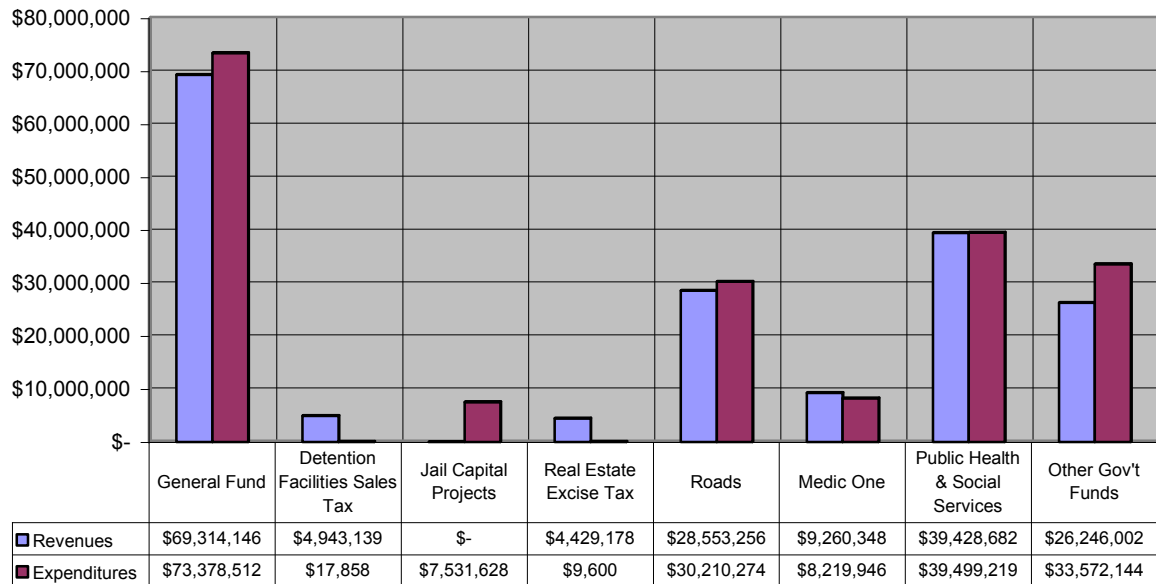


Governmental Fund revenues in 2008 exceeded 2007 levels by \$5.0 million, or 2.8%. The increase was primarily due to increased grant revenues received by public health and transportation functions.

Governmental expenditures in 2008 exceeded 2007 expenditures by a net \$17.8 million, or 10.2%. The major areas of increase included Capital Outlay of \$8.4 million, Public Safety of \$4.4 million, Economic Environment of \$1.9 million, Health and Human Services of \$2.1 million, and Transportation of \$2.4 million. The most significant decrease in governmental fund expenditures of \$2.3 million occurred in the category of Culture and Recreation.

The following chart shows revenues and expenditures for seven major governmental funds and for all other governmental funds. Charted revenues and expenditures exclude other financing sources/uses and transfers.

Governmental Fund Revenues and Expenditures



The General Fund, Public Health and Social Services Fund and Roads Fund account for 75.4% of total revenues and 74.4% of total expenditures.

For 2008, the County is reporting the following as major governmental funds: General, Detention Facility Sales Tax Holding, Jail Capital Projects, Real Estate Excise, Roads, Medic One, Public Health and Social Services, and Other Governmental.

The **General Fund** is the chief operating fund of the County. Including net transfers and capital lease financing, the General Fund unreserved fund balance was \$7.8 million at the end of 2008, compared to \$6.5 million at the end of 2007. General Fund total assets were \$11.8 million and total liabilities were \$4.0 million at the end of 2008. Assets increased by 12.4% and liabilities by 0.4% compared to 2007.

General Fund revenues increased by \$3.6 million or 5.4% from 2007 to 2008, mainly due to increased tax revenues, more receipts for charges for services in the law and justice departments, and intergovernmental receipts. The overall expenditure growth in the General Fund for 2008 was \$6.5 million or 9.7% over 2007. Within this increase, the public safety function accounted for \$4.2 million, mainly in salary and benefits. General government accounted for an additional \$1.8 million, mainly in salaries and benefits and the creation of a new department, Housing and Community Renewal.

The **Real Estate Excise Tax (REET) Fund** accounts for excise taxes collected from real estate transactions. Each real estate transaction is charged ½ of 1 percent of the value of transacted property. These moneys are restricted for various capital expenditures as stipulated in state statutes.

Real Estate Excise Tax (REET) revenues were down \$1.4 million, or 24.1%, in 2008 as compared to 2007. Cash and investments decreased by \$789,000. Revenues within this fund are directly tied to activity in the real-estate market and reflected the second consecutive year of reduced revenues. While revenues were down, there was again limited expenditure activity in the REET fund in 2008, resulting in a net excess of \$4.4 million before other financing sources. The REET fund balance also decreased by \$1.8 million as collections of \$4.4 million in revenue was offset by transfers out of \$6.3 million to fund debt payments in the Grand Mound Water/Sewer funds associated with capital projects and other debt service payments.

The **Detention Facility Sales Tax Holding Fund** holds 1/10-cent sales tax for future transfers for expenditures on detention-related facilities projects and debt service payments. In comparing 2008 to 2007, this fund saw an increase in assets of \$2.0 million (14.9%) and an increase of about \$150,000 in liabilities. The asset increase was mostly cash & pooled investments. During 2008 revenues and expenditures remained very near the same level as 2007 with a net income of \$5 million. Transfers were \$3.2 million. As a result, the fund balance showed an increase of \$1.8 million, or 13.4%.

The **Jail Capital Projects Fund** is a major fund for the first time in 2008 because of increased capital project activity and the delayed bond sale previously discussed. Liabilities in the jail Capital Projects Fund increased by \$4.9 million from the previous year. Likewise, expenditures increased from \$1.7 million in 2007 to \$7.5 million in 2008, an increase of \$5.8 million. Fund balance at the end of 2008 was a negative \$5.4 million, due to the delay in the bond sale. With the sale of \$42.8 million in bonds in April 2009, the fund balance was restored to a positive amount.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. In this fund, total assets decreased by \$2.6 million in 2008 compared to 2007. The net decrease was primarily due to a reduction of \$3.2 million in cash and pooled investments and Due From Other Funds and an \$800,000 increase in Advances From Other Funds. The Roads Fund Balance, correspondingly, realized a decrease of \$2.3 million.

In the Roads fund, revenues decreased slightly in 2008 by a little less than \$300,000 and expenditures increased by \$4.8 million, or 18.9%. Expenditures increased because of three large road projects; the Morris Road widening and overlay project, repair of Madrona Beach Road and repair of the Kennedy Creek road. In late 2008 most of Western Washington was hit by a substantial snow storm that caused major damage to various roads throughout the County. Emergency storm repairs also contributed to this increase.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Fund total assets increased in 2008 by \$3.0 million whereas total liabilities increased by slightly less than \$300,000, compared to 2007. The result was a net increase in the Public Health and Social Services fund balance of \$2.7 million.

In the Public Health fund, revenues increased by \$3.0 million, or 8.2%, whereas expenditures increased by \$1.4 million or 3.6% in 2008 compared to 2007. Increases in revenues were primarily due to a \$2.8 million increase in intergovernmental revenues.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2008, Medic One's total assets increased by \$1.3 million, or 7.7%, compared to 2007. Liabilities also realized an increase of \$252,400, or 28.4% from 2007. The largest asset increase was \$1.2 million in cash and pooled investments.

For Medic One, the primary revenue source is voter approved property taxes. Total revenues increased by 3.8% whereas expenditures increased by 9.5% in 2008 compared to the previous year. The increase in expenditures compared to 2007 was mainly due increased intergovernmental billings and capital outlay. Results of operations still resulted in an increase of \$1.0 million to the fund balance. The Medic One Fund balance was \$16.9 million at year end which includes \$8.5 million in reserves for major Medic One projects.

The **Other Governmental Funds** comprise all non-major Special Revenue, Capital Projects, and Debt Service funds of the County. During 2008 revenues in these funds remained constant compared to 2007, decreasing by only \$88,000. During 2008, expenditures for Other Governmental Funds showed a net decrease of \$3.0 million, primarily in culture and recreation of \$2.4 million, and in capital outlays of \$2.4 million. These were partially offset by a \$1.8 million increase in economic environment expenses. Fund balance in the other governmental funds decreased by \$11.3 million compared to 2007 mainly due to reclassification of the Jail Projects fund as a major fund, increased capital expenditures, and increased debt payments.

Proprietary Funds Net Assets Analysis

Thurston County's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented in the same accounting format. Internal service funds, although proprietary, are not included in the following section.

Thurston County Enterprise Net Assets

Assets	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds
Cash & Pooled Investments	\$ 3,440,964	\$ 1,236,907	\$ 2,485,277	\$ 7,163,148
Other Current Assets	2,639,570	1,036,426	641,024	4,317,020
Restricted Assets:				
Cash and Pooled Investments	-	-	306,649	306,649
Total Current Assets	6,080,534	2,273,333	3,432,950	11,786,817
Long-Term Assets:				
Receivables and Deff Chrgs.	12,766	3,384,964	1,163,890	4,561,620
Capital Assets	33,628,962	18,528,769	16,842,331	69,000,062
Less Accumulated Depreciation	(21,828,552)	(2,828,415)	(6,804,707)	(31,461,674)
Restrict Assets: Cash and Pooled Investments	20,805,888	-	-	20,805,888
Total Long Term Assets	32,619,064	19,085,318	11,201,514	62,905,896
Total Assets	38,699,598	21,358,651	14,634,464	74,692,713
Liabilities				
Current Liabilities:				
Accounts Payable/ Due To's	1,874,823	265,087	1,865,468	4,005,378
Lim.Tax G.O.Bond-Current	-	1,137,711	-	1,137,711
Total Current Liabilities	1,874,823	1,402,798	1,865,468	5,143,089
Long-Term Liabilities:				
Limited G.O. Bonds Payable	-	8,919,736	-	8,919,736
Compensated Absences Payable	-	-	251,144	251,144
Intergov. Loans & Contracts Payable	-	97,145	1,715,645	1,812,790
Advances From Other Funds	-	10,000	802,766	812,766
Accumulated Landfill Closure Costs	19,663,390	-	-	19,663,390
Total Long Term Liabilities	19,663,390	9,026,881	2,769,555	31,459,826
Total Liabilities	21,538,213	10,429,679	4,635,023	36,602,915
Net Assets				
Invested in Capital Assets, net rel. debt	11,800,410	5,531,257	8,773,403	26,105,070
Restricted For:				
Postclosure, Net Of Related Liability	5,360,975	-	-	5,360,975
Debt Service	-	-	42,570	42,570
Unrestricted (Deficit)	-	5,397,715	1,183,468	6,581,183
Total Net Assets	\$ 17,161,385	\$ 10,928,972	\$ 9,999,441	\$ 38,089,798

The Solid Waste and Grand Mound utilities are the only major enterprise funds for Thurston County.

The **Solid Waste Fund** provides solid waste disposal and reduction services to the citizens of Thurston County. The **Grand Mound Fund** provides water and waste water services to residents of Grand Mound in southern Thurston County. These funds comprise 80.0% of enterprise assets and 86.5% of enterprise liabilities.

Combined net assets for enterprise funds were \$38.1 million in 2008 of which \$28.1 million or 73.8% resided in major funds. Of the combined net assets, \$26.1 million or 68.5% are capital assets net of related debt, whereas \$6.6 million or 17.3% are unrestricted. Unrestricted net assets essentially are unchanged from 2007. Total current assets for enterprise funds increased in 2008 by \$0.9 million due

primarily to a significant increase in cash and pooled investments from Grand Mound. Total assets also increased significantly by \$5.2 million with the capital expansion of utility systems at Grand Mound. The restricted assets for the landfill increased slightly from \$20.6 million to \$20.8 million. Total liabilities in the enterprise funds at the end of 2008 were \$36.6 million. This represents a \$0.7, or 1.9%, increase from 2007.

Proprietary Funds Revenue/Expense Analysis

The following table is a summary of enterprise fund revenues and expenses in 2008.

Thurston County Washington Enterprise Funds Revenues and Expenses

	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds
Revenues:				
Charges for Services	\$ 16,058,808	\$ 1,004,007	\$ 6,681,182	\$ 23,743,997
Miscellaneous	16,324	5,229	6,517	28,070
Interest Revenue	1,130,805	486,696	147,631	1,765,132
Other Nonoperating Revenue	-	(34,013)	521,018	487,005
Total Revenues	<u>17,205,937</u>	<u>1,461,919</u>	<u>7,356,348</u>	<u>26,024,204</u>
Expenses:				
Salaries and Benefits	2,051,939	306,293	5,712,548	8,070,780
Other Supplies and Expenses	295,852	33,462	250,109	579,423
Contractual Services	1,666,662	133,204	1,348,617	3,148,483
Longhaul Contract	10,974,750	-	-	10,974,750
Interfund Services and Charges	1,025,943	18,487	1,376,180	2,420,610
Depreciation/Amortization	802,820	414,714	737,132	1,954,666
Misc. Nonoperating Expenses	132,248	533,757	59,069	725,074
Total Expenses	<u>16,950,214</u>	<u>1,439,917</u>	<u>9,483,655</u>	<u>27,873,786</u>
Income (Loss) Before Contrib. and Trans.	255,723	22,002	(2,127,307)	(1,849,582)
Capital Contributions	170,409	1,795,960	28,088	1,994,457
Transfers In (Out)	(53,227)	3,676,840	684,497	4,308,110
Change in Net Assets	<u>372,905</u>	<u>5,494,802</u>	<u>(1,414,722)</u>	<u>4,452,985</u>
Net Assets as of January 1	<u>16,788,480</u>	<u>5,434,170</u>	<u>11,414,163</u>	<u>33,636,813</u>
Net Assets as of December 31	<u><u>\$ 17,161,385</u></u>	<u><u>\$ 10,928,972</u></u>	<u><u>\$ 9,999,441</u></u>	<u><u>\$ 38,089,798</u></u>

Total operating revenues from charges for services in 2008 are \$23.8 million and comprise 91.5% of total enterprise operating and non-operating revenues. Total operating revenues for enterprise funds increased by \$867,500 in 2008. Please note that operating revenues and expenses are not segregated within the accompanying summarized table whereas they are segregated within the fund financial statements.

The **Solid Waste Fund** has provided waste disposal and reduction services through a solid waste transfer facility since 1999 at the Hawk's Prairie Solid Waste and Recovery Center. Solid waste was disposed at a landfill at this site prior to that time. Maintenance of the closed landfill is fully funded through post closure reserves generated from landfill revenues prior to closure. Solid Waste Fund revenues comprise 66.1% of total enterprise revenues and 60.8% of total enterprise expenditures.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 5.6% of total enterprise revenues and 5.2% of total enterprise expenses. Interest revenues comprise 32.5% of total revenues in the Grand Mound

Fund, primarily from funds reserved for the repayment of general obligation debt. In 2008, net assets in the Grand Mound Fund doubled from \$5.4 million to \$10.9 million, due principally to major capital investments.

The County has usually funded utility capital construction and major replacement with general facility charges and assessments. Consequently, depreciation expense comprises 45.8% of the \$906,000 Grand Mound Fund operating expenses in 2008. In April of 2007 the County signed an agreement with the Chehalis Tribe for a \$1.6 million water-line construction and service agreement for a Great Wolf Lodge water park, convention center and hotel. The agreement states that the Grand Mound utility will provide up to 85,000 gallons of water per day to this facility. The lodge opened in the spring of 2008 and is providing one of the major utility users for the County.

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 in June. The following table shows the changes between the original and final budget as of December 31, 2008. A positive variance is reported if final budget revenues exceed original budget revenues whereas a negative variance is reported if final budget revenues are less than the original budgeted revenues. The reverse is shown for expenditures. A negative variance is reported if final budget expenditures exceed original budget expenditures and a positive variance is shown if the original budget expenditures exceeds the final budgeted expenditures.

**Thurston County
General Fund Changes in Budget**

	Original Budget	Final Budget	Variance Positive (Negative)
Revenues:			
Taxes	\$ 53,223,709	\$ 53,223,709	\$ -
Licenses & Permits	55,975	55,975	-
Intergovernmental	7,092,673	8,495,072	1,402,399
Charges for Services	7,112,435	7,190,725	78,290
Fines & Forfeitures	1,506,500	1,506,500	-
Miscellaneous	2,772,834	2,782,834	10,000
Total General Revenues	71,764,126	73,254,815	1,490,689
Other Financing Sources	4,510,826	8,547,099	4,036,273
Total Revenues	\$ 76,274,952	\$ 81,801,914	\$ 5,526,962
Expenditures by Department:			
Assessor's Office	\$ 3,792,362	\$ 3,787,862	\$ 4,500
Auditor's Office	5,656,659	5,999,304	(342,645)
Assigned Counsel	3,032,391	2,964,629	67,762
Civil Service	126,061	126,061	-
Clerk's Office	3,395,966	3,395,966	-
Commissioner's Office	1,216,846	1,216,846	-
Coroner's Office	752,680	754,420	(1,740)
Corrections	13,666,246	14,060,968	(394,722)
District Court	3,225,377	3,227,041	(1,664)
Housing & Community Renewal	693,506	693,506	-
Human Resources	1,504,510	1,504,510	-
Juvenile Probation	6,721,044	7,020,252	(299,208)
Non-Departmental	5,153,327	5,537,074	(383,747)
Prosecuting Attorney	8,254,025	8,523,655	(269,630)
State Examiner	115,000	115,000	-
Sheriff	15,253,003	15,142,422	110,581
Superior Court	4,515,897	4,693,580	(177,683)
Treasurer's Office	1,211,651	1,211,651	-
WSU Extension	571,459	623,869	(52,410)
General Fund Expenditures	78,858,010	80,598,616	(1,740,606)
Net Changes in Fund Balances	(2,583,058)	1,203,298	3,786,356
Fund Balances as of January 1	6,383,058	5,097,674	(1,285,384)
Fund Balances as of December 31	\$ 3,800,000	\$ 6,300,972	\$ 2,500,972

Tax revenues in the final 2008 budget were unchanged from the original budget while intergovernmental charges were increased by \$1.4 million or 19.7%. The largest change took place with the increase in other financing sources as the Operating Transfers-In were increased from \$4.5 million to \$8.5 million. The net revenue increase for the General Fund from the original budget to the final adopted budget, including other financing sources, was \$5.5 million or 7.2%.

With regard to expenditures, the net increase in total budget expenditures from the original budget to the final budget was \$1.7 million or 2.0%. The most significant dollar value change in budget expenditures occurred in the following offices/departments:

- Corrections - Increase of \$394,722 mainly due to a receipt of a grant from the Department of Justice for the State Criminal Alien Assistance Program.
- Non-Departmental – Increase of \$383,747 due to increased operating transfer activity.

- Auditor's Office – Increase of \$342,645 mainly due to receipt of a Help America Vote Act (HAVA) grant.
- Prosecuting Attorney's Office – Increase of \$269,630 mainly due to increased receipt of grant funding.
- Superior Court – Increase of \$177,683 mainly due to the receipt of a new Traffic Safety Commission grant and additional general fund appropriation for jury and professional service fees.

Total final budget revenues increased by \$12.6 million or 18.2% from 2007 whereas budget expenditures increased by \$8.3 million or 11.4% from the prior year.

General Fund Budget to Actual Variances

The table on the following page summarizes differences between budget and actual for revenues and expenditures in the General Fund for 2008. Operating transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2008 show actual revenues at \$3.9 million or 4.7% below the final budget and actual expenditures at \$3.9 million or 4.9% under budget. When compared to the prior year, actual revenues increased by \$10.5 million or 15.5%, whereas actual expenditures (including transfers out) increased by \$7.4 million or 10.5%.

In regards to revenues, the largest negative variance between budget and actual was in the taxes category. The County's General Fund received \$4.2 million less in taxes than projected. This variance was mainly attributed to sales tax receipts, and was a direct result of the national and local economic downturn that hit businesses and individual taxpayers towards the end of 2008.

The ending fund balance in the General Fund for 2008 was \$7.8 million. This was a \$1.3 million increase from 2007. With the efforts to voluntarily reduce expenditures in the last six months of 2008, Thurston County was able to offset the loss in revenues and increase the actual General Fund balance by \$1.5 million over the final budget.

Thurston County
General Fund Revenues, Expenditures & Fund Balance

	2008 Final Budget	2008 Actuals	Variance Positive (Negative)
Revenues:			
Taxes	\$ 53,223,709	\$ 48,997,007	\$ (4,226,702)
Licenses & Permits	55,975	62,400	6,425
Intergovernmental	8,495,072	8,181,175	(313,897)
Charges for Services	7,190,725	7,663,868	473,143
Fines & Forfeitures	1,506,500	1,940,326	433,826
Miscellaneous	2,782,834	2,469,370	(313,464)
Total General Revenues	73,254,815	69,314,146	(3,940,669)
Total Other Financing Sources	8,547,099	8,620,582	73,483
Total Revenues	\$ 81,801,914	\$ 77,934,728	\$ (3,867,186)
Expenditures by Department:			
Assessor's Office	\$ 3,787,862	\$ 3,711,973	\$ 75,889
Auditor's Office	5,999,304	5,462,275	537,029
Assigned Counsel	2,964,629	2,941,810	22,819
Civil Service	126,061	74,190	51,871
Clerk's Office	3,395,966	3,336,635	59,331
Commissioner's Office	1,216,846	1,195,354	21,492
Coroner's Office	754,420	753,214	1,206
Corrections	14,060,968	13,604,502	456,466
District Court	3,227,041	2,996,359	230,682
Housing & Community Renewal	693,506	642,650	50,856
Human Resources	1,504,510	1,243,777	260,733
Juvenile Probation	7,020,252	6,640,739	379,513
Non-Departmental	5,537,074	4,445,577	1,091,497
Prosecuting Attorney	8,523,655	8,338,745	184,910
State Examiner	115,000	110,721	4,279
Sheriff	15,142,422	14,852,053	290,369
Superior Court	4,693,580	4,671,215	22,365
Treasurer's Office	1,211,651	1,092,586	119,065
WSU Extension	623,869	545,769	78,100
General Fund Expenditures	80,598,616	76,660,144	3,938,472
Net Changes in Fund Balances	1,203,298	1,274,584	71,286
Fund Balances as of January 1	5,097,674	6,505,852	1,408,178
Fund Balances as of December 31	\$ 6,300,972	\$ 7,780,436	\$ 1,479,464

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Thurston County's total net investment in governmental and business-type capital assets was \$441.2 million at year end. Of this total, \$275.9 million (62.5%) are non-depreciable assets and \$165.3 million (37.5%) are depreciated. Capital assets comprise 70.2% of total assets. Capital assets include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. A capital asset breakdown is provided in Note VI within the financial statement section.

Government-wide, net depreciable assets increased by \$14.6 million in 2008, while non-depreciable assets decreased by \$2.9 million. The most significant increase in depreciable assets was due to the capitalization of \$10.6 million in the Property Maintenance Reserve, \$1.7 million in storm water projects, \$1.0 million in improvements to Heritage Hall at the fairgrounds, and improvements to park

facilities at Kennydell, Griffin, and the Regional Athletic Center. Since many of these completed projects were Construction in Progress (CIPs) in 2007, there was a decrease in non-depreciable assets in 2008.

See financial statement note VI for more information on capital assets.

Long-Term Debt

Total general obligation debt outstanding at year end was \$50.2 million (\$40.1 million in governmental activities and \$10.1 million in Business-type activities). Loans, contracts and leases were \$2.6 million at year end. The County did not issue any new general obligation debt during 2008.

The County has the capacity to issue \$451.8 million in debt without a vote under the limitation of indebtedness statute. Debt liabilities exceed assets reserved for debt repayment by \$50.2 million. This leaves \$401.6 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.

OTHER SIGNIFICANT MATTERS

On April 7, 2009 the Thurston County Board of County Commissioners authorized the issuance of \$42,765,000 in debt. The proceeds will be primarily used to construct the new Accountability and Restitution Center (ARC) and secondarily for communications systems upgrades and other capital improvements. The sale of the bonds was originally approved by the Board of County Commissioners in August of 2008, but was delayed to evaluate the impacts of the recent down turn in the economy and projected revenues. The County incurred costs on this ARC project during 2008 and reported a liability in its Governmental Fund statements for the Jail Capital Projects Fund in 2008. This liability has been eliminated in 2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Thurston County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Auditor's Office, Thurston County, 2000 Lakeridge Drive SW, Olympia, WA. 98502.

Statement Of Net Assets
December 31, 2008
Page 1 of 2

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash & Pooled Investments	\$ 122,617,208	\$ 7,163,148	\$ 129,780,356
<i>Receivables:</i>			
Taxes Receivable	2,445,707	-	2,445,707
Special Assessment Receivables	81,036	165,434	246,470
Accrued Interest & Penalties	2,815,416	386,200	3,201,616
Customer Account Receivables	12,808,554	1,540,292	14,348,846
Internal Balances	1,046,829	(1,046,829)	-
Due from Other Government Units	6,265,172	506,907	6,772,079
Inventory	715,757	-	715,757
Prepayments	337,534	-	337,534
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	306,649	306,649
Total Current Assets	149,133,213	9,021,801	158,155,014
Long-Term Assets:			
Deferred Charges	12,657	172,545	185,202
Community Loans Receivable	-	164,785	164,785
Special Assessment Receivables	173,658	4,211,524	4,385,182
Investment in Joint Ventures, Net	3,546,377	-	3,546,377
<i>Capital Assets:</i>			
Non-Depreciable	267,477,910	8,445,487	275,923,397
Depreciable, Net	136,214,070	29,092,901	165,306,971
<i>Restricted Assets: Cash and Pooled Investments</i>	-	20,805,888	20,805,888
Total Noncurrent Assets	407,424,672	62,893,130	470,317,802
Total Assets	556,557,885	71,914,931	628,472,816

See accompanying notes to the financial statements

Statement Of Net Assets
December 31, 2008
Page 2 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	11,810,088	2,427,474	14,237,562
Notes Payable	278,594	144,679	423,273
Due to Other Government Units	803,884	773	804,657
Compensated Absences	6,025,221	231,273	6,256,494
Limited G.O. Bonds Payable	2,365,000	1,137,711	3,502,711
Unearned Revenue	179,764	7,400	187,164
Total Current Liabilities	21,462,551	3,949,310	25,411,861
Long-Term Liabilities:			
Limited G.O. Bonds Payable	37,761,712	8,919,736	46,681,448
Compensated Absences & OPEB Payable	5,724,592	251,144	5,975,736
Claims & Judgments Payable	3,700,869	-	3,700,869
Intergovernmental Loans & Contracts Payable	378,894	1,812,790	2,191,684
Accumulated Landfill Closure Costs	-	19,663,390	19,663,390
Total Noncurrent Liabilities	47,566,067	30,647,060	78,213,127
Total Liabilities	69,028,618	34,596,370	103,624,988
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	357,549,686	26,105,070	383,654,756
Restricted Net Assets:			
Culture & Recreation	455,700	-	455,700
Economic Environment	2,749,300	-	2,749,300
General Government	16,749,700	-	16,749,700
Health and Human Services	18,337,100	-	18,337,100
Internal Service	21,431,600	-	21,431,600
Public Safety	18,327,400	-	18,327,400
Physical Environment	2,921,000	-	2,921,000
Transportation	17,700,600	-	17,700,600
Debt Service	-	42,570	42,570
Landfill Postclosure	-	5,360,975	5,360,975
Unrestricted (Deficit)	31,307,181	5,809,946	37,117,127
Total Net Assets	\$ 487,529,267	\$ 37,318,561	\$ 524,847,828

See accompanying notes to the financial statements

Statement Of Activities
For The Year Ended December 31, 2008
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	\$ 15,577,825	\$ (4,898,468)	\$ 4,917,000	\$ 28,312	\$ 392,494
Culture & Recreation	3,535,688	109,062	1,159,995	93,946	-
Economic Environment	13,011,729	162,001	1,062,430	10,333,474	345,150
Health & Human Services	47,766,727	774,377	3,868,018	33,622,342	-
Public Safety	68,531,667	1,889,428	7,663,494	4,422,154	1,506,721
Transportation	27,110,949	814,066	1,486,524	12,638	4,423,570
Utilities & Environment	1,740,552	105,673	1,916	266,567	-
Interest and Fiscal Charges	2,095,802	-	-	-	-
Total Governmental Activities	179,370,939	(1,043,861)	20,159,377	48,779,433	6,667,935
Business-Type Activities:					
Solid Waste	17,163,406	110,437	16,058,808	293,687	170,409
Water	763,105	54,751	494,439	-	605,863
Sewer	1,573,480	109,502	1,010,399	-	1,211,725
Stormwater	2,717,389	20,722	2,679,761	455,716	-
Development Services	5,657,978	748,449	3,094,794	126,639	6,460
Total Business-Type Activities	27,875,358	1,043,861	23,338,201	876,042	1,994,457
Total Primary Government	\$ 207,246,297	\$ -	\$ 43,497,578	\$ 49,655,475	\$ 8,662,392

See accompanying notes to the financial statements

Statement Of Activities
For The Year Ended December 31, 2008
Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT			
<i>Governmental Activities:</i>			
General Government	\$ (5,341,551)	\$ -	\$ (5,341,551)
Culture & Recreation	(2,390,809)	-	(2,390,809)
Economic Environment	(1,432,676)	-	(1,432,676)
Health & Human Services	(11,050,744)	-	(11,050,744)
Public Safety	(56,828,726)	-	(56,828,726)
Transportation	(22,002,283)	-	(22,002,283)
Utilities & Environment	(1,577,742)	-	(1,577,742)
Interest and Fiscal Charges	(2,095,802)	-	(2,095,802)
Total Governmental Activities	<u>(102,720,333)</u>	<u>-</u>	<u>(102,720,333)</u>
<i>Business-Type Activities:</i>			
Solid Waste	-	(750,939)	(750,939)
Water	-	282,446	282,446
Sewer	-	539,142	539,142
Stormwater	-	397,366	397,366
Development Services	-	(3,178,534)	(3,178,534)
Total Business-Type Activities	<u>-</u>	<u>(2,710,519)</u>	<u>(2,710,519)</u>
Total Primary Government	<u>\$ (102,720,333)</u>	<u>\$ (2,710,519)</u>	<u>\$ (105,430,852)</u>
General Revenues:			
<i>Taxes:</i>			
Property Taxes	57,334,264	-	57,334,264
Sales Taxes	22,993,736	-	22,993,736
State Shared Revenues	8,116,743	-	8,116,743
Business & Harvest Taxes	2,399,745	-	2,399,745
Excise Taxes	6,576,056	-	6,576,056
<i>Other General Revenues:</i>			
Interest & Investment Earnings	8,209,189	1,765,132	9,974,321
Miscellaneous	34,972	18,112	53,084
Transfers In/(Out)	(4,308,110)	4,308,110	-
Total General Revenues, Special Items and Transfers	<u>101,356,595</u>	<u>6,091,354</u>	<u>107,447,949</u>
Change in Net Assets	<u>(1,363,738)</u>	<u>3,380,835</u>	<u>2,017,097</u>
Net Assets as of January 1	491,543,019	33,937,726	525,480,745
Prior Period Adjustment	(2,650,014)	-	(2,650,014)
Net Assets as of January 1 - Restated	<u>488,893,005</u>	<u>33,937,726</u>	<u>522,830,731</u>
Net Assets as of December 31	<u>\$ 487,529,267</u>	<u>\$ 37,318,561</u>	<u>\$ 524,847,828</u>

See accompanying notes to the financial statements

Balance Sheet
Governmental Funds
December 31, 2008
Page 1 of 2

ASSETS	General Fund	Detention Facility Sales Tax Holding	Jail Capital Projects	Real Estate Excise Tax	Roads
Current Assets:					
Cash & Pooled Investments	\$ 4,934,790	\$ 15,274,189	\$ -	\$ 19,324,942	\$ 16,867,390
<i>Receivables:</i>					
Taxes Receivable	1,240,950	-	-	-	783,447
Special Assessment Receivables	-	-	-	-	-
Accrued Interest & Penalties	1,798,266	89,385	4,446	118,157	61,321
Customer Account Receivables	2,536,187	-	-	-	102,352
Due from Other Funds	374,693	-	3,794	-	23,012
Due from Other Government Units	893,512	-	-	-	506,638
Inventory	-	-	-	-	499,134
Prepayments	7,069	-	-	-	-
Advances From Other Funds	-	-	-	-	800,000
Total Assets	\$ 11,785,467	\$ 15,363,574	\$ 8,240	\$ 19,443,099	\$ 19,643,294
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 799,885	\$ 404	\$ 5,299,002	\$ -	\$ 290,561
Due to Other Funds	72,355	189,795	67,332	993,202	40,514
Due to Other Government Units	-	-	-	-	6,136
Deferred Revenues	3,132,791	-	-	-	941,463
Total Liabilities	4,005,031	190,199	5,366,334	993,202	1,278,674
FUND BALANCES					
Reserved For:					
Debt Service	-	-	-	-	-
Advances	-	-	-	-	800,000
Unreserved - Designated for Inventories					
Special Revenue Funds	-	-	-	-	499,134
Unreserved - Designated for Petty Cash					
General Fund	26,000	-	-	-	-
Special Revenue Funds	-	-	-	-	300
Unreserved - Undesignated, Reported In:					
General Fund	7,754,436	-	-	-	-
Special Revenue Funds	-	15,173,375	-	18,449,897	17,065,186
Capital Projects Funds	-	-	(5,358,094)	-	-
Total Fund Balance	7,780,436	15,173,375	(5,358,094)	18,449,897	18,364,620
Total Liabilities & Fund Balances	\$ 11,785,467	\$ 15,363,574	\$ 8,240	\$ 19,443,099	\$ 19,643,294

See accompanying notes to the financial statements

Balance Sheet
Governmental Funds
December 31, 2008
Page 2 of 2

	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current Assets:				
Cash & Pooled Investments	\$ 17,601,851	\$ 7,085,967	\$ 15,061,936	\$ 96,151,065
<i>Receivables:</i>				
Taxes Receivable	337,940	27,003	56,367	2,445,707
Special Assessment Receivables	-	23,045	57,991	81,036
Accrued Interest & Penalties	110,524	143,957	327,184	2,653,240
Customer Account Receivables	-	99,959	445,086	3,183,584
Due from Other Funds	-	272,541	41,254	715,294
Due from Other Government Units	6,000	3,467,113	1,391,909	6,265,172
Inventory	-	-	1,309	500,443
Prepayments	-	-	245,308	252,377
Advances From Other Funds	-	-	-	800,000
Total Assets	\$ 18,056,315	\$ 11,119,585	\$ 17,628,344	\$ 113,047,918
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 695,776	\$ 1,963,216	\$ 1,827,753	\$ 10,876,597
Due to Other Funds	10,834	107,429	41,061	1,522,522
Due to Other Government Units	96,149	673,416	28,183	803,884
Deferred Revenues	337,940	59,751	198,570	4,670,515
Total Liabilities	1,140,699	2,803,812	2,095,567	17,873,518
FUND BALANCES				
Reserved For:				
Debt Service	-	-	28,133	28,133
Advances	-	-	-	800,000
Unreserved - Designated for Inventories				
Special Revenue Funds	-	-	1,309	500,443
Unreserved - Designated for Petty Cash				
General Fund	-	-	-	26,000
Special Revenue Funds	100	2,850	19,975	23,225
Unreserved - Undesignated, Reported In:				
General Fund	-	-	-	7,754,436
Special Revenue Funds	16,915,516	8,312,923	14,420,333	90,337,230
Capital Projects Funds	-	-	1,063,027	(4,295,067)
Total Fund Balance	16,915,616	8,315,773	15,532,777	95,174,400
Total Liabilities & Fund Balances	\$ 18,056,315	\$ 11,119,585	\$ 17,628,344	\$ 113,047,918

See accompanying notes to the financial statements

**Reconciliation Of The Balance Sheet Of Governmental Funds
To The Statement Of Net Assets
December 31, 2008**

	Governmental Funds
Fund balance as shown in the Governmental Funds Balance Sheet	\$ 95,174,400
The cost of capital assets and joint ventures, which is expended and not recognized in governmental funds, is deferred to future periods in the statement of net assets	347,627,261
Debt, which is not reported in governmental funds, is reported in the statement of net assets	(40,340,274)
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	80,598,749
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	186,315
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net assets	13,796,282
Compensated absences and other post employment benefits, which are not reported in governmental funds, are reported as an accrued liability in the statement of net assets	(10,284,703)
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)	771,237
Net assets for governmental funds as shown in Statement of Net Assets	\$ 487,529,267

See accompanying notes to the financial statements

Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2008
Page 1 of 2

	General Fund	Detention Facility Sales Tax Holding	Jail Capital Projects	Real Estate Excise Tax	Roads
Revenues:					
Taxes	\$ 48,997,007	\$ 4,276,923	\$ -	\$ 3,467,764	\$ 16,806,111
Licenses & Permits	62,400	-	-	-	-
Intergovernmental	8,181,175	-	-	-	11,225,842
Charges for Services	7,663,868	-	-	15,575	405,683
Fines & Forfeits	1,940,326	-	-	-	-
Miscellaneous Revenue	2,469,370	666,216	-	945,839	115,620
Total Revenues	69,314,146	4,943,139	-	4,429,178	28,553,256
Expenditures:					
Current:					
General Government	13,336,797	-	-	6,500	-
Culture & Recreation	555,899	-	-	-	-
Economic Environment	399,997	-	-	-	-
Health & Human Services	-	-	-	-	-
Public Safety	57,787,883	17,858	25,848	-	1,075,276
Transportation	55,753	-	-	3,100	19,226,448
Utilities & Environment	598,763	-	-	-	-
Capital Outlay	552,117	-	7,505,780	-	9,900,744
Debt Service:					
Principal	67,464	-	-	-	5,357
Interest & Fiscal Charges	23,839	-	-	-	2,449
Total Expenditures	73,378,512	17,858	7,531,628	9,600	30,210,274
Excess (Deficiency) of Revenues Over Expenditures	(4,064,366)	4,925,281	(7,531,628)	4,419,578	(1,657,018)
Other Financing Sources (Uses)					
Capital Lease Financing	115,620	-	-	-	-
Sale of Capital Assets	482	-	-	-	613,939
Transfers In	8,504,480	-	2,202,502	-	24,188
Transfers Out	(3,281,632)	(3,172,637)	-	(6,309,131)	(1,349,988)
Total Other Financing Sources (Uses)	5,338,950	(3,172,637)	2,202,502	(6,309,131)	(711,861)
Net Changes In Fund Balances	1,274,584	1,752,644	(5,329,126)	(1,889,553)	(2,368,879)
Fund Balances as of January 1	6,505,852	13,420,731	(28,968)	20,339,450	20,733,499
Fund Balances as of December 31	\$ 7,780,436	\$ 15,173,375	\$ (5,358,094)	\$ 18,449,897	\$ 18,364,620

See accompanying notes to the financial statements

**Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds**

For The Year Ended December 31, 2008

Page 2 of 2

	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,369,257	\$ 1,064,445	\$ 8,135,299	\$ 91,116,806
Licenses & Permits	-	523,930	332,191	918,521
Intergovernmental	115,799	34,963,444	11,682,691	66,168,951
Charges for Services	50	2,472,400	3,818,062	14,375,638
Fines & Forfeits	-	-	40,545	1,980,871
Miscellaneous Revenue	775,242	404,463	2,237,214	7,613,964
Total Revenues	9,260,348	39,428,682	26,246,002	182,174,751
Expenditures:				
Current:				
General Government	-	-	1,408,449	14,751,746
Culture & Recreation	-	-	2,333,397	2,889,296
Economic Environment	-	111,131	12,330,915	12,842,043
Health & Human Services	7,643,938	39,353,974	297,632	47,295,544
Public Safety	-	-	7,463,259	66,370,124
Transportation	-	-	2,037,235	21,322,536
Utilities & Environment	-	-	1,108,686	1,707,449
Capital Outlay	570,064	24,723	2,202,576	20,756,004
Debt Service:				
Principal	4,724	6,550	2,480,459	2,564,554
Interest & Fiscal Charges	1,220	2,841	1,909,536	1,939,885
Total Expenditures	8,219,946	39,499,219	33,572,144	192,439,181
Excess (Deficiency) of Revenues Over Expenditures	1,040,402	(70,537)	(7,326,142)	(10,264,430)
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	15,546	131,166
Sale of Capital Assets	-	-	-	614,421
Transfers In	12,300	2,905,632	8,553,574	22,202,676
Transfers Out	(12,300)	(69,655)	(12,614,600)	(26,809,943)
Total Other Financing Sources (Uses)	-	2,835,977	(4,045,480)	(3,861,680)
Net Changes In Fund Balances	1,040,402	2,765,440	(11,371,622)	(14,126,110)
Fund Balances as of January 1	15,875,214	5,550,333	26,904,399	109,300,510
Fund Balances as of December 31	\$ 16,915,616	\$ 8,315,773	\$ 15,532,777	\$ 95,174,400

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, 2008**

		Governmental Funds
Change in fund balance as shown in the Governmental Funds		
Statement of Revenues, Expenditures and Changes in Fund Balances		\$ (14,126,110)
Capital Assets:		
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	20,756,004	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(8,524,228)	
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>(1,193,726)</u>	11,038,050
Long-Term Debt:		
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)	2,588,064	
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	(155,917)	
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>(131,166)</u>	2,300,981
Interfund Transactions:		
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	140,646	
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	28,289	
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>1,043,861</u>	1,212,796
Other:		
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	755,609	
Compensated absences and other post employment benefits, which are not reported in governmental funds, are reported as an expense in the statement of activities	<u>(2,545,064)</u>	<u>(1,789,455)</u>
Change in net assets for governmental funds as shown in the		
Statement of Activities		<u><u>\$ (1,363,738)</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, 2008
Page 1 of 5

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Revenues By Funding Source				
General Revenues:				
Taxes	\$ 53,223,709	\$ 53,223,709	\$ 48,997,007	\$ (4,226,702)
Licenses & Permits	55,975	55,975	62,400	6,425
Intergovernmental	7,092,673	8,495,072	8,181,175	(313,897)
Charges for Services	7,112,435	7,190,725	7,663,868	473,143
Fines & Forfeits	1,506,500	1,506,500	1,940,326	433,826
Miscellaneous Revenue	2,772,834	2,782,834	2,469,370	(313,464)
Total General Revenues	71,764,126	73,254,815	69,314,146	(3,940,669)
Other Financing Sources:				
Capital Lease Financing	-	-	115,620	115,620
Other Finance Sources - Capital Asset Sales	200	200	482	282
Transfers In	4,510,626	8,546,899	8,504,480	(42,419)
Total Other Financing Sources	4,510,826	8,547,099	8,620,582	73,483
Total Revenues	\$ 76,274,952	\$ 81,801,914	\$ 77,934,728	\$ (3,867,186)

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, 2008
Page 2 of 5

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Expenditures by Department				
Assessor's Office:				
General Government	\$ 3,792,362	\$ 3,787,862	\$ 3,695,843	\$ 92,019
Capital Outlay	-	-	16,130	(16,130)
Total Assessor's Office	3,792,362	3,787,862	3,711,973	75,889
Auditor's Office:				
General Government	5,518,415	5,650,606	5,113,732	536,874
Capital Outlay	133,009	342,399	342,399	-
Debt Service:				
Principal	4,196	5,229	5,073	156
Interest and Fiscal Charges	1,039	1,070	1,071	(1)
Total Auditor's Office	5,656,659	5,999,304	5,462,275	537,029
Assigned Counsel:				
Public Safety	3,026,271	2,958,854	2,937,907	20,947
Debt Service:				
Principal	3,560	3,500	3,211	289
Interest and Fiscal Charges	2,560	2,275	692	1,583
Total Assigned Counsel	3,032,391	2,964,629	2,941,810	22,819
Civil Service:				
Public Safety	126,061	126,061	74,190	51,871
Total Civil Service	126,061	126,061	74,190	51,871
Clerk's Office:				
Public Safety	3,390,266	3,390,266	3,280,854	109,412
Capital Outlay	-	-	38,240	(38,240)
Debt Service:				
Principal	5,100	5,100	12,027	(6,927)
Interest and Fiscal Charges	600	600	5,514	(4,914)
Total Clerk's Office	3,395,966	3,395,966	3,336,635	59,331

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, 2008
Page 3 of 5

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Commissioner's Office:				
General Government	1,212,946	1,212,946	1,189,623	23,323
Debt Service:				
Principal	2,950	2,950	4,164	(1,214)
Interest and Fiscal Charges	950	950	1,567	(617)
Total Commissioner's Office	1,216,846	1,216,846	1,195,354	21,492
Coroner's Office:				
Public Safety	750,644	749,384	750,179	(795)
Economic Environment	-	3,000	1,000	2,000
Debt Service:				
Principal	1,282	1,282	1,281	1
Interest and Fiscal Charges	754	754	754	-
Total Coroner's Office	752,680	754,420	753,214	1,206
Corrections:				
Public Safety	13,666,246	14,060,968	13,598,749	462,219
Debt Service:				
Principal	-	-	5,647	(5,647)
Interest and Fiscal Charges	-	-	106	(106)
Total Corrections	13,666,246	14,060,968	13,604,502	456,466
District Court				
Public Safety	3,225,377	3,225,377	2,984,404	240,973
Capital Outlay	-	-	10,291	(10,291)
Debt Service:				
Principal	-	1,151	1,149	2
Interest and Fiscal Charges	-	513	515	(2)
Total District Court	3,225,377	3,227,041	2,996,359	230,682
Housing & Community Renewal:				
General Government	460,636	460,636	393,901	66,735
Utilities & Environment	61,586	61,586	66,090	(4,504)
Transportation	58,690	58,690	55,043	3,647
Economic Environment	112,594	112,594	127,616	(15,022)
Total Housing & Community Renewal	693,506	693,506	642,650	50,856

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, 2008

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	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Human Resources:				
General Government	1,496,460	1,496,460	1,238,743	257,717
Public Safety	2,450	2,450	-	2,450
Debt Service:				
Principal	4,000	4,000	3,747	253
Interest and Fiscal Charges	1,600	1,600	1,287	313
Total Human Resources	1,504,510	1,504,510	1,243,777	260,733
Juvenile Probation:				
Public Safety	6,721,044	7,014,652	6,619,671	394,981
Capital Outlay	-	-	14,458	(14,458)
Debt Service:				
Principal	-	4,800	3,638	1,162
Interest and Fiscal Charges	-	800	2,972	(2,172)
Total Juvenile Probation	6,721,044	7,020,252	6,640,739	379,513
Non-Departmental:				
General Government	1,438,808	1,277,771	501,648	776,123
Public Safety	13,500	18,000	4,500	13,500
Utilities & Environment	539,663	539,663	532,673	6,990
Transportation	994	994	710	284
Economic Environment	288,360	283,860	271,381	12,479
Culture and Recreation	83,815	83,815	13,500	70,315
Transfers Out	2,788,187	3,332,971	3,121,165	211,806
Total Non-Departmental	5,153,327	5,537,074	4,445,577	1,091,497
Prosecuting Attorney:				
Public Safety	8,232,025	8,471,655	8,236,296	235,359
Capital Outlay	-	30,000	75,019	(45,019)
Debt Service:				
Principal	17,500	17,500	19,790	(2,290)
Interest and Fiscal Charges	4,500	4,500	7,640	(3,140)
Total Prosecuting Attorney	8,254,025	8,523,655	8,338,745	184,910

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, 2008
Page 5 of 5

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
State Examiner:				
General Government	115,000	115,000	110,721	4,279
Total State Examiner	115,000	115,000	110,721	4,279
Sheriff:				
Public Safety	15,235,851	14,946,926	14,636,006	310,920
Capital Outlay	17,152	39,521	55,580	(16,059)
Transfers Out	-	155,975	160,467	(4,492)
Total Sheriff	15,253,003	15,142,422	14,852,053	290,369
Superior Court:				
Public Safety	4,431,311	4,687,490	4,665,127	22,363
Debt Service:				
Principal	-	5,155	5,203	(48)
Interest and Fiscal Charges	-	935	885	50
Transfers Out	84,586	-	-	-
Total Superior Court	4,515,897	4,693,580	4,671,215	22,365
Treasurer's Office				
General Government	1,211,651	1,211,651	1,092,586	119,065
Total Treasurer's Office	1,211,651	1,211,651	1,092,586	119,065
WSU Extension				
Culture and Recreation	568,089	620,499	542,399	78,100
Debt Service:				
Principal	1,575	1,575	2,534	(959)
Interest and Fiscal Charges	1,795	1,795	836	959
Total WSU Extension	571,459	623,869	545,769	78,100
Total General Fund Expenditures	78,858,010	80,598,616	76,660,144	3,938,472
Net Changes in Fund Balances	(2,583,058)	1,203,298	1,274,584	71,286
Fund Balances as of January 1	6,383,058	5,097,674	6,505,852	1,408,178
Fund Balances as of December 31	\$ 3,800,000	\$ 6,300,972	\$ 7,780,436	\$ 1,479,464

See accompanying notes to the financial statements

**Detention Facilities Sales Tax Holding
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2008**

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 4,876,389	\$ 4,876,389	\$ 4,276,923	\$ (599,466)
Miscellaneous Revenue	564,602	564,602	666,216	101,614
Total Revenues	5,440,991	5,440,991	4,943,139	(497,852)
Expenditures:				
Current:				
Public Safety	-	-	17,858	(17,858)
Total Expenditures	-	-	17,858	(17,858)
Excess (Deficiency) of Revenues Over Expenditures	5,440,991	5,440,991	4,925,281	(515,710)
Other Financing Sources (Uses)				
Transfers Out	(3,455,388)	(3,474,141)	(3,172,637)	301,504
Total Other Financing Sources (Uses)	(3,455,388)	(3,474,141)	(3,172,637)	301,504
Net Changes In Fund Balances	1,985,603	1,966,850	1,752,644	(214,206)
Fund Balances as of January 1	12,855,487	13,420,731	13,420,731	-
Fund Balances as of December 31	\$ 14,841,090	\$ 15,387,581	\$ 15,173,375	\$ (214,206)

See accompanying notes to the financial statements

Real Estate Excise Tax
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2008

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 5,200,000	\$ 4,000,000	\$ 3,467,764	\$ (532,236)
Charges for Services	15,900	15,900	15,575	(325)
Miscellaneous Revenue	551,456	551,456	945,839	394,383
Total Revenues	5,767,356	4,567,356	4,429,178	(138,178)
Expenditures:				
Current:				
General Government	-	-	6,500	(6,500)
Transportation	4,070	4,070	3,100	970
Capital Outlay	153,533	153,533	-	153,533
Total Expenditures	157,603	157,603	9,600	148,003
Excess (Deficiency) of Revenues Over Expenditures	5,609,753	4,409,753	4,419,578	9,825
Other Financing Sources (Uses)				
Transfers Out	(12,309,731)	(13,479,806)	(6,309,131)	7,170,675
Total Other Financing Sources (Uses)	(12,309,731)	(13,479,806)	(6,309,131)	7,170,675
Net Changes In Fund Balances	(6,699,978)	(9,070,053)	(1,889,553)	7,180,500
Fund Balances as of January 1	17,624,300	20,339,450	20,339,450	-
Fund Balances as of December 31	\$ 10,924,322	\$ 11,269,397	\$ 18,449,897	\$ 7,180,500

See accompanying notes to the 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, 2008

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 17,714,900	\$ 17,714,900	\$ 16,806,111	\$ (908,789)
Intergovernmental	11,921,804	13,826,979	11,225,842	(2,601,137)
Charges for Services	736,000	991,600	405,683	(585,917)
Miscellaneous Revenue	117,300	117,300	115,620	(1,680)
Total Revenues	30,490,004	32,650,779	28,553,256	(4,097,523)
Expenditures:				
Current:				
Public Safety	1,333,398	1,413,398	1,075,276	338,122
Transportation	21,308,376	21,700,872	19,226,448	2,474,424
Capital Outlay	11,248,785	15,630,881	9,900,744	5,730,137
Debt Service:				
Principal	10,126	10,126	5,357	4,769
Interest & Fiscal Charges	2,198	2,198	2,449	(251)
Total Expenditures	33,902,883	38,757,475	30,210,274	8,547,201
Excess (Deficiency) of Revenues Over Expenditures	(3,412,879)	(6,106,696)	(1,657,018)	4,449,678
Other Financing Sources (Uses)				
Sale of Capital Assets	10,000	10,000	613,939	603,939
Transfers In	2,320,000	3,440,000	24,188	(3,415,812)
Transfers Out	(1,149,150)	(1,271,153)	(1,349,988)	(78,835)
Total Other Financing Sources (Uses)	1,180,850	2,178,847	(711,861)	(2,890,708)
Net Changes In Fund Balances	(2,232,029)	(3,927,849)	(2,368,879)	1,558,970
Fund Balances as of January 1	15,718,671	20,733,199	20,733,499	300
Fund Balances as of December 31	\$ 13,486,642	\$ 16,805,350	\$ 18,364,620	\$ 1,559,270

See accompanying notes to the financial statements

Medic One
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2008

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 8,452,411	\$ 8,452,411	\$ 8,369,257	\$ (83,154)
Intergovernmental	96,000	96,000	115,799	19,799
Charges for Services	230	230	50	(180)
Miscellaneous Revenue	481,500	481,500	775,242	293,742
Total Revenues	9,030,141	9,030,141	9,260,348	230,207
Expenditures:				
Current:				
Health & Human Services	8,966,538	9,038,025	7,643,938	1,394,087
Capital Outlay	692,681	983,097	570,064	413,033
Debt Service:				
Principal	4,724	4,724	4,724	-
Interest & Fiscal Charges	1,220	1,220	1,220	-
Total Expenditures	9,665,163	10,027,066	8,219,946	1,807,120
Excess (Deficiency) of Revenues Over Expenditures	(635,022)	(996,925)	1,040,402	2,037,327
Other Financing Sources (Uses)				
Transfers In	6,250	15,100	12,300	(2,800)
Transfers Out	(6,250)	(15,100)	(12,300)	2,800
Total Other Financing Sources (Uses)	-	-	-	-
Net Changes In Fund Balances	(635,022)	(996,925)	1,040,402	2,037,327
Fund Balances as of January 1	14,470,780	15,875,114	15,875,214	100
Fund Balances as of December 31	\$ 13,835,758	\$ 14,878,189	\$ 16,915,616	\$ 2,037,427

See accompanying notes to the 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, 2008

	Original 2008 Budget	Final 2008 Budget	Actual 2008	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 933,815	\$ 933,815	\$ 1,064,445	\$ 130,630
Licenses & Permits	956,231	685,935	523,930	(162,005)
Intergovernmental	35,131,845	35,738,932	34,963,444	(775,488)
Charges for Services	2,934,018	2,607,964	2,472,400	(135,564)
Miscellaneous Revenue	168,300	184,300	404,463	220,163
Total Revenues	40,124,209	40,150,946	39,428,682	(722,264)
Expenditures:				
Current:				
Economic Environment	112,166	112,166	111,131	1,035
Health & Human Services	41,892,641	41,718,195	39,353,974	2,364,221
Capital Outlay	1,000,000	1,000,000	24,723	975,277
Debt Service:				
Principal	7,468	7,468	6,550	918
Interest & Fiscal Charges	6,200	5,700	2,841	2,859
Total Expenditures	43,018,475	42,843,529	39,499,219	3,344,310
Excess (Deficiency) of Revenues Over Expenditures	(2,894,266)	(2,692,583)	(70,537)	2,622,046
Other Financing Sources (Uses)				
Transfers In	1,632,470	1,632,470	2,905,632	1,273,162
Transfers Out	(69,655)	(69,655)	(69,655)	-
Total Other Financing Sources (Uses)	1,562,815	1,562,815	2,835,977	1,273,162
Net Changes In Fund Balances	(1,331,451)	(1,129,768)	2,765,440	3,895,208
Fund Balances as of January 1	4,556,711	5,549,983	5,550,333	350
Fund Balances as of December 31	\$ 3,225,260	\$ 4,420,215	\$ 8,315,773	\$ 3,895,558

See accompanying notes to the financial statements

Statement Of Net Assets
Proprietary Funds
December 31, 2008
Page 1 of 2

	Enterprise Funds					
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
ASSETS						
Current Assets:						
Cash & Pooled Investments	\$ 3,440,964	\$ 1,236,907	\$ 2,485,277	\$ 7,163,148	\$ 26,466,143	
Receivables:						
Special Assessment Receivables	-	-	165,434	165,434	-	
Accrued Interest & Penalties	300,528	12,367	73,305	386,200	162,176	
Customer Account Receivables	1,391,218	95,819	53,255	1,540,292	319,439	
Due From Other Funds	691,631	916,131	110,425	1,718,187	639,624	
Due From Other Government Units	256,193	12,109	238,605	506,907	-	
Inventory	-	-	-	-	215,314	
Prepayments	-	-	-	-	85,157	
Restricted Assets:						
Cash and Pooled Investments	-	-	306,649	306,649	-	
Total Current Assets	6,080,534	2,273,333	3,432,950	11,786,817	27,887,853	
Noncurrent Assets:						
Deferred Charges	-	172,545	-	172,545	-	
Community Loans Receivable	-	-	164,785	164,785	-	
Special Assessment Receivables	-	3,212,419	999,105	4,211,524	-	
Advances to Other Funds	12,766	-	-	12,766	-	
Capital Assets	33,628,962	18,528,769	16,842,331	69,000,062	92,445,009	
Accumulated Depreciation	(21,828,552)	(2,828,415)	(6,804,707)	(31,461,674)	(32,833,913)	
Restricted Assets: Cash and Pooled Investments	20,805,888	-	-	20,805,888	-	
Total Noncurrent Assets	32,619,064	19,085,318	11,201,514	62,905,896	59,611,096	
Total Assets	38,699,598	21,358,651	14,634,464	74,692,713	87,498,949	

See accompanying notes to the financial statements

Statement Of Net Assets
Proprietary Funds
December 31, 2008
Page 2 of 2

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
LIABILITIES					
Current Liabilities:					
Accounts Payable	901,533	225,913	1,300,028	2,427,474	933,491
Notes Payable	-	14,505	130,174	144,679	14,377
Due To Other Funds	972,517	18,369	202,893	1,193,779	356,804
Due To Other Government Units	773	-	-	773	-
Compensated Absences	-	-	231,273	231,273	834,784
Unearned Revenue	-	6,300	1,100	7,400	-
Lim.Tax G.O.Bond-Current Portion	-	1,137,711	-	1,137,711	65,000
Total Current Liabilities	1,874,823	1,402,798	1,865,468	5,143,089	2,204,456
Noncurrent Liabilities:					
Limited G.O. Bonds Payable	-	8,919,736	-	8,919,736	360,115
Compensated Absences & OPEB Payable	-	-	251,144	251,144	630,326
Claims and Judgments Payable	-	-	-	-	3,700,869
Intergovernmental Loans & Contracts Payable	-	97,145	1,715,645	1,812,790	4,434
Advances From Other Funds	-	10,000	802,766	812,766	-
Accumulated Landfill Closure Costs	19,663,390	-	-	19,663,390	-
Total Noncurrent Liabilities	19,663,390	9,026,881	2,769,555	31,459,826	4,695,744
Total Liabilities	21,538,213	10,429,679	4,635,023	36,602,915	6,900,200
NET ASSETS					
Invested in Capital Assets, Net Of Related Debt	11,800,410	5,531,257	8,773,403	26,105,070	59,167,170
Restricted For:					
Postclosure	5,360,975	-	-	5,360,975	-
Debt Service	-	-	42,570	42,570	-
Unrestricted (Deficit)	-	5,397,715	1,183,468	6,581,183	21,431,579
Total Net Assets	\$ 17,161,385	\$ 10,928,972	\$ 9,999,441	\$ 38,089,798	\$ 80,598,749

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, 2008***

	Business Type Funds
	<hr/>
Enterprise net assets as shown in the Proprietary Funds Statement of Net Assets	\$ 38,089,798
 Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	 <hr/> (771,237)
 Net assets for business-type funds as shown in Statement of Net Assets	 <hr/> <hr/> \$ 37,318,561

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, 2008**

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues:					
Charges for Services	\$ 16,058,808	\$ 1,004,007	\$ 6,681,182	\$ 23,743,997	\$ 66,668
Equipment Rental	-	-	-	-	5,763,120
Interfund Contributions	-	-	-	-	20,731,883
Miscellaneous	16,324	5,229	6,517	28,070	15,511
Total Operating Revenues	16,075,132	1,009,236	6,687,699	23,772,067	26,577,182
Operating Expenses:					
Salaries and Benefits	2,051,939	306,293	5,712,548	8,070,780	12,539,467
Other Supplies and Expenses	295,852	33,462	250,109	579,423	3,109,611
Contractual Services	1,666,662	133,204	1,348,617	3,148,483	5,135,955
Longhaul Contract	10,974,750	-	-	10,974,750	-
Interfund Services and Charges	1,025,943	18,487	1,376,180	2,420,610	1,362,713
Depreciation/Amortization	802,820	414,714	737,132	1,954,666	4,065,892
Claims Payments	-	-	-	-	1,588,173
Total Operating Expenses	16,817,966	906,160	9,424,586	27,148,712	27,801,811
Operating Income (Loss)	(742,834)	103,076	(2,736,887)	(3,376,645)	(1,224,629)
Nonoperating Revenue (Expenses):					
Interest Revenue	1,130,805	486,696	147,631	1,765,132	836,926
Other Nonoperating Revenue (Expense)	(132,248)	(34,013)	521,018	354,757	234,492
Interest Expense & Fiscal Charges	-	(533,757)	(59,069)	(592,826)	(5,300)
Total Nonoperating Revenue (Expense)	998,557	(81,074)	609,580	1,527,063	1,066,118
Income Before Contributions and Transfers:					
Transfers:	255,723	22,002	(2,127,307)	(1,849,582)	(158,511)
Capital Contributions	170,409	1,795,960	28,088	1,994,457	11,016,886
Transfers In (Out)	(53,227)	3,676,840	684,497	4,308,110	299,157
Change in Net Assets	372,905	5,494,802	(1,414,722)	4,452,985	11,157,532
Net Assets as of January 1	16,788,480	5,434,170	11,414,163	33,636,813	69,866,332
Prior Period Adjustments	-	-	-	-	(425,115)
Net Assets as of January 1 - Restated	16,788,480	5,434,170	11,414,163	33,636,813	69,441,217
Net Assets as of December 31	\$ 17,161,385	\$ 10,928,972	\$ 9,999,441	\$ 38,089,798	\$ 80,598,749

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, 2008**

	<u>Business-Type Funds</u>
Change in enterprise net assets as shown in the Statement of Revenues, Expenses and Changes in Fund Net Assets	\$ 4,452,985
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	(28,289)
Allocated direct and indirect costs from the County's cost plan	<u>(1,043,861)</u>
Change in net assets for business-type funds as shown in the Statement of Activities	<u>\$ 3,380,835</u>

See accompanying notes to the financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2008
Page 1 of 2

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 16,027,934	\$ 1,019,128	\$ 7,669,356	\$ 24,716,418	\$ 26,281,753
Cash Paid for Goods & Services	(14,667,476)	(66,832)	(2,976,364)	(17,710,672)	(10,386,253)
Cash Paid to Employees	(2,051,939)	(306,293)	(5,641,020)	(7,999,252)	(12,048,435)
Net Cash Provided (Used) by Operating Activities	(691,481)	646,003	(948,028)	(993,506)	3,847,065
Cash Flows from Noncapital Financing Activities:					
Transfers In	686,450	3,270,387	1,501,015	5,457,852	873,335
Transfers Out	(739,677)	(689,678)	(768,209)	(2,197,564)	(574,178)
Grant Proceeds	497,380	10,067	449,093	956,540	-
Community Loans Issued	-	-	(9,836)	(9,836)	-
Payments On Community Loans	-	-	37,274	37,274	-
Insurance Recoveries	-	-	-	-	57,682
Tax Payments	(399,562)	(34,013)	(48,793)	(482,368)	(6,756)
Net Cash Provided (Used) by Noncapital Financing Activities	44,591	2,556,763	1,160,544	3,761,898	350,083
Cash Flows from Capital & Related Financing Activities:					
Cash Proceeds from Sale of Capital Assets	-	-	-	-	48,280
Cash Disbursements for Purchases of Capital Assets	(991,089)	(3,653,621)	(965,281)	(5,609,991)	(3,190,502)
Bond/Loan Payments	-	(502,353)	(125,050)	(627,403)	(18,416)
Bond/Loan Proceeds	-	10,000	859,581	869,581	12,400
Contributed Capital	-	1,795,960	21,628	1,817,588	-
Assessment Receipts	-	(22,948)	38,522	15,574	-
Interest Payments	-	(549,763)	(59,069)	(608,832)	(3,168)
Net Cash Provided (Used) by Capital & Related Financing Activities	(991,089)	(2,922,725)	(229,669)	(4,143,483)	(3,151,406)
Cash Flows from Investing Activities:					
Interest Receipts	1,116,294	480,405	148,237	1,744,936	829,165
Net Cash Provided (Used) by Investing Activities	1,116,294	480,405	148,237	1,744,936	829,165
Net Increase (Decrease) in Cash & Pooled Investments	(521,685)	760,446	131,084	369,845	1,874,907
Cash & Pooled Investments as of January 1	24,768,537	476,461	2,660,842	27,905,840	24,591,236
Cash & Pooled Investments as of December 31	\$ 24,246,852	\$ 1,236,907	\$ 2,791,926	\$ 28,275,685	\$ 26,466,143

See accompanying notes to the financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2008
Page 2 of 2

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
Provided (Used) by Operating Income:					
Operating Income	\$ (742,834)	\$ 103,076	\$ (2,736,887)	\$ (3,376,645)	\$ (1,224,629)
Net Cash Provided (Used) by Operating					
Depreciation Expense	802,820	414,714	737,132	1,954,666	4,065,892
(Increase) Decrease in:					
Customer Account Receivables	97,735	(56,677)	(5,899)	35,159	(86,925)
Due from Other Funds	(144,933)	4,486	(109,454)	(249,901)	(172,642)
Due from Other Government Units	-	-	-	-	-
Inventories	-	-	-	-	(14,449)
Prepaid Expense	-	-	-	-	(490)
Increase (Decrease) in:					
Accounts Payable	(359,341)	204,221	1,121,275	966,155	253,671
Due to Other Funds	89,656	(23,817)	(25,723)	40,116	(5,877)
Due to Other Government Units	(6,924)	-	-	(6,924)	-
Claims and Judgments	-	-	-	-	541,999
Compensated Absences Payable	-	-	71,528	71,528	490,515
Accumulated Landfill Closure	(427,660)	-	-	(427,660)	-
Total Adjustments	51,353	542,927	1,788,859	2,383,139	5,071,694
Net Cash Provided (Used) by Operating Activities	\$ (691,481)	\$ 646,003	\$ (948,028)	\$ (993,506)	\$ 3,847,065

Noncash Investing, Capital, and Financing Activities:

Gain on Purchase/Sale Of Fixed Assets	\$ -	\$ -	(477)	\$ (477)	\$ 143,180
Loss on Purchase/Sale of Fixed Assets	\$ (28,482)	\$ -	-	\$ (28,482)	\$ (7,895)
Prior Period Adjustment - Reclassification of G O Debt From Governmental to Proprietary	\$ -	\$ -	-	\$ -	\$ (425,115)
Contribution of Capital Assets	\$ 170,409	\$ -	6,460	\$ 176,869	\$ 11,016,886

See accompanying notes to the financial statements

Statement Of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

ASSETS	Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash & Pooled Investments	\$ 263,495,527	\$ 1,488,600	\$ 19,007,539
Cash and Investments in Trust	-	-	360,798
Deposits with Fiscal Agent	-	-	75,000
Investments at Cost	200,000	-	-
Receivables:			
Accrued Interest Receivables	41,391	-	-
Investments at Fair Value:			
US Agency & Instrumentality Securities	4,722,420	-	-
Total Assets	268,459,338	1,488,600	19,443,337
LIABILITIES			
Liabilities:			
Warrant Payable	-	-	15,933,862
Accounts Payable	-	-	582,318
Payroll Payable	-	-	2,491,359
Due to Other Governments	-	-	435,798
Total Liabilities	-	-	19,443,337
NET ASSETS			
Investments Held in Trust for Pool Participants	268,459,338	-	-
Investments Held in Trust for Other Purposes	-	1,488,600	-
Total Net Assets	\$ 268,459,338	\$ 1,488,600	\$ -

See accompanying notes to the financial statements

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For The Year Ended December 31, 2008

	Investment Trust Funds	Private Purpose Trust Funds
Additions:		
Contributions:		
Additions By Participants	\$ 1,124,324,044	\$ 49,415,972
Trust Revenues	134,124	-
Total Contributions	<u>1,124,458,168</u>	<u>49,415,972</u>
Investment Income:		
Net Increase In Fair Value Of Investments	1,101,170	-
Interest, Dividends and Other	-	14,359
Total Investment Income	<u>1,101,170</u>	<u>14,359</u>
Total Additions	<u>1,125,559,338</u>	<u>49,430,331</u>
Deductions:		
Distributions to Participants	1,149,254,154	49,883,765
Trust Administrative Costs	134,124	-
Total Deductions	<u>1,149,388,278</u>	<u>49,883,765</u>
Change in Net Assets Held for Individuals, Organizations and Other Governments	(23,828,940)	(453,434)
Net Assets as of January 1 - Restated	<u>292,288,278</u>	<u>1,942,034</u>
Net Assets as of December 31	<u><u>\$ 268,459,338</u></u>	<u><u>\$ 1,488,600</u></u>

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2008

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 governmental 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 County was incorporated in 1852 and operates under the laws of the state of Washington applicable to counties. As required by the generally accepted accounting principles the financial statements present Thurston County as the primary government. The financial statements do not include any component units for which the County is financially accountable. Thurston County is a statute county, which means the organization of the County is prescribed by state statute. The County has a commissioner form of government with a governing body consisting of three County Commissioners.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this rule include redemptions and unmatured interest on general long term debt, which are recognized when due and compensated absences, which are recognized when paid.

Revenues susceptible to accrual include certain taxes, earned interest, certain charges for services, fines, and intergovernmental revenues, such as grants, where program expenditures are the prime factor determining reimbursement. Revenues such as sales based taxes, licenses, and fees are not considered susceptible to accrual since they are not generally measurable until received. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

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 Thurston County roads.
- The *Detention Facility Sales Tax Holding Fund* is a holding fund for local option sales taxes levied to construct adult and juvenile detention facilities.
- The *Jail Capital Projects* accounts for the planning and design of a community corrections and assessment center and for the construction of a minimum bed jail facility.
- *Medic One Fund* accounts for countywide delivery of advanced life support response and transport services.
- The *Public Health and Social Services Fund* accounts for the following services: mental health, developmental disabilities, substance abuse prevention & treatment, children and family, environmental, and personal health.
- 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.

The County reports the following major proprietary funds:

- The *Solid Waste Fund* accounts for solid waste activities county-wide which primarily includes disposal maintenance and operations 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.

Additionally, the County reports the following fund types:

- *Internal Service Funds* account for technology acquisition/improvement, building maintenance, equipment acquisition/maintenance, risk management and payroll/benefit administration provided to other departments or agencies of the County on a cost reimbursement basis.
- *Investment Trust Funds* account for external pooled and non-pooled investments held by the County Treasurer on behalf of external participants in the County's investment program.
- *Private Purpose Trust Funds* report amounts deposited with the County Clerk through Superior Court trust arrangements and agreements.
- *Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets (such as property tax collected on behalf of other governments) that the County holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the 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 this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general policy the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general policy include exchange or exchange-like transactions for internal services that are normally provided internally or to the public. This excludes internal services of internal service funds since the doubling effect of the cost of these services has already been removed from the financial statements. Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally

dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes, interest earnings, sale of capital assets (if material), and transfers.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste, Grand Mound, and Other Enterprise Funds and the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the payroll and contractual service cost, including other administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use resources proportionately based on their overall contribution to the total resources of that fund, function or program.

D. ASSETS, LIABILITIES AND EQUITIES

1. Cash Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand and demand deposits. 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. For the purposes of the statement of cash flows, the County considers all amounts invested in its cash pool to be cash and cash equivalents. All other investments, if applicable, are reported as investments at cost.

It is the County's policy to invest all temporary cash surpluses. At December 31, 2008, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note IV. This amount is classified on the balance sheet as cash and pooled investments in various funds. The interest on these investments is allocated to the various funds on an average daily balance basis. The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the year was approximately \$388,000.

2. Receivables

Taxes receivable consist of delinquent property taxes and related interest and penalties. See Note V – Property Taxes. 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 as revenue unless they are material to the amount collected or to the outstanding balance.

Accrued interest receivable includes interest and penalties on property taxes, interest on investments and on current special assessments at year-end. The County considers interest on investments to be available if they will be collected within sixty days after year-end.

Special assessments receivable are recorded when levied. Current special assessments consist of current and delinquent assessments. Long term special assessments are outstanding unbilled special assessments. This includes any related interest and liens against the property benefited. Long term special assessments are offset by deferred revenues in the governmental balance sheet. Special assessments and utility billings are collectible through liens on property. Therefore, no estimates of uncollectible amounts are established.

Customer account receivables are amounts owed from private individuals or organizations for County services which primarily includes receivables for court, incarceration and public health services. 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.

3. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as 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." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Interfund balances between governmental funds and interfund balances between proprietary funds have been eliminated and are not included in the government-wide statement of net assets. A separate schedule of interfund loans receivable and payable is furnished in Note VIII - Interfund Receivables and Payables.

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 generally reported as a cash flow change impacting grant cash proceeds from non-capital financing activities. Due from other governments for internal service funds is generally reported as a cash flow change that impacts 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 expended when the item is purchased, is used in governmental funds, except for the Roads Fund. The perpetual inventory method is used in the Roads Fund. The perpetual inventory method capitalizes the cost when inventory is purchased and then expends the cost when the item is consumed. Inventories recorded in the Roads Fund are stated at cost on a moving weighted average basis. Enterprise funds had no reportable material inventories at year end.

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. Capital Assets and Depreciation

Capital assets, which include land, buildings, improvements to land and buildings, vehicles, machinery, equipment, easements, construction in progress and infrastructure assets and all other tangible and intangible assets used in operations, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Infrastructure assets are usually stationary and normally 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. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more, including ancillary costs, with an estimated useful life in excess of one year.

Capital assets are valued as cost where historical records are available and at estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

In June 1999 Government Accounting Standards Board (GASB) issued Statement #34, which required the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with this Statement, the County has recorded the value of all infrastructure assets acquired after July 1, 1980 in its statement of net assets. In certain instances, engineering estimates, as well as annual reports of the County Road Administration Board and Washington State Department of Transportation were used to value the estimated historical costs of assets. In other instances, historical costs were derived by estimated historical costs on a discounted and depreciated current replacement value basis. Infrastructure acquired prior to June 30, 1980, except for roads right of way and easements, is not reported.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other repairs or normal maintenance are expensed. Outlays for capital assets and improvements are capitalized as projects are constructed. The net book values of replaced and depreciated components are removed from the system when replaced or when fully depreciated. The cost of normal maintenance and repairs that does not significantly impact asset value 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:

Asset Class	Estimated Useful Life
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.

Machinery and equipment purchased on capital leases are treated as capital assets, indicating a constructive or actual transfer of the benefits and risks of ownership to the County, and are valued at the lesser of the fair value of the leased property or the present value of the minimum lease payments required by contract.

6. Long-Term Debt (See Note VII – Long Term and Other Significant Debt)

General obligation bonds and intergovernmental loans/contracts directly related to or financed from enterprise funds are accounted for in the respective enterprise fund. All other long-term debt is reported as governmental debt in the entity-wide statement of net assets. Bond premiums and discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line interest method since it is not materially different than the effective 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, and issuance costs in the current period. The face amount of debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, is reported as debt service expenditures.

Amounts reserved for the current portion of long-term debt 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.

7. Deferred Charges, Deferred Revenues, and Unearned Revenue

Deferred charges in the government wide financial statements defer expenditures for debt issuance which are amortized over the life of the respective bond issues.

Deferred revenues in the fund financial statements include amounts collected before revenue recognition criteria are met and receivables for delinquent taxes that are not yet available under the modified accrual basis of accounting. Unearned revenues in the government-wide financial statements represent resources received but not yet earned.

8. Fund Equity

Fund equity is recognized as fund balance in governmental funds, and as net assets in proprietary funds and entity wide statements. Fund equity may be reserved because of legal restrictions by outside parties for use for a specific purpose or to denote unavailability for current operations. Solid waste cash and investments are restricted to fund a 30 year landfill post-closure 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. Designations of fund balance represent tentative management plans that are subject to change. Unless otherwise noted, fund balances (deficits) are unreserved and undesignated.

Investment in capital assets, net of related debt includes all capitalized assets less outstanding obligations for current and long term bonds and notes payable related to capital investments. These amounts are adjusted for unexpended bond proceeds, other borrowings, negative equities and non-capital financings as noted below.

Reconciliation of Investment In Capital Assets, Net of Related Debt

	Governmental Activities	Business-Type Activities
Capital Assets	\$ 403,691,980	\$ 37,538,388
Plus: Investment Equity for Septic Loan Programs	-	535,611
Negative Capital Investment Equity for Olympic View	-	45,987
Less: Long and Short Term Notes & Bonds Payable	(40,784,200)	(12,014,916)
Jail Capital Projects Investment Pool Payables	(5,358,094)	-
Investment In Capital Assets, Net of Related Debt	\$ 357,549,686	\$ 26,105,070

A portion of the County's net assets are subject to external legal restrictions on how they may be used and therefore are not available for general spending at the discretion of the County. Fees and charges for services (except for the General Fund), as reported in the entity wide statements, are usually considered to be restricted since they have been charged or levied for a specific purpose or use. Operating/capital grants are also considered to be restricted if the use of the proceeds is restricted by the grantor. An amount equal to these restricted assets, less any related liabilities, is reported as restricted assets on the government wide statement of net assets.

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 below.

The first line item adjustment, as detailed below, was for \$347,627,261 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 - 01/01/08	\$ 350,256,110
Reclassification of Governmental Assets as Internal Service Assets	(11,016,886)
Prior Period Adjustment	(2,650,014)
Gains (Losses) on Dispositions of Capital Assets	(1,193,725)
Governmental Capital Outlays	20,756,004
Governmental Depreciation Expense	(8,524,228)
Governmental Net Book Value - 12/31/08	\$ 347,627,261

The second line item adjustment, as detailed below, was for \$40,340,274 because long-term debt, which is not reported in governmental funds, is reported in the statement of net assets:

Governmental Debt - 01/01/08	\$ 43,346,658
Reclassification of Governmental Debt As Internal Service Debt	(425,115)
Debt Principal Payments	(2,564,554)
Lease Financing Proceeds And Adjustments	20,640
Amortization of Premium and Refunding Deferral	<u>(37,355)</u>
Computed Governmental Debt - 12/31/08	<u><u>\$ 40,340,274</u></u>

The third line item adjustment, as detailed below, was for \$80,598,749 because assets and liabilities 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 - 01/01/08	\$ 69,866,332
Reclassification of Governmental Assets as Internal Service Assets	11,016,886
Transfer of Governmental Debt to Internal Service Fund	(425,115)
Net Transfers In/Out	299,157
Net Profit	<u>(158,511)</u>
Net Assets - 12/31/08	<u><u>\$ 80,598,749</u></u>
Interfund Receivables	\$ 319,439
Capital Assets	59,611,096
Other Assets	27,568,414
Interfund Payables	(356,804)
Debt	(429,549)
Other Liabilities	<u>(6,113,847)</u>
Net Assets - 12/31/08	<u><u>\$ 80,598,749</u></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

BUDGETARY INFORMATION

1. Scope of Budget

Annual appropriated budgets are adopted for all County funds in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by Budgeting, Accounting, and Reporting System (BARS) of the State of Washington and on a basis consistent with generally accepted accounting principles. Appropriations are authorized at the fund level for all funds, except the general fund, where expenditures may not exceed appropriations at the department level. The budgets constitute the legal authority for expenditures at these levels. All appropriations lapse at year-end.

During the budget process, each County official submits detailed estimates of anticipated revenues and expenditure requests for the subsequent budget year. The data is compiled and made available for public comment beginning the first Monday in October. A recommended budget is submitted to the Board of County Commissioners in the third week of November. Public hearings are held the first week of December and the final budget is adopted, through the passage of a resolution, shortly thereafter.

2. Amending the Budget

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. General fund departments or other County Funds may transfer budget amounts between certain expenditures without approval of the Board as long as they do not exceed their total department/fund budget.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures over Appropriations

The following reported budget over expenditures did not violate the legally authorized level allowed by state statute or the legally authorized level allowed by County budget appropriation policies, except for the Pacific Mountain Fund, as explained in more detail below:

- Expenditures, including operating transfers out, for the 2007 Debt Holding, Lake Management Administration, RSN-IRMA Grays Harbor, South Pattison Lake LMD special revenue funds and the Evaluation Treatment and Triage Facility construction fund exceeded budget by \$66,996, \$443, \$14,781, \$5,724 and \$881,233 respectively. These funds were closed out in 2008 with residual fund equities being transferred to other funds. The close out and transfer of fund equities for these funds was specifically authorized by Commissioner approved resolutions and is in compliance with County budget policies.
- 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.
- The Pacific Mountain Fund exceeded its 2008 budgeted appropriations by \$10,255. Fund managers are implementing additional steps to ensure future compliance with statutes and budget policies.

4. Deficit Fund Equity

The following governmental funds had a deficit fund balance at December 31, 2008: Jail Capital Projects (\$5,358,094), Long Term Care (\$102,290) and Roads Development Review (\$219,483). The Jail Capital Projects Fund was fully funded by a \$42,765,000 bond issued on April 7, 2009. This project was initiated and then funded by the Thurston County Investment Pool when bond issuance was delayed to finalize the project scope (See Note XIV.C.). Additional fee increases, budget expenditure reductions and transfers from the General and Roads Funds are budgeted in 2009 for the Long Term Care and Roads Development Review Funds to eliminate the carry forward effects of deficit fund balances from 2008.

The following proprietary funds had deficit net assets at December 31, 2008: Development Services (\$2,314,954) and Enterprise Administration (\$357,381). Additional fee increases and budget expenditure reductions are budgeted in 2009 for the Development Services and Enterprise Administration Funds to eliminate the carry forward effects of deficit net assets from 2008.

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, 2008 and throughout the year were 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, 2008 were \$15,927,810.

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 2008 we did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

As of December 31, 2008, 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>
Pool Investments:		
State Treasurer's LGIP	\$ 49,500,000	0.0
Money Market Account		0.0
U.S. agencies	<u>364,015,000</u>	5.6
Pool Investments	<u>413,515,000</u>	4.9
Total Investments	<u>\$ 413,515,000</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.

The ratings of debt securities as of December 31, 2008 are:

Debt Security	S&P Rating
Fannie Mae (Federal National Mortgage Association)	AAA
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA
Washington State Investment Pool	Not Rated

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, cash deposits and pool accruals to the fund and entity wide statements is as follows:

**Reconciliation of Deposits and Investments
December 31, 2008**

	<u>Total</u>	<u>Cash & Pool Investments</u>	<u>Investments</u>
Pool Investments:			
State Treasurer's Local Govt. Investment Pool (LGIP)	\$ 49,500,000	\$ 49,500,000	\$ -
U.S. Agency & Instrumentality Securities	364,015,000	363,815,000	200,000
Total Investments	<u>413,515,000</u>	<u>413,315,000</u>	<u>200,000</u>
Cash, Cash Deposits & Accruals:			
Deposits With Financial Institutions	15,927,810	15,927,810	-
Pool Receivables Less Accruals	4,458,994	4,458,994	-
Cash with Fiscal Agent	75,000	75,000	-
Petty Cash, Change, Revolving, and	99,853	99,853	-
Clerk's Trust Funds	1,488,600	1,488,600	-
Total Cash & Investments	<u>435,565,257</u>	<u>435,365,257</u>	<u>200,000</u>
Net Increase			
(Decrease) in the Fair Value of Investments	<u>4,722,420</u>	<u>4,722,420</u>	<u>-</u>
Total Reported Cash & Investments	<u><u>\$ 440,287,677</u></u>	<u><u>\$ 440,087,677</u></u>	<u><u>\$ 200,000</u></u>
Reconciliation to Statements:			
Statement of Net Assets:			
Cash & Pooled Investments - Unrestricted	\$ 129,780,356		
Cash & Pooled Investments - Restricted	21,112,537		
Statement of Fiduciary Net Assets:			
Pooled Investment Trust Funds	\$263,495,527		
Investments at Cost	200,000		
Net Increase (Decrease) in Investment Fair Value	4,722,420		
Private Purpose Trust Funds	1,488,600		
Agency Funds	19,007,539		
Agency Petty Cash	44,900		
Cash and Investments in Trust	360,798		
Cash and Deposits with Fiscal Agent	75,000		
Total Reported Cash & Investments	<u><u>\$ 440,287,677</u></u>		

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

**Current and Restricted Assets
December 31, 2008**

	<u>Total</u>	<u>Current Assets</u>	<u>Restricted Assets</u>
Pooled Investments	\$ 413,315,000	\$ 392,202,463	\$ 21,112,537
Investments	200,000	-	200,000
Total	<u>\$ 413,515,000</u>	<u>\$ 392,202,463</u>	<u>\$ 21,312,537</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 the TCIP. Authorized investments for the TCIP are the same as investments held outside of the pool. These are defined in statute and discussed in Note IV (B). The 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 local governments and districts 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 experienced a net increase in the fair value of the investments during 2008, as market interest rates decreased. At 12/31/2008, the market value of investments was \$4,722,420 greater than the amortized cost. These unrealized gains will not be recognized in the various funds as management intends to hold these investments to maturity. During 2008, TCIP sold 10 investments with a total realized gain of \$258,253.

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 the 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, 2008, is reported in the following schedule:

Condensed Statement of Net Assets
December 31, 2008

Cash, Cash Equivalents and Pooled Investments	\$ 413,315,000
Total Assets	<u>413,315,000</u>
Accrued Interest Payable	-
Total Liabilities	<u>-</u>
Net Assets Held in Trust for Pool Participants	<u>\$ 413,315,000</u>

Condensed Statement of Changes in Net Assets
December 31, 2008

Changes in Net Assets Resulting from Operations	\$ 21,799,672
Distribution to Participants	(21,799,672)
Changes in Net Assets Resulting from Cash Transactions	<u>(40,948,807)</u>
Net Assets Available	(40,948,807)
Net Assets - 1/1	<u>454,263,807</u>
Net Assets - 12/31	<u>\$ 413,315,000</u>
Internal Investment Pool	\$ 150,892,893
External Investment Pool	<u>262,422,107</u>
Thurston County Investment Pool - 12/31	<u>\$ 413,315,000</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.
April 30	First of two equal installment payments is due.
October 31	Second installment is due.

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 subject to three limitations:

1. Initiative 747 limits annual regular property tax increases to 1% or the Implicit Price Deflator, whichever is less. An increase above 1% is allowed only with voter approval. The 1% limit excludes increases due to the addition of new construction and state assessed utility increases.

2. 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.
3. 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.

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 2007 for collection in 2008:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
County	\$ 1.0467	\$ 28,809,396,274	\$ 30,154,375
Roads	1.1498	\$ 15,746,128,689	18,104,685
	<u>\$ 2.1965</u>		<u>\$ 48,259,060</u>

Note VI - Capital Assets and Commitments

A. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 01/01/08	Increases	Decreases	Ending Balance 12/31/08
Capital Assets - Non-Depreciable:				
Land	\$ 251,086,780	\$ 1,242,045	\$ 534,509	\$ 251,794,316
Construction in Progress	23,166,570	16,929,443	24,412,419	15,683,594
Capital Assets - Non-Depreciable	<u>274,253,350</u>	<u>18,171,488</u>	<u>24,946,928</u>	<u>267,477,910</u>
Capital Assets - Depreciable:				
Buildings	62,720,956	10,729,154	328,847	73,121,264
Improvements Other Than Buildings	6,149,546	607,536	1,797,008	4,960,075
Machinery & Equipment	40,531,257	6,355,054	4,096,528	42,789,783
Infrastructure	113,346,422	11,840,435	3,860,266	121,326,591
Original Cost	<u>222,748,181</u>	<u>29,532,180</u>	<u>10,082,648</u>	<u>242,197,713</u>
Less Accumulated Depreciation:				
Buildings	(17,687,715)	(2,002,430)	(78,435)	(19,611,710)
Improvements Other Than Buildings	(1,831,285)	(691,700)	(384,702)	(2,138,283)
Machinery & Equipment	(27,396,192)	(3,712,336)	(3,414,899)	(27,693,630)
Infrastructure	(54,280,479)	(6,183,651)	(3,924,111)	(56,540,019)
Accumulated Depreciation	<u>(101,195,671)</u>	<u>(12,590,119)</u>	<u>(7,802,147)</u>	<u>(105,983,643)</u>
Capital Assets - Depr, Net	<u>121,552,510</u>	<u>16,942,062</u>	<u>2,280,501</u>	<u>136,214,071</u>
Total Original Cost	497,001,531	47,703,668	35,029,576	509,675,623
Total Accumulated Depreciation	<u>(101,195,671)</u>	<u>(12,590,119)</u>	<u>(7,802,147)</u>	<u>(105,983,643)</u>
Governmental Capital Assets, Net	<u>\$ 395,805,860</u>	<u>\$ 35,113,549</u>	<u>\$ 27,227,429</u>	<u>\$ 403,691,980</u>

Depreciation Expense was charged to functions as follows:

General Government	\$ 659,341
Public Safety	958,114
Utilities and Environment	2,425
Transportation	6,270,087
Economic Environment	4,535
Health and Human Services	43,158
Culture and Recreation	586,568
Subtotal	<u>8,524,228</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.

4,065,891

Total Governmental Activities Depreciation Expense

\$ 12,590,119

Business Type Activities for the year ended December 31, 2008 was as follows:

BUSINESS TYPE ACTIVITIES	Beginning Balance 01/01/08	Increases	Decreases	Ending Balance 12/31/08
Capital Assets, not being depreciated:				
Land	\$ 1,617,427	\$ 172,882	\$ -	1,790,309
Construction In Progress	2,920,866	4,436,022	701,710	6,655,178
Total Capital Assets, not being depreciated	<u>4,538,293</u>	<u>4,608,904</u>	<u>701,710</u>	<u>8,445,487</u>
Capital Assets, being depreciated:				
Buildings	22,611,782	14,978	2	22,626,758
Improvements other than buildings	31,704,166	1,676,861	-	33,381,027
Machinery & Equipment	4,481,360	286,529	221,099	4,546,790
Total Capital Assets, being depreciated	<u>58,797,308</u>	<u>1,978,368</u>	<u>221,101</u>	<u>60,554,575</u>
Less Accumulated Depreciation For:				
Buildings	(4,927,251)	(633,246)	12,598	(5,573,095)
Improvements other than buildings	(22,170,926)	(1,007,872)	-	(23,178,798)
Machinery & Equipment	(2,542,384)	(313,548)	(146,151)	(2,709,781)
Total Accumulated Depreciation	<u>(29,640,561)</u>	<u>(1,954,666)</u>	<u>(133,553)</u>	<u>(31,461,674)</u>
Total Capital Assets being depreciated, net	<u>29,156,747</u>	<u>23,702</u>	<u>87,548</u>	<u>29,092,901</u>
Business Type Activities Capital Assets, net	<u><u>\$ 33,695,040</u></u>	<u><u>\$ 4,632,606</u></u>	<u><u>\$ 789,258</u></u>	<u><u>\$ 37,538,388</u></u>

Depreciation expense was charged to functions as follows:

Solid Waste	\$ 802,820
Water	252,512
Sewer	505,025
Stormwater	342,890
Development Services	51,419
Total	<u><u>\$ 1,954,666</u></u>

B. CONSTRUCTION COMMITMENTS

Thurston County has the following active construction commitments, including the Accountability and Restitution Center and Customer Service Center project, as of December 31, 2008:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Accountability and Restitution Center	\$ 7,869,319	\$ 34,962,257
Devoe Housing (Renovations)	887,500	-
Tolmie Apartments (Renovations)	103,858	57,202
Deschutes Cove Apartments (Renovations)	146,967	15,221
City of Tenino (Homeowner Rehabilitation)	46,336	242,884
	<u>\$ 9,053,980</u>	<u>\$ 35,277,563</u>

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 eventually 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.

1999 Grand Mound Limited 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, 2008 was \$2,945,000.

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 \$8,005,000 outstanding as of December 31, 2008.

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% annual principal installments from \$400,000 to \$800,000 a year. The term of the bonds is 20 years with the final payment due in 2024. The balance at December 31, 2008 was \$9,495,000

2005 Limited 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% annual principal installments ranging from \$100,000 to \$3,000,000 a year. The term of the bonds is 20 years with the final payment due in 2025. The balance at December 31, 2008 was \$24,625,000.

2007 Limited General Obligation Bonds of \$5,000,000 were issued in 2007. The bonds are being used to fund a second county jail. The term of the bonds is 20 years with the final payment due in 2027. The bonds bear interest rates of 3.75% to 4.0% payable annual principal installments ranging from \$125,000 to \$375,000 a year. The balance at December 31, 2008 was \$4,875,000.

2. Loans and Contracts Payable

The County has entered into an agreement with the Department of Community Development, State of Washington, for three loans from the State of Washington, Public Works Trust Fund. The loans are to finance in part the construction of the Olympic View drain field, the Sunrise Beach Landslide Mitigation Project (also known as Road Improvement District #2) and the Grand Mound water corrosion control project. 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.

Olympic View Debt Redemption Fund (Enterprise Fund) has a 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, 2008 of \$46,573.

Road Improvement District #2 Fund (Debt Service Fund) has a 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, 2008 of \$61,943.

Grand Mound-Water has a 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, 2008 is \$18,678.

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, 2008 is \$109,146. 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, 2008 is \$54,649. 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, 2008 is \$115,118. 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, 2008 is \$15,708. During 2002 a fifth loan began with borrowing not to exceed the 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, 2008 is \$86,177. The sixth loan is not to exceed \$200,000 with an interest rate of 1.5%. Repayment will begin when the draws are substantially complete. The term of the loan is for twenty years and the balance at December 31, 2008 was \$154,814.

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, 2008 was \$1,174,236. 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, 2008 was \$92,971.

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, 2008 is \$259,055.

3. Leases

a. 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 that recognize the present value of future minimum lease payments at the inception of the lease. Leases payable totaled \$420,004 at December 31, 2008.

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2008 were as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Machinery & Equipment	\$ 549,511	97,008
Less: Accumulated Depreciation	(213,025)	(13,490)
Present Value of Minimum Lease Payments	336,486	83,518
Plus amount representing interest	55,050	19,202
Total minimum lease payments	<u>\$ 391,536</u>	<u>102,720</u>

b. Operating Lease Liabilities

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 one that extends to 2016. Operating lease expenditures for the year ended December 31, 2008 were \$1,403,578. The future minimum lease payments for these leases are:

Year	Amount
2009	\$ 1,331,629
2010	\$ 1,070,873
2011	\$ 388,826
2012	\$ 277,434
2013-2016	\$ 30,968

c. Lease Receivables

The County contracts with various businesses to lease County owned buildings as office space. The leases are both cancelable and non-cancelable with five year contracts and one contract that will terminate in 2015. The county received \$192,921 of operating lease revenues from these contracts in 2008. Amounts that will be received in future years under these lease agreements are noted below:

Year	Amount
2009	\$ 194,186
2010	\$ 198,943
2011	\$ 151,076
2012	\$ 121,383
2013-2015	\$ 360,843

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 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 and, if retiring, half of unused sick leave, to a maximum of 360 hours. Alternative plan employees who terminate are entitled to be paid for unused leave up to 280 hours.

The County reported a liability of \$7,125,856 at December 31, 2008 for that portion of unpaid accumulated vacation and personal leave payable in the statement of net assets. \$6,256,494 of this liability is expected to be incurred in 2009. 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 \$5,911,666 for governmental funds, \$950,781 for internal service funds and \$263,409 for enterprise funds. Payroll, benefits and associated administrative services for enterprise funds administered by the Department of Water & Waste Management are billed to these enterprise funds by two internal service funds. Consequently, balances for compensated absences in these enterprise funds are 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.

5. Other Post Employment Benefits

Thurston County administers two post employment benefit programs that provide primarily post employment medical benefits to retired Thurston County employees. These programs are for retired Law Enforcement Officers and Fire Fighters (LEOFF) under the LEOFF 1 retirement act and for all Thurston County employees through the state managed Public Employees Benefits Board (PEBB). A long term governmental liability of \$779,066 was recognized for LEOFF 1 benefits in the statement of net assets in 2008. A long term liability of \$4,327,308 was also recognized for PEBB benefits in the financial statements. This liability was allocated between the governmental and proprietary funds based on current active full time employees. Consequently, \$4,108,300 as recognized in the statement of net assets for governmental and internal service funds and \$219,008 was recognized for enterprise funds. Note XI contains detailed information on these two post employment benefit programs including the computation of the current accrued cost and the associated long term liability.

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, 2008

	Balance At January 1 2008	New Issues	Reductions And Adjustments	Balance At December 31, 2008		
				Total Ending Balance	Current	Long Term
Governmental Activities:						
Loans & Contracts Payable	\$ 572,786	\$ -	\$ (251,784)	\$ 321,002	\$ 166,822	\$ 154,180
Leases Payable	354,383	143,627	(161,524)	336,486	111,772	224,714
Notes Payable	927,169	143,627	(413,308)	657,488	278,594	378,894
General Obligation Bonded Debt	41,770,250		(2,280,249)	39,490,001	2,327,645	37,162,356
Deferred Amount On Refunding	(604,583)	-	33,588	(570,995)	(33,588)	(537,407)
Unamortized Premium	1,278,649	-	(70,943)	1,207,706	70,943	1,136,763
Limited G.O. Bonds Payable	42,444,316	-	(2,317,604)	40,126,712	2,365,000	37,761,712
Compensated Absences & OPEB	8,714,234	8,351,652	(5,316,073)	11,749,813	6,025,221	5,724,592
Balance at Dec 31, 2008	52,085,719	8,495,279	(8,046,985)	52,534,013	8,668,815	43,865,198
Business-Type Activities:						
Loans & Contracts Payable	1,917,485	-	(43,534)	1,873,951	125,406	1,748,545
Leases Payable	67,997	53,735	(38,214)	83,518	19,273	64,245
Notes Payable	1,985,482	53,735	(81,748)	1,957,469	144,679	1,812,790
General Obligation Bonded Debt	10,480,000	-	(475,000)	10,005,000	1,132,943	8,872,057
Deferred Amount On Refunding	(425,743)	-	35,479	(390,264)	(35,479)	(354,785)
Unamortized Premium	482,958	-	(40,247)	442,711	40,247	402,464
Limited G.O. Bonds Payable	10,537,215	-	(479,768)	10,057,447	1,137,711	8,919,736
Compensated Absences & OPEB	410,889	410,889	(339,361)	482,417	231,273	251,144
Balance at Dec 31, 2008	12,933,586	464,624	(900,877)	12,497,333	1,513,663	10,983,670
Total Long-term Debt	\$ 65,019,305	\$ 8,959,903	\$ (8,947,862)	\$ 65,031,346	\$ 10,182,478	\$ 54,848,868

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:

Schedule Of Annual Requirements Debt Payment Schedule As Of December 31, 2008

	General Obligation Bonded Debt		Leases Payable		Loans/Contracts/Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 3,060,000	\$ 2,282,533	\$ 130,931	\$ 34,885	\$ 397,298	\$ 21,065	\$ 5,926,712
2010	3,335,000	2,160,258	116,319	22,592	145,451	19,173	5,798,793
2011	3,440,000	2,005,545	94,933	11,610	137,359	17,164	5,706,611
2012	3,585,000	1,845,708	56,351	4,457	138,659	15,289	5,645,464
2013	3,840,000	1,677,380	21,470	733	140,015	13,358	5,692,956
2014-2018	19,315,000	5,939,375	-	-	651,277	39,598	25,945,250
2019-2023	10,285,000	1,797,993	-	-	547,632	13,091	12,643,716
2024-2029	2,635,001	284,705	-	-	37,262	1,372	2,958,340
Total	<u>\$ 49,495,001</u>	<u>\$ 17,993,497</u>	<u>\$ 420,004</u>	<u>\$ 74,277</u>	<u>\$ 2,194,953</u>	<u>\$ 140,110</u>	<u>\$ 70,317,842</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, 2008, the County had an additional \$28,133 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)	\$ 451,764,201	\$ 401,605,467
General Government (With 3/5-majority vote)	\$ 752,940,336	\$ 702,781,602

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 one outstanding refunded issue.

Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities As of December 31, 2008

Refunded & Defeased Bonds Outstanding	01/01/08	Increases	Decreases	12/31/08
	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000

General Obligation Bonds of \$26,135,000 were issued in 2005 of which \$7,510,000 was used for an advance refunding of \$7,500,000 of outstanding 1999 enterprise bonds. 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

The composition of interfund receivables and payables in the fund financial statements as of December 31, 2008 is shown in the following table.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 374,693	\$ 72,355
Detention Facilities Sales Tax Holding	-	189,795
Jail Capital Projects	3,794	67,332
Real Estate Excise Tax	-	993,202
Roads	23,012	40,514
Medic One	-	10,834
Public Health & Social Services	272,541	107,429
Non-Major Governmental Funds	41,254	41,061
Internal Service Funds	639,624	356,804
TOTAL GOVERNMENTAL & INTERNAL SERVICE FUNDS	<u>1,354,918</u>	<u>1,879,326</u>
Enterprise Funds		
Solid Waste	691,631	972,517
Grand Mound	916,131	18,369
Non-Major Enterprise Funds	110,425	202,893
TOTAL ENTERPRISE FUNDS	<u>1,718,187</u>	<u>1,193,779</u>
TOTAL COUNTY FUNDS	<u>3,073,105</u>	<u>3,073,105</u>
TOTAL	<u>\$ 3,073,105</u>	<u>\$ 3,073,105</u>

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, 2008:

1. The Solid Waste Utility advanced \$30,000 to the Grand Mound Utility in 2004. The repayment period started in 2005 and will end in 2009. The advance bears an annual interest rate of 3%. Interest only was repaid during the first two years with equal interest and principal payments scheduled to be repaid the last three years of the repayment period. The remaining balance at December 31, 2008 was \$10,000.
2. The Solid Waste Utility advanced \$8,300 to the Tamoshan Utility in 2006. The advance will be repaid with equal interest and principal payments over 3 years. The advance bears an interest rate of 4%. The remaining balance at December 31, 2008 was \$2,766.
3. The Roads Fund advanced \$800,000 to the Development Services Fund in 2008. There is a five year repayment period starting in 2009 and ending in 2013. The advance bears an interest rate of 3% with monthly payments of \$15,587 throughout the repayment period.

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 out of Detention Facilities Sales Tax Holding are primarily to fund public safety capital projects in capital project funds and public safety operations in the General Fund. Transfers in to Public Health and Social Services comprise subsidies and support service payments from the General and Development Service Funds. Transfers into and out of proprietary and non-major governmental funds are primarily for debt service and associated capital projects. Transfers also include transfers of residual fund balances to active ongoing funds from funds that were closed out and terminated in 2008.

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, 2008 are summarized below:

	Transfers In	Transfers Out
General Fund	\$ 8,504,480	\$ 3,281,632
Detention Facilities Sales Tax Holding	-	3,172,637
Jail Capital Projects	2,202,502	-
Real Estate Excise Tax	-	6,309,131
Roads	24,188	1,349,988
Medic One	12,300	12,300
Public Health & Social Services	2,905,632	69,655
Non-Major Governmental Funds	8,553,574	12,614,600
Internal Service Funds	873,335	574,178
TOTAL GOVERNMENTAL & INTERNAL SERVICE FUNDS	23,076,011	27,384,121
Enterprise Funds		
Solid Waste	686,450	739,677
Grand Mound	4,186,518	509,678
Non-Major Enterprise Funds	1,452,706	768,209
TOTAL ENTERPRISE FUNDS	6,325,674	2,017,564
TOTAL COUNTY FUNDS	\$ 29,401,685	\$ 29,401,685

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 Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) Plans 1, 2, and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to but not yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Non-vested	52,575
Total	255,849

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2008, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	8.31%**	8.31%**	8.31%***
Employee	6.00%****	5.45%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
 ** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% for Plan 2 and Plan 3.
 *** Plan 3 defined benefit portion only.
 **** The employee rate for state elected officials is 7.50% for Plan 1 and 5.45% for Plan 2.
 ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	10.81%	10.81%	10.81%**
Employer-Local Govt.*	8.31%	8.31%	8.31%**
Employee-State Agency	9.76%	11.13%	7.50%***
Employee-Local Govt.	12.26%	13.63%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** Plan 3 defined benefit portion only.

*** Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	\$ 398,108	\$ 3,482,899	\$ 361,252
2007	\$ 337,846	\$ 2,681,836	\$ 234,290
2006	\$ 182,179	\$ 1,411,628	\$ 109,874

B. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to but not yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Non-vested	3,708
Total	26,330

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.46%**
Employee	0.00%	8.83%
State	N/A	3.53%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.99%.

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

	LEOFF Plan 1	LEOFF Plan 2
2008	\$ 335	\$ 399,102
2007	\$ 383	\$ 342,931
2006	\$ 680	\$ 297,739

C. PUBLIC SAFETY EMPLOYEE'S RETIREMENT SYSTEM (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; OR
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 71 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	2,755
Total	2,755

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

	PSERS Plan 2
Employer*	9.43%
Employee	6.57%

* The employer rate includes an employer administrative expense fee of 0.16%.

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

	<i>PSERS Plan 2</i>
2008	\$ 529,464
2007	\$ 464,949
2006	\$ 107,702

Note X - Risk Management

A. RISK POOL AND GENERAL LIABILITY INSURANCE

Thurston County is exposed to various risk of loss related to torts; thefts, damage, and/or destruction of assets; errors and omissions; and natural disaster for which the County either carries commercial insurance, is self-insured or belongs to a risk pool.

Thurston County is one of twenty-eight members that participated in the Washington Counties Risk Pool (Pool) during 2008. 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. The enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support best management practices.

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 are another optional group purchase insurance coverage.

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 by proportional reassessments against that year's membership.

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 \$623,457 during 2008. The County's suggested 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, 2008 as \$3,700,869. The suggested reserve includes reserves for open claims plus an estimate of incurred but not reported (IBNR) claims. Non-incremental claims adjustment expenses have not been included in this schedule. It should be recognized that portions of the estimated additional liability incurred are projections. As estimates, these values fluctuate and are subject to inherent variability and may or may not become payable over the course of several years.

Schedule of Claims and Judgments Payable

	2008	2007
Beginning Claims Liability	\$ 3,576,302	\$ 3,367,586
Claims Incurred During the Year (including IBNRs)*	748,024	464,819
Claims Payments	(623,457)	(256,103)
Ending Claims Liability	<u>\$ 3,700,869</u>	<u>\$ 3,576,302</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 – Other Post-Employment Benefits

The County provides other post-employment benefits (OPEB) In addition to the pension benefits described in Note IX.

A. LEOFF

Lifetime full medical coverage is provided to uniformed law enforcement officers as members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Assets. The actual medical costs are reported as expenditures in the year they are incurred.

1. Plan Description

The County provides lifetime medical care In accordance with the Washington LEOFF 1 Act (RCW 41.26) for retired full time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. All or most of the County's LEOFF 1 officers are eligible for benefits when they reach normal retirement age through a defined benefit healthcare plan administered by the County.

Thurston County reimburses retired LEOFF 1 officers for reasonable medical charges usually provided by one of the County's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the County's Comprehensive Annual Financial Report.

In 2008, 19 retirees received benefits under this act. As of December 31, 2008, there were 2 active officers who may become eligible for those benefits when they reach normal retirement age.

2. Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the County as required by RCW. The County's funding policy is based upon pay-as-you-go financing requirements.

3. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2008. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$779,066 is reported as a non-current liability on the Statement of Net Assets.

	<u>Year Ending 12/31/2008</u>
<i>Determination of Annual Required Contribution:</i>	
Normal Cost at Year End	\$ 34,096
Amortization of UAAL*	570,644
Annual Required Contribution	<u>\$ 604,740</u>
<i>Determination of Net OPEB Obligation:</i>	
Annual Required Contribution	\$ 604,740
Interest on Prior Year Net OPEB Obligation	16,540
Adjustment to ARC	12,674
Annual OPEB Cost	633,953
Contributions Made	<u>(222,432)</u>
Increase in Net OPEB Obligation	<u>411,521</u>
<i>Net OPEB Obligation - End Of Year:</i>	
Net OPEB Obligation - Beginning of Year	\$ 367,545
Increase in Net OPEB Obligation	411,521
Net OPEB Obligation-end of year	<u>\$ 779,066</u>

*Unfunded Actuarial Accrued Liability (UAAL)

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 633,953	35.1%	\$ 779,066

4. Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$6,128,459 and the actuarial value of the assets was \$0 resulting in a UAAL of \$6,128,459. During 2008, the County did not contribute any funds towards this liability.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2008, these costs total \$67,126 with a cost per retiree of \$3,533. Thurston County uses the Long Term Care Special Revenue Fund to purchase additional long-term care insurance for LEOFF 1 retirees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

5. Actuarial Methods and Assumptions

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.22 was assumed for all active members to determine the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the September 30, 2006 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2008 was 29 years.

B. PEBB

Thurston County provides to its retirees employer provided subsidies for post-employment medical and life insurance benefits provided through the Public Employee Benefits Board (PEBB). A liability for the accumulated unfunded actuarially required contribution is reported in the entity-wide and proprietary statements of net assets. The actual medical costs are paid through annual fees and premiums to the PEBB.

1. Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees and their dependents. The subsidies provided by PEBB to the County include the following:

- Explicit Medical Subsidy for Post-65 retirees
- Explicit Life Insurance Subsidy for all retirees
- Implicit Medical Subsidy for Pre-65 retirees

The explicit subsidies are monthly amounts per retiree. The implicit medical subsidy is the difference between the total cost of pre-65 medical benefits and the pre-65 contributions paid by retirees.

2. Eligibility

County members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 of the PERS.

- Age 65 with 5 years of service
- Age 55 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement. Survivors of members who die are also not eligible for medical benefits.

3. Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees currently pay the following monthly rates for pre-65 medical coverage:

Plan	Type of Coverage - 2008			
	Employee Only	Employee & Spouse	Employee & Children	Full Family
Community Health Plan	\$ 484.32	\$ 957.20	\$ 838.98	\$ 1,311.86
Group Health Classic	454.89	898.34	787.48	1,230.93
Group Health Value	400.19	788.94	691.75	1,080.50
Kaiser Permanente Classic	481.87	952.30	834.69	1,305.12
Regence Classic	439.15	866.86	759.93	1,187.64
Uniform Medical Plan	408.76	806.08	706.75	1,104.07

Retired members, after age 65, receive a subsidy of 50% for their monthly medical premiums up to \$164.08 in 2008. Retirees also receive an explicit subsidy of \$4.77 per month for life insurance premiums in 2008.

4. Funding Policy

The funding policy is based upon pay-as-you-go financing requirements.

5. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2008. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB.

	<u>Year Ending 12/31/2008</u>
<i>Determination of Annual Required Contribution:</i>	
Normal Cost at Year End	\$ 1,541,152
Amortization of UAAL*	780,202
Annual Required Contribution	<u>\$ 2,321,354</u>
<i>Determination of Net OPEB Obligation:</i>	
Annual Required Contribution	\$ 2,321,354
Interest on Prior Year Net OPEB Obligation	93,887
Adjustment to ARC	71,944
Annual OPEB Cost	<u>2,487,185</u>
Contributions Made	<u>(246,254)</u>
Increase in Net OPEB Obligation	<u>2,240,931</u>
<i>Net OPEB Obligation - End Of Year:</i>	
Net OPEB Obligation - Beginning of Year	\$ 2,086,379
Increase in Net OPEB Obligation	<u>2,240,931</u>
Net OPEB Obligation-end of year	<u>\$ 4,327,310</u>

*Unfunded Actuarial Accrued Liability (UAAL)

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 2,487,185	9.9%	\$ 4,327,310

6. Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$23.4 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$23.4 million. During 2008, the County did not contribute any funds towards this liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

7. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions used included a 4.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at December 31, 2008 was 29 years.

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. Each member's contribution is based on a formula factoring population and basic service components. The county contributed \$472,087 as its share of operations in 2008. The 2008 contribution was 55.15% of Animal Control Services' total budget. The financial health of this joint venture remains strong mainly due to a steady stream of revenue received from the Cities of Olympia, Lacey, and Tumwater, and Thurston County. Net Assets for Animal Control at the end of 2008 totaled \$3,017,467 million. 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.

Animal Control	
Total Assets	\$ 3,306,671
Liabilities	(289,204)
Net Assets	<u>\$ 3,017,467</u>
Net Assets - 1/1	
Revenues	\$ 1,641,175
Expenses	(1,487,120)
Net Income	<u>154,055</u>
Beginning Net Assets, Restated	2,863,412
Ending Net Assets - 12/31	<u>\$ 3,017,467</u>

The Inter-local 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 Inter-local Drug Control Unit in 2008. The Inter-local Drug Control Unit is funded by grants and seizures of drug funds. Financial information on the Inter-local Drug Control Unit can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

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 \$59,312 as its share of operations in 2008. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2008. 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 \$199,740 as its share of operations in 2008. Of that \$0 went to the Historic Commission and \$199,740 went to intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2008. Complete financial statements for TRPC can be obtained from its administrative office at 2424 Heritage Court SE Suite A, Olympia, Washington 98502.

Thurston County and the City of Lacey agreed to purchase, develop and jointly share a portion of the costs of the Regional Athletic Complex in 1998. Phase I was completed in 2005 and Phase II is scheduled for completion in 2009. \$19,470,444 was the total "out of pocket" facility cost which excludes depreciation and but includes the cost of operating losses. This "out of pocket" cost includes \$8,020,028 in shared costs with the City of Lacey responsible for the remaining cost of \$11,450,416 as of December 31, 2008. Thurston County's equity contribution for the shared cost was 44.92% with the remaining 55.08% contributed by the City of Lacey. The County therefore owes an additional \$762,340 based on its

equity contribution to the shared cost of this facility as of December 31, 2008. However, the inclusion of grant funding and a portion of Phase II costs as shared costs significantly impacts the shared equity of the facility and is currently under legal review.

Any excess costs for operating and maintaining the Regional Athletic Complex are jointly shared by Thurston County and the City of Lacey. The County may, in its sole discretion, transfer its share of ownership to the City of Lacey after 2014 or by mutual agreement prior to that time. Additional financial information may be obtained from Thurston County Financial Services, 2000 Lakeridge Drive SW, Olympia, Washington 98502.

The following is condensed financial information for the Regional Athletic Complex as of December 31, 2008:

Regional Athletic Complex

Total Assets	\$ 18,537,244
Liabilities	-
Net Assets - 12/31	<u>\$ 18,537,244</u>
Net Assets - 1/1	
Revenues	\$ 13,084,521
Expenses	<u>(326,183)</u>
Net Increase (decrease) in Net Assets	12,758,338
Beginning Net Assets, 1/1	5,795,075
Adjustments	<u>(16,169)</u>
Net Assets - 12/31	<u>18,537,244</u>

The County's residual equity interests in investments in joint ventures for Animal Control Services and the Regional Athletic Complex for the year ended December 31, 2008 were as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 01/01/08	Increases	Decreases	Ending Balance 12/31/08
Regional Athletic Center	\$ 3,084,941	\$ 148,985	\$ -	\$ 3,233,926
Animal Shelter	959,298	-		959,298
Less Accumulated Depreciation	<u>(259,674)</u>	<u>(387,173)</u>	-	<u>(646,847)</u>
Investment in Joint Ventures, Net	<u>\$ 3,784,565</u>	<u>\$ (238,188)</u>	\$ -	<u>\$ 3,546,377</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 \$19,663,390 on December 31, 2008.

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, 2008, cash and pooled investments of \$20,805,888 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

A prior period adjustment reduced governmental net assets by \$2,650,014 in the Statement of Activities in 2008. The Detention and Family Court facility capitalized cost was reduced for reimbursements received from a lawsuit filed against a contractor for failure to meet contractually agreed upon building specifications.

A prior period adjustment reduced internal service net assets by \$425,115 in the Statement of Revenues, Expenses and Changes in Fund Net Assets for Proprietary Funds. The Central Services Fund's net assets were reduced as a result of reclassifying a portion of a general obligation debt Issue for that portion that was paid out of the Central Services Fund. This amount nets to \$0 in the entity wide statements since it is offset by a corresponding gain to governmental net assets in the Statement of Activities.

In 2008, \$11,016,866 was recorded as a capital contribution to the Central Services Fund in the Statement of Revenues, Expenses and Changes in Fund Net Assets for Proprietary Funds. Governmental land and facilities was reclassified as a proprietary asset and recorded in the Central Services Fund. This amount nets to \$0 in the entity wide statements since it is offset by a corresponding loss to governmental net assets in the Statement of Activities.

B. FUND CHANGES

During 2008, the following funds were added:

- 2008 Debt Holding Special Revenue Fund
- GO Bonds 2008 Debt Service Fund

During 2008, the following funds were abolished:

- 2002 Debt Holding Special Revenue Fund
- 2004 Debt Holding Special Revenue Fund
- 2005 Debt Holding Special Revenue Fund
- Lakes Management Admin Special Revenue Fund
- South Pattison-LMD Special Revenue Fund
- GO Bonds 1997 Debt Service Fund
- Coroner Building Capital Project Fund
- Fair Building Capital Project Fund
- Health Building Capital Project Fund

C. SUBSEQUENT EVENTS

On April 7, 2009 the Thurston County Board of County Commissioners authorized the issuance of \$42,765,000 in debt. The proceeds will be primarily used to construct the Accountability and Restitution Center and secondarily for communications systems upgrades and other capital improvements.

D. CONTINGENCIES

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.

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS**

LEOFF 1 Retiree Medical Benefits

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	\$ -	\$ 6,128,459	\$ 6,128,459	0%	\$ 376,492	1627.78%
12/31/2007	\$ -	\$ 6,128,459	\$ 6,128,459	0%	\$ 266,054	2303.46%
12/31/2008	\$ -	\$ 6,128,459	\$ 6,128,459	0%	\$ 226,117	2710.30%

PEBB Retiree Medical Benefits

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	\$ -	\$ 23,406,060	\$ 23,406,060	0%	\$ 71,244,403	32.85%
12/31/2007	\$ -	\$ 23,406,060	\$ 23,406,060	0%	\$ 75,802,799	30.88%
12/31/2008	\$ -	\$ 23,406,060	\$ 23,406,060	0%	\$ 76,013,118	30.79%

THURSTON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Schedule 16

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
DEPARTMENT OF AGRICULTURE			
<u>PASSED THRU Superintendent of Public Instruction</u>			
National School Breakfast Program	10.553	\$25,714	
<u>PASSED THRU Superintendent of Public Instruction</u>			
National School Lunch Program	10.555	\$35,331	
National School Lunch Program	10.555	\$3,805	Note 3
TOTAL CFDA NUMBER		\$39,136	
<u>PASSED THRU Department of Health</u>			
Special Supplemental Nutrition Program-WIC	10.557	\$395,356	
TOTAL FOR DEPARTMENT OF AGRICULTURE		\$460,205	
DEPARTMENT OF DEFENSE			
<u>PASSED THRU State Treasurer</u>			
Military Forest Yield	12.999	\$180,047	Note 6
TOTAL FOR DEPARTMENT OF DEFENSE		\$180,047	
Department of Housing & Urban Development			
<u>PASSED THRU Community Trade & Economic Division</u>			
Community Development Block Grant-Public Servi	14.228	\$119,894	
Community Development Block Grant-Flood Elevat	14.228	\$5,998	
Community Development Block Grant-Devoe	14.228	\$43,671	
Community Development Block Grant-Rehabilitatio	14.228	\$86,139	
Community Development Block Grant-Rochester C	14.228	\$1,969	
TOTAL CFDA NUMBER		\$257,671	
<u>PASSED THRU Direct</u>			
HOME FY2004	14.239	\$95,659	
HOME FY2008	14.239	\$12,021	
HOME FY2005	14.239	\$44,675	
HOME FY2006	14.239	\$51,266	
HOME FY2007	14.239	\$556,446	
TOTAL CFDA NUMBER		\$760,067	
TOTAL FOR Department of Housing & Urban Development		\$1,017,738	
DEPARTMENT OF JUSTICE			
<u>PASSED THRU Washington State Patrol</u>			
Marijuana Eradication Grant	16.000	\$4,141	Note 4,6

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, 2008**

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
<u>PASSED THRU Department of Social & Health Services</u>			
Juvenile Accountability Block Grant	16.523	\$11,443	
<u>PASSED THRU Community Trade & Economic Development</u>			
Violence Against Women Formula Grant	16.588	\$3,703	
Violence Against Women Formula Grant	16.588	\$9,482	
Violence Against Women Formula Grant	16.588	\$188,937	Note 5
Violence Against Women Formula Grant	16.588	\$60,482	
Violence Against Women	16.588	\$6,188	Note 4
Violence Against Women	16.588	\$7,137	Note 4
TOTAL CFDA NUMBER		\$275,929	
<u>PASSED THRU Community Trade & Economic Development</u>			
Residential Substance Abuse Treatment	16.593	\$26,754	
Residential Substance Abuse Treatment	16.593	\$30,981	
TOTAL CFDA NUMBER		\$57,735	
<u>PASSED THRU Direct</u>			
Rochester's Weed & Seed Strategy	16.595	\$113,901	
<u>PASSED THRU Washington Association of Sheriffs & Police Chiefs</u>			
Public Safety Partnership & Community Policing	16.710	\$241	
Public Safety Partnership & Community Policing	16.710	\$2,171	
TOTAL CFDA NUMBER		\$2,412	
<u>PASSED THRU Community Trade & Economic Development</u>			
Justice Assistance Grant-Drug interdiction Progra	16.738	\$24,102	
Justice Assistance Grant-Drug Interdiction Progra	16.738	\$32,841	
Edward Byrne Justice Assistance Grant	16.738	\$7,194	Note 4
<u>PASSED THRU Direct</u>			
Byrne Grant Justice Assistance Grant	16.738	\$4,065	
Byrne Grant Court Delay Reduction Project	16.738	\$44,431	
TOTAL CFDA NUMBER		\$112,633	
<u>TOTAL FOR DEPARTMENT OF JUSTICE</u>		<u>\$578,193</u>	
DEPARTMENT OF LABOR			
<u>PASSED THRU Employment Security Department</u>			
Employment Services-Shared Costs Harget	17.207	\$45,692	
<u>PASSED THRU Employment Security Department</u>			
WIA Adult Programs	17.258	\$586,405	
WIA Adult Programs	17.258	\$273,413	Note 4
WIA Adult Programs	17.258	\$617,157	
TOTAL CFDA NUMBER		\$1,476,975	

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

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008**

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
<u>PASSED THRU Employment Security Department</u>			
WIA Youth Programs	17.259	\$267,066	Note 4
WIA Youth Programs	17.259	\$586,349	
WIA Youth Programs	17.259	\$662,532	
TOTAL CFDA NUMBER		\$1,515,947	
<u>PASSED THRU Employment Security Department</u>			
WIA Dislocated Worker-RRAA WEYCO Simp Cont	17.260	\$52,417	
WIA Dislocated Worker	17.260	\$858,573	
WIA Dislocated Worker	17.260	\$587,047	
WIA Dislocated Worker-RRAA TRANSALTA	17.260	\$84,558	
WIA-2007 Storm National Emergency Grant	17.260	\$2,116,482	
WIA Dislocated Worker-ES-RE-EMP SPT	17.260	\$44,688	
WIA Dislocated Worker-RRAA Pulp Mill Plus	17.260	\$54,691	
WIA Dislocated Worker-RRAA Multi ER	17.260	\$126,292	
WIA Dislocated Worker Program	17.260	\$285,400	Note 4
TOTAL CFDA NUMBER		\$4,210,147	
<u>PASSED THRU Employment Security Department</u>			
WIRED	17.268	\$1,119,734	
<u>TOTAL FOR DEPARTMENT OF LABOR</u>		<u>\$8,368,495</u>	
OFFICE OF NATIONAL DRUG CONTROL			
<u>PASSED THRU Educational Service District</u>			
High Intensity Drug Control Policy	16.000	\$16,899	Note 6
High intensity Drug Trafficking Policy	16.000	\$3,930	Note 6
TOTAL CFDA NUMBER		\$20,829	
<u>TOTAL FOR OFFICE OF NATIONAL DRUG CONTROL</u>		<u>\$20,829</u>	
DEPARTMENT OF TRANSPORTATION			
<u>PASSED THRU Wa Department of Transportation</u>			
Highway Planning & Construction-Oyster Bay Rd	20.205	\$31,910	
Highway Planning & Construction-Vail/Bald Hills R	20.205	\$57,103	
Highway Planning & Construction-Meridian/Mullen	20.205	\$24,543	
Highway Planning & Construction-Old 99/McCorkle	20.205	\$39,908	
Highway Planning & Construction-2 Lane Road Saf	20.205	\$268,039	
Highway Planning & Construction-Morris Rd	20.205	\$1,323	
Highway Planning & Construction-Dutarrow Rd	20.205	\$1,116	
Highway Planning & Construction-Littlerock Rd	20.205	\$12,020	
Highway Planning & Construction-Bald Hills Rd	20.205	\$1,874,511	
Highway Planning & Construction-Vail/Bald Hills/50	20.205	\$418,200	
TOTAL CFDA NUMBER		\$2,728,673	

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, 2008**

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
<u>PASSED THRU Washington Traffic Safety Commission</u>			
State & Community Highway Safety DUI/Drug Cour	20.600	\$80,360	
State & Community Highway Safety DUI/Drug Cour	20.600	\$20,230	
TOTAL CFDA NUMBER		\$100,590	
<u>TOTAL FOR DEPARTMENT OF TRANSPORTATION</u>		<u>\$2,829,264</u>	
ENVIRONMENTAL PROTECTION AGENCY			
<u>PASSED THRU Direct</u>			
Targeted Watersheds-EPA Landscape Characteriz	66.439	\$31,664	Note 5
<u>PASSED THRU Department of Health</u>			
Cap Grant for Drinking Water Revolving-Group A	66.468	\$19,000	
<u>PASSED THRU Department of Health</u>			
Water Rec/Beach Monitoring	66.472	\$2,865	
<u>TOTAL FOR ENVIRONMENTAL PROTECTION AGENCY</u>		<u>\$53,529</u>	
DEPARTMENT OF EDUCATION			
<u>PASSED THRU North Thurston Public Schools</u>			
Safe & Drug Free Schools	84.184	\$30,000	
Safe & Drug Free Schools	84.184	\$103,900	Note 4
Safe & Drug Free Schools	84.184	\$212,488	Note 4
TOTAL CFDA NUMBER		\$346,388	
<u>PASSED THRU Superintendent of Public Instruction</u>			
21st Century Community Learning Center	84.287	\$48,896	
<u>TOTAL FOR DEPARTMENT OF EDUCATION</u>		<u>\$395,284</u>	
Department of Health & Human Services			
<u>PASSED THRU Direct</u>			
ASIST	93.088	\$151,572	
<u>PASSED THRU Department of Social & Health Services</u>			
Project Assistance in Trans. From Homelessness	93.150	\$42,250	
<u>PASSED THRU Department of Health</u>			
Family Planning Title X-HIV Exp.	93.217	\$141,182	
Family Planning Title X	93.217	\$89,705	
TOTAL CFDA NUMBER		\$230,887	

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

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008**

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
<u>PASSED THRU Department of Social & Health Services</u> Chemical Dependency	93.243	\$136,354	
<u>PASSED THRU Department of Health</u> Immunizations	93.268	\$58,301	
<u>PASSED THRU Department of Health-Vaccines</u> Immunizations	93.268	\$10,150	Note 3
TOTAL CFDA NUMBER		\$68,451	
<u>PASSED THRU Department of Health</u> Center for Disease Control-Bioterrorism/Emerg Pla	93.283	\$471,639	
Centers for Disease Control & Prevention-STEPS	93.283	\$436,807	
TOTAL CFDA NUMBER		\$908,446	
<u>PASSED THRU Community Trade & Economic Development</u> Temporary Assistance for Needy Families-Comm J	93.558	\$408,688	
Temporary Assistance for Needy Families-CTED	93.558	\$152,608	
Temporary Assistance for Needy Families-CTED	93.558	\$151,412	
Temporary Assistance for Needy Families-Comm J	93.558	\$466,980	
TOTAL CFDA NUMBER		\$1,179,689	
<u>PASSED THRU Department of Social & Health Services</u> Child Support Enforcement	93.563	\$406,437	Note 4
Child Support Enforcement	93.563	\$579,341	Note 5
Child Support Enforcement	93.563	\$105,813	
TOTAL CFDA NUMBER		\$1,091,591	
<u>PASSED THRU Department of Health</u> Child Care & Dev. Block Grant-Infant Toddler	93.575	\$37,363	
<u>PASSED THRU Wa Council for Prevention of Child Abuse</u> Community Based Family Res -Nurse Family Partn	93.590	\$102,250	
<u>PASSED THRU Office of the Secretary of State</u> Voting Access for Indiv./EAID Accessibility Grant	93.617	\$26,273	
<u>PASSED THRU Department of Social & Health Services</u> Medicaid Match	93.778	\$552,600	
<u>PASSED THRU Department of Health</u> Bioterrorism/Hospital Prep	93.889	\$18,353	
<u>PASSED THRU Department of Health</u> HIV Care Formula Gr-Ryan White/Title II	93.917	\$44,250	
<u>PASSED THRU Clark County</u> HIV/AIDS Prevention	93.940	\$43,417	

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, 2008**

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
<u>PASSED THRU Department of Social & Health Services</u> Community Mental Health Svs-Federal Block Grant	93.958	\$204,316	
<u>PASSED THRU Department of Social & Health Services</u> Chemical Dependency	93.959	\$785,117	
<u>PASSED THRU Department of Health</u> Maternal Child Health	93.994	\$136,082	
<u>TOTAL FOR Department of Health & Human Services</u>		<u>\$5,759,261</u>	
DEPARTMENT OF HOMELAND SECURITY			
<u>PASSED THRU Washington State Military</u> Public Assistance-December 2007 Flood	97.036	\$14,124	
Public Assistance-December 2007 Flood	97.036	\$758,120	
Public Assistance-December 2007 Flood	97.036	\$42,785	
TOTAL CFDA NUMBER		\$815,028	
<u>PASSED THRU Washington State Military</u> Emergency Management Performance Grant	97.042	\$94,145	
<u>PASSED THRU Washington State Military</u> Citizen Corps Program	97.053	\$19,207	
<u>PASSED THRU Washington State Military</u> Homeland Security Grant Program	97.067	\$236,725	
Homeland Security Grant Program	97.067	\$2,544	
Homeland Security Grant Program	97.067	\$7,973	
Homeland Security Grant Program	97.067	\$125,585	
TOTAL CFDA NUMBER		\$372,826	
<u>PASSED THRU Washington State Military</u> Law Enforcement Terrorism Prevention Program	97.074	\$132,862	
<u>TOTAL FOR DEPARTMENT OF HOMELAND SECURITY</u>		<u>\$1,434,068</u>	
GENERAL SERVICES ADMINISTRATION			
<u>PASSED THRU Office of the Secretary of State</u> Help America Vote Grant	90.401	\$366,221	
<u>TOTAL FOR GENERAL SERVICES ADMINISTRATION</u>		<u>\$366,221</u>	

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, 2008

Grantor Pass-Through Grantor Program Title	CFDA #	Current Year Expenditures	Notes
<u>TOTAL FEDERAL ASSISTANCE</u>		<u>\$21,463,134</u>	

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, 2008

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 Office of the Superintendent of Public Instruction.

NOTE 4 – NOT AVAILABLE (N/A)

The County was unable to obtain other identification numbers.

NOTE 5 – INDIRECT COST RATE

Expenditures include indirect cost recovery. The County used the indirect cost rate allowed per grant agreement.

NOTE 6 – CFDA NUMBER

Per contractual agreement with Northwest HIDTA Drug Court Development Initiative, ONDCP does not use CFDA numbers.

In addition, the Department of Defense does not use a CFDA number for Military Forest Yield payments.



ABOUT THE STATE AUDITOR'S OFFICE

The 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 employees are located around the state to deliver our services effectively and efficiently.

Our 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. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

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

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