



**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 27, 2007

Board of Commissioners  
Clark County  
Vancouver, 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 Clark County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. 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. 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 Clark County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Roads, and Community Services Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 28 and the infrastructure modified approach information on pages 81 through 84 are not a required part of the basic financial statements but are 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 opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 92 through 180 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to 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.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Clark County's discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and in the financial statements and notes to the financial statements (which follow this discussion).

### **FINANCIAL HIGHLIGHTS**

Clark County's total assets exceeded its liabilities at December 31, 2006 by \$1.1 billion. The County's overall financial position improved in 2006, as operations for the year resulted in an increase in net assets of \$88 million. However, this is just one indicator of the County's financial health. Other indicators include the condition of the County's infrastructure subsystems, changes in property tax base, and general economic conditions within the County. Information on such items is included throughout this report (elsewhere within the MD&A, as well as in the notes to the financial statements, the required supplementary information section, and the statistical section).

Net assets invested in capital assets (net of depreciation and related debt) account for 85%, with a value of \$961 million. Of the remaining net assets, \$62 million may be used to meet the County's ongoing obligations to citizens and creditors, without legal restriction.

- As of December 31, 2006, Clark County's governmental activities reported combined ending net assets of \$977 million, compared to \$883 million at the end of 2005 (an increase of 10.6%). Details of factors contributing to this increase are discussed later within this management's discussion and analysis.
- Of the \$977 million net assets, \$820 million was invested in capital assets, \$113 million was legally restricted for specific projects or programs, and \$44 million was available for spending at the County's discretion.
- At December 31, 2006, Clark County's business-type activities reported combined ending net assets of \$159 million, compared to \$143 million at the end of 2005.
- Unreserved/undesignated fund balance for the General Fund was \$15 million at December 31, 2006, up from \$12.4 million in 2005.
- At December 31, 2006, unreserved/undesignated fund balance for the County Roads Fund was \$7.8 million, compared to \$8 million in 2005.
- Clark County's total long term debt at December 31, 2006 was \$196.2 million, with a remaining capacity for non-voted debt of \$514.6 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Clark County's basic financial statements. The basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements.

#### **Government-wide Financial Statements**

There are two government-wide financial statements, which provide readers with a broad overview of Clark County's finances in a manner similar to a private-sector business. The government-wide financial statements distinguish functions of Clark County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user

fees and charges (referred to as "business-type activities"). Governmental activities of the County include a full range of services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; community planning and development; parks and open space preservation; public health; and care and welfare of the disadvantaged and mentally ill. In addition, other general government services are provided, such as elections, property assessment, tax collection, and the issuance of permits and licenses. Business-type activities of Clark County include solid waste, sanitary sewer, and clean water management.

The statement of net assets presents information on all of Clark County's assets and liabilities, with the difference between the two reported as net assets. This statement is similar to that of the balance sheet of a private-sector business.

The statement of activities presents information on how the County's net assets changed during 2006. Because it separates program revenue (generated by specific programs through charges for services, grants, and contributions) from general revenue (provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues are reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2006, and earned but unused vacation and sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2006.

The County has no separately identified component units included in the government-wide financial statements. By virtue of the County's authority to exercise influence over their operations, the County has four blended component units; Industrial Revenue Bond Corporation, Fairgrounds Site Management Group (Clark County Fair Fund), Emergency Medical Service District, and the Metropolitan Parks District. These four entities are reflected in the non-major combining special revenue fund statements and their financial data is included in governmental activities. You will find further information regarding these blended component units in the *Summary of Significant Accounting Policies*, on the first page of the notes to the financial statements. The County has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA). A description of this joint venture is found in note V.D. of the notes to the financial statements.

### **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. Clark 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 Clark County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most of a government's tax-supported activities. 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. 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. The resources of fiduciary funds cannot be used to support the government's own programs.

### **Governmental Funds**

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, County Roads Fund, and Community Services Grants Fund, which are considered

major funds, based on criteria established by GASB Statement #34. (GASB #34 defines a major fund as a fund where the assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all governmental or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds, combined, for the same category. The General Fund is always considered a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements, outside of the basic financial statements (following the notes to the financial statements).

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' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and 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 near-term resources available.

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 allows readers to better understand 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 reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The County maintains budgetary controls over its operating funds. Budgetary controls endeavor to ensure compliance with legal provisions embodied in the biennial appropriated budget. 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. Personal services are budgeted by positions. Capital outlays are approved on both an item by item basis and a project basis. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund and all special revenue and capital project funds. Major fund budgetary variance statements are included with the basic financial statements, while nonmajor fund budget variance schedules follow the combining fund statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

### **Proprietary Funds**

There are two types of proprietary funds. 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, clean water, and sewer operations. Internal Service Funds (the second type of proprietary funds) accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its vehicle fleet, election services, insurance reserves, radio and computer equipment replacement reserves, and various other administrative services. The revenues and expenses of the 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.

Proprietary fund statements follow governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, total net assets agree, and therefore need no reconciliation. The total assets and total liabilities between

the two statements will differ slightly because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the fund statement into a single line in the asset section of the statement.

The basic proprietary fund financial statements provide separate information on each enterprise fund, as there is only one nonmajor enterprise fund. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements. Since there is only one nonmajor enterprise fund, there are no combining statements for nonmajor enterprise funds.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Clark County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Clark County has three types of fiduciary funds: 1) Investment Trust funds (which report the portion of 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 Clark 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.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Statement of Net Assets**

Clark County's total assets are \$1.4 billion at December 31, 2006, an increase of \$103 million from 2005, while total liabilities are \$255 million, a decrease of \$7 million from 2005. Most of the increase in assets is in capital assets. The County spent \$33 million on capital assets (primarily for road construction, parks acquisitions and improvements, and technology projects). Developers contributed \$44 million in roads and stormwater facilities to the County. Intergovernmental contributions of \$34 million funded road projects and the expansion of the sewer treatment plant. In 2006, decreases in the value of capital assets (depreciation and disposal of assets) amounted to \$23 million, for a net increase of \$88 million.

Clark County's net assets total \$1.1 billion at December 31, 2006, compared to \$1 billion in 2005 (a 10.8% increase), indicating a stable financial position in the County. Of the County's total net assets, 85% are invested in capital assets less outstanding debt used to acquire those assets (no change from 2005), 10% (no change from 2005) are subject to external restrictions (restricted by the Revised Code of the State of Washington or by contractual agreements with outside parties), and the remaining 5% (no change from 2005), represents the amount that may be used to meet the County's ongoing general purpose obligations.

Current and other assets are \$254 million (compared to \$239 million in 2005), with \$178.5 million consisting of cash and cash equivalents (compared to \$170.3 million in 2005). Cash and cash equivalents within governmental funds increased by \$7.1 million, composed of an increase in the General Fund of \$2 million and the remainder in non-major funds as a result of additional grants and new programs. Business-type funds increased their cash and cash equivalents by \$1.1 million (the increase occurred in the Clean Water Fund).

**Clark County Net Assets**

	Governmental		Business-type		Total		% Change
	Activities		Activities		Total		
	2006	2005	2006	2005	2006	2005	
Current & other assets	\$ 207,703,009	\$ 191,786,199	\$ 46,795,349	\$ 47,438,153	\$ 254,498,358	\$ 239,224,352	6.4%
Capital assets (net of depreciation)	969,242,919	894,232,537	167,512,376	154,303,259	1,136,755,295	1,048,535,796	8.4%
Total assets	1,176,945,928	1,086,018,736	214,307,725	201,741,412	1,391,253,653	1,287,760,148	8.0%
Long term liabilities	169,387,770	175,296,119	26,780,593	28,604,649	196,168,363	203,900,768	(3.8%)
Other liabilities	30,621,569	27,477,148	28,284,154	30,566,343	58,905,723	58,043,491	1.5%
Total liabilities	200,009,339	202,773,267	55,064,747	59,170,992	255,074,086	261,944,259	(2.6%)
Net assets:							
Invested in capital assets, net of related debt	820,236,670	746,201,389	140,933,223	125,897,386	961,169,893	872,098,775	10.2%
Restricted	112,923,527	104,298,769	0	0	112,923,527	104,298,769	8.3%
Unrestricted	43,776,392	32,745,311	18,309,755	16,673,034	62,086,147	49,418,345	25.6%
Total net assets	\$ 976,936,589	\$ 883,245,469	\$ 159,242,978	\$ 142,570,420	\$ 1,136,179,567	\$ 1,025,815,889	10.8%

Long term liabilities were \$196 million (down \$7.7 million from 2005), with \$9 million coming due within a year. Refer to the notes to the financial statements (note IV.H.) for a more in depth discussion of long term debt.

At December 31, 2006, Clark County reports positive balances in all categories of net assets for the County as a whole, as well as for governmental activities. Business-type activities report positive balances in both capital and unrestricted assets, with no restricted assets.

**Statement of Changes in Net Assets**

Total net assets increased by \$110 million in 2006 (a 10.8% increase). Key Elements in changes in net assets are shown in the following table.

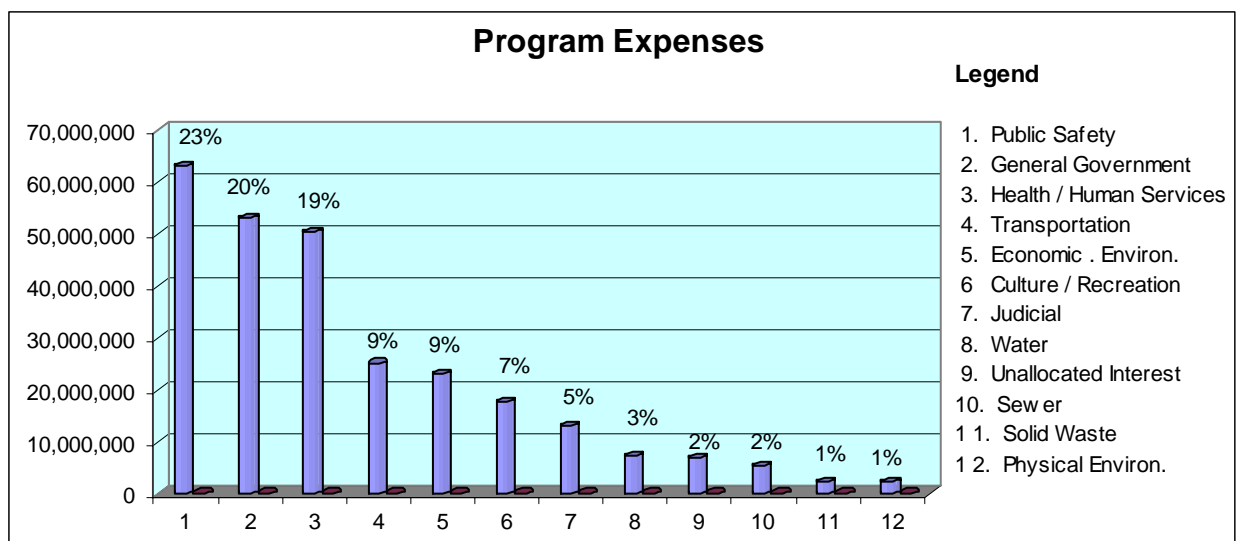
	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Program Revenues</b>						
Charges for services	\$ 67,052,279	\$ 60,939,032	\$ 13,220,050	\$ 12,636,854	\$ 80,272,329	\$ 73,575,886
Operating Grants and contributions	80,051,789	63,916,826	691,184	313,823	80,742,973	64,230,649
Capital Grants and contributions	37,582,436	32,364,324	17,655,595	4,691,397	55,238,031	37,055,721
<i>General revenues:</i>						
Taxes	127,543,513	127,958,838	0	0	127,543,513	127,958,838
Gain/(loss) on sale of assets	2,189,341	1,522,532	0	(16,104)	2,189,341	1,506,428
Interest earnings on investments	9,818,004	5,521,718	895,623	468,785	10,713,627	5,990,503
Total revenues	324,237,362	292,223,270	32,462,452	18,094,755	356,699,814	310,318,025
<b>Program Expenses:</b>						
General government	53,155,487	44,712,472	0	0	53,155,487	44,712,472
Public safety	63,224,832	59,224,349	0	0	63,224,832	59,224,349
Judicial	13,027,623	12,678,807	0	0	13,027,623	12,678,807
Physical environment	2,021,459	1,374,132	0	0	2,021,459	1,374,132
Transportation	24,831,795	30,081,945	0	0	24,831,795	30,081,945
Economic environment	22,922,354	18,373,073	0	0	22,922,354	18,373,073
Health and human services	50,512,872	48,834,824	0	0	50,512,872	48,834,824
Culture & recreation	17,660,469	11,023,816	0	0	17,660,469	11,023,816
Solid Waste	0	0	2,234,201	1,949,383	2,234,201	1,949,383
Water	0	0	7,168,266	3,886,053	7,168,266	3,886,053
Sewer	0	0	5,276,622	5,848,778	5,276,622	5,848,778
Interest on long term debt	6,718,340	7,170,928	0	0	6,718,340	7,170,928
Total expenses	254,075,231	233,474,346	14,679,089	11,684,214	268,754,320	245,158,560
Excess (deficiency) of revenues over (under) expenses	70,162,131	58,748,924	17,783,363	6,410,541	87,945,494	65,159,465
Transfers	682,500	140,000	(682,500)	(140,000)	0	0
Change in Net Assets	70,844,631	58,888,924	17,100,863	6,270,541	87,945,494	65,159,465
Net assets as of January 1	883,245,469	822,367,880	142,570,420	132,886,827	1,025,815,889	955,254,707
Prior period adjustments	22,846,489	1,988,665	(428,305)	3,413,052	22,418,184	5,401,717
Net Assets as of December 31	\$ 976,936,589	\$ 883,245,469	\$ 159,242,978	\$ 142,570,420	\$ 1,136,179,567	\$ 1,025,815,889

Total revenues (\$356.7 million in 2006) increased by \$46 million. Governmental activities provided \$324.2 million in revenues (91%), while business-type activities provided \$32.5 million. The ratio changed slightly from 2005, when governmental activities accounted for 94% of the total.

Governmental revenue increased by \$32 million over 2005, while expenses increased by only \$21 million. Governmental grant and contributions revenue increased by \$21 million and included a \$5.3 million grant for the clean-up of Camp Bonneville and a \$3.6 million increase in public safety grants, with the remaining increases spread among all other programs. Governmental charges for services increased by \$7 million. In 2006, the County began to take on some park improvement and maintenance functions, which were reimbursed in the amount of \$1.8 million by the City of Vancouver through an interlocal agreement. Charges for public safety services increased by \$3.3 million, in due partly to dissolving a revenue sharing agreement with the City of Vancouver, which resulted in a change in how the County bills and collects for jail, court, and corrections services provided to the City.

The revenue increase for business-type activities was as a result of \$17.7 million in capital contributions by other public entities for the sewer treatment plant upgrade (up from \$4.7 million in contributions in 2005). Total County interest earnings increased by nearly \$5 million from 2005 to 2006 (a 79% increase).

County expenses for the year were \$269 million, up from \$245 million in 2005 (a \$24 million increase). Governmental activities accounted for \$254 million (95%) of total County expenses. Public safety, health and human services, and general government programs, combined, accounted for 66% of total governmental expenses (62% of total County expenses). Following is a graph which illustrates by program where funds were spent in 2006.



General government, public safety, and health and human services account for 62% of the County's total expenses. General government expenses increased by \$8.5 million in 2006. The following items account for this increase:

- Increased depreciation expense for 2006 accounts for \$ 2.8 million.
- Internal service fund expenses, mostly associated with election activity that could not be billed to other entities, increased by \$2.6 million in 2006.
- Technology services and supplies increased by \$0.9 million in 2006
- Expenses for special projects and feasibility studies increased by \$0.3 million in 2006.
- General service expenditures (purchasing and facilities management functions) increased by \$0.3 million in 2006.

- Non capital equipment purchases increased by \$0.4 million in 2006.
- Other increases in expenses are spread throughout different departments within the General Fund.

Public safety expenses increased by \$4 million in 2006. This increase is tied closely to a \$3.4 million increase in operating grants awarded to public safety in 2006.

Health and human services expenses increased by \$1.7 million in 2006, in line with a \$1.8 million increase in operating grant revenue for those programs.

Transportation expenses decreased \$5 million dollars in 2006, from 2005, in part due to a major road project being postponed until 2007.

Culture and recreation expenses increased by \$6.6 million in 2006. The Camp Bonneville fund, new in 2006, incurred \$5.3 million in expenses (that exact amount was funded by an operating grant). In 2006, the County began to take on some of the park improvement and maintenance functions, which had previously been handled by the City of Vancouver Parks and Recreation department, through an interlocal agreement. An amount of \$1.3 million in expenses was spent on this function in 2006.

In the economic environment function, community service housing expenses increased by \$1.7 million, in line with the \$1.8 million increase in operating grants. The County's building department also increased expenses in the economic environment category by \$1.7 million.

In business-type activities, which account for five percent of all County expenses, solid waste expenses increased slightly, while water and sewer expenses decreased slightly between 2005 and 2006 (expense activity for these funds are discussed in more detail in the Enterprise Funds Revenue and Expense Analysis, which follows later in this document).

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

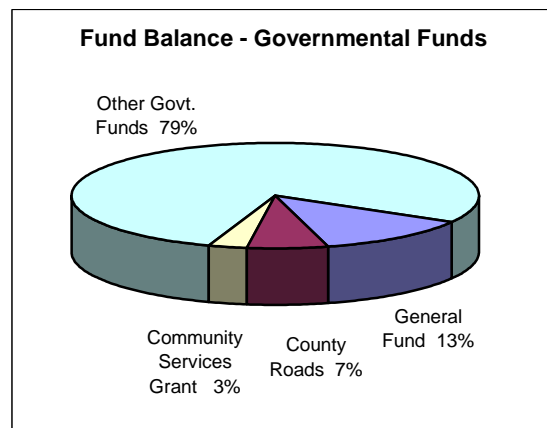
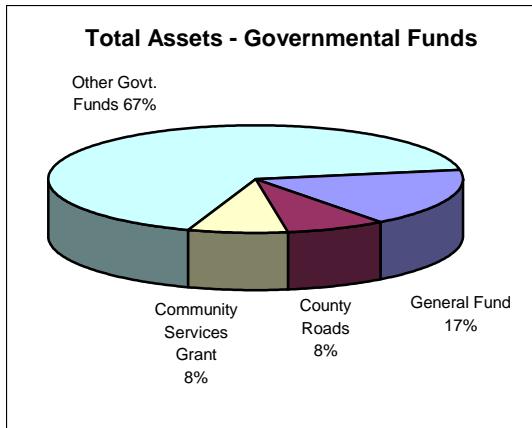
As noted earlier, Clark County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following are financial analysis of the County's governmental and proprietary funds.

### **Governmental Funds Balance Sheet Analysis**

The General Fund, County Roads Fund, and Community Services Grant Fund were the only major governmental funds in 2006. Combined, these major funds account for 33% of total governmental fund assets and 21% of total governmental fund balance.

At December 31, 2006, total assets in the General Fund amounted to \$34 million, accounting for 17.5% of total governmental fund assets, compared to \$30 million and 16.9% in 2005. The increase in total assets was mainly in cash and cash equivalents, which increased by \$1.9 million. Accounts receivable increased by \$1.4 million because of a new method of billing the City of Vancouver for costs associated with district court, corrections, and jail services. Accounts due from other governments increased by \$0.5 million in 2006, from 2005.

County Roads Fund increased assets by \$2.4 million in 2006 (accounts receivable accounted for \$2 million of the increase, mainly in grant billings) and the Community Services Grants Fund increased it's assets by \$3 million (notes receivable for low income home loans increased by \$1.8 million and cash and cash equivalents increased by \$1.2 million). The following graphs illustrate the composite of total assets and fund balance for the governmental funds.



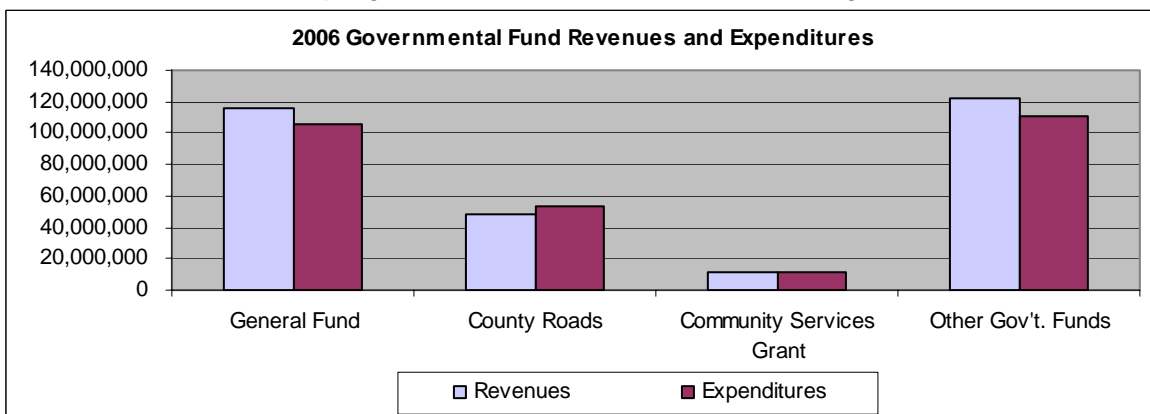
As of December 31, 2006, the County's governmental funds reported combined ending fund balances of \$144.8 million (compared to \$132.6 million in 2005), for an increase of \$12.2 million. The General Fund and Community Services Grants Fund increased fund balance by \$2.7 million and \$1.1 million, respectively. In these funds, increases in grant revenue resulted in overall revenues outpacing expenditures. The County Roads Fund decreased fund balance by \$174,803. Non-major special revenue funds increased their combined fund balances by \$6.6 million. The Mental Health Fund increased fund balance by \$3.6 million, as a result of strong grant revenues received during the year. The Metropolitan Parks District Fund (a new fund in 2006), which is funded by a 2005 voter approved tax levy, added \$2.4 million in fund balance in 2006. Capital funds increased their combined fund balances by \$1.5 million.

The focus of Clark County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. 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. Of the ending fund balance, \$134.3 million (93%, up from 92% in 2005) is unreserved and undesignated, and therefore available for spending within the funds. Of the \$10.5 million dollars in reserved or designated fund balance, \$1.5 million is reserved for prepaid items, debt coverage, and advances due from other funds, \$7 million is designated for technology upgrades and low income housing programs, and \$1.9 million is designated for future payment of compensated absences (vacation and sick leave earned, but unpaid).

The General Fund is the chief operating fund of Clark County. Unreserved/undesignated fund balance in the General Fund increased from \$12.4 million in 2005 to \$15 million in 2006.

### Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the year ended December 31, 2006 for the three major governmental funds and for all other governmental funds, combined.



Chartered revenues don't include interfund transfers or proceeds from debt and from the sale of assets. Total governmental fund revenue increased \$24.3 million. Intergovernmental revenues (grants) increased by \$19 million. General Fund grants (mostly for public safety) increased by \$6 million, while non-major special revenue grants increased by \$12 million (this included \$5.3 million for the clean up of Camp Bonneville). Property tax revenues increased by \$5.8 million, of which \$2.6 million is attributable to a new tax which supports the metropolitan parks district. During the same period, total expenditures increased only \$1.6 million. The General Fund and the County Roads Fund, together, account for 55% of all governmental fund revenue (down from 57% in 2005) and 57% of the expenditures (up from 53% in 2005). Governmental funds had an overall increase in fund balance of \$12.2 million in 2006.

General Fund revenues increased by \$4.6 million, while expenditures increased by \$4.5 million from 2005 to 2006. Prior to 2006 the County, under a revenue sharing agreement, collected an optional sales tax due to the City of Vancouver as County revenue, which was used to offset the City's costs for jail, court, and corrections services provided for the City by the County. This agreement was dissolved in 2006, resulting in a decrease in sales tax revenue for the General Fund of \$6.8 million dollars. General Fund property tax revenue increased by \$1.5 million in 2006, grant revenue increased by \$6 million, charges for services increased by \$1.2 million, interest revenue increased by \$1.4 million, and all other revenues, combined, increased by \$1.3 million. Most (76%) of the increased expenditures for the General Fund were in public safety and general government programs. The General Fund's net change in fund balance in 2006 was an increase of 18%, or \$2.7 million, as a result.

County Roads fund revenues increased by \$4.8 million. Grant revenues increased by \$1.9 million, charges for services by \$1.6 million, and tax revenues by \$1.2 million. During the same period, expenditures increased by \$5 million. County Roads expenditures consist mainly of capital road projects, which fluctuate with available grant revenues. The net change in fund balance for the County Roads Fund was a decrease of \$174,803, or 2%.

Both revenues and expenditures in the Community Services Grant Fund increased by \$1.8 million in 2006 (most expenditures are funded by either grants or charges for services). The Community Services Grant Fund increased fund balance by \$1.1 million in 2006, as a result of an interfund transfer from the General Fund.

Revenue in non-major special revenue funds increased by \$17.3 million in 2006, while expenditures increased by \$14.4 million. The increase was due in part to three new non-major special revenue funds, which accounted for \$10.7 million of the increase in revenues and \$6.4 million of the increase in expenditures.

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

Clark County has three enterprise funds, two of which (Sanitary Sewer and Clean Water) are considered major funds. The Sanitary Sewer Fund accounts for 57% of total assets and 42% of net assets (as compared to 53% and 34%, respectively, in 2005) for all enterprise funds at December 31, 2006. The table that follows reflects the Enterprise Funds Statement of Net Assets for the year ending December 31, 2006.

*Clark County Washington*  
Enterprise Funds - Statement of Net Assets

	Major				Non-Major		Total	
	Sanitary Sewer		Clean Water		Solid Waste			
	2006	2005	2006	2005	2006	2005		
<b>Assets</b>								
<b>Current assets</b>								
Cash / cash equivalents	\$ 3,990,032	\$ 3,572,204	\$ 10,073,010	\$ 8,827,050	\$ 4,667,434	\$ 5,197,674	\$ 18,730,476	\$ 17,596,928
Other current assets	743,253	449,825	540,263	502,610	620,602	366,625	1,904,118	1,319,060
Total current assets	4,733,285	4,022,029	10,613,273	9,329,660	5,288,036	5,564,299	20,634,594	18,915,988
<b>Noncurrent assets</b>								
Contracts receivable	26,252,953	28,609,838	0	0	0	0	26,252,953	28,609,838
Capital assets	102,396,195	86,276,589	81,426,229	83,472,509	1,199,896	1,199,896	185,022,320	170,948,994
Less accum. depreciation	(12,192,630)	(11,408,754)	(4,845,592)	(4,775,684)	(471,722)	(461,297)	(17,509,944)	(16,645,735)
Total noncurrent assets	116,456,518	103,477,673	76,580,637	78,696,825	728,174	738,599	193,765,329	182,913,097
Total assets	121,189,803	107,499,702	87,193,910	88,026,485	6,016,210	6,302,898	214,399,923	201,829,085
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accts. payable & accrued liabilities	945,972	1,250,267	718,525	538,319	307,992	255,592	1,972,489	2,044,178
Deferred revenue	0	0	151,000	0	0	0	151,000	0
Current portion of long term debt	2,377,533	2,244,091	5,774	5,389	2,895	3,070	2,386,202	2,252,550
Total current liabilities	3,323,505	3,494,358	875,299	543,708	310,887	258,662	4,509,691	4,296,728
<b>Noncurrent liabilities</b>								
Deferred revenue - Sewer District	26,252,953	28,609,838	0	0	0	0	26,252,953	28,609,838
Compensated absences	88,309	84,582	63,511	64,275	32,833	33,771	184,653	182,628
Advances	1,016,068	1,298,271	0	0	0	0	1,016,068	1,298,271
Long Term Debt Payable	23,193,580	24,871,200	0	0	0	0	23,193,580	24,871,200
Total noncurrent liabilities	50,550,910	54,863,891	63,511	64,275	32,833	33,771	50,647,254	54,961,937
Total liabilities	53,874,415	58,358,249	938,810	607,983	343,720	292,433	55,156,945	59,258,665
<b>Net Assets</b>								
Invested in capital assets, net of related debt	63,624,412	46,461,962	76,580,637	78,696,825	728,174	738,599	140,933,223	125,897,386
Unrestricted	3,690,976	2,679,491	9,674,463	8,721,677	4,944,316	5,271,866	18,309,755	16,673,034
Total net assets	\$ 67,315,388	\$ 49,141,453	\$ 86,255,100	\$ 87,418,502	\$ 5,672,490	\$ 6,010,465	\$ 159,242,978	\$ 142,570,420

The Sanitary Sewer Fund is in the middle of a \$71 million facilities upgrade which is being fully funded by two other government entities (see the Capital Asset and Debt Administration section of this document for more details on this project). Capitalized costs in 2006 for this project added \$16 million to capital assets, without decreasing cash or increasing liabilities, which accounts for the increases in both total assets and net assets for the enterprise funds during the year. Total assets of the Sanitary Sewer Fund increased by \$13.7 million during the year, while its liabilities decreased by \$4.5 million, resulting in a net increase of \$18.2 million in net assets.

The Clean Water Fund, whose capital assets consist mainly of storm water facilities and drainage infrastructure, accounts for 41% of total assets and 54% of net assets at December 31, 2006 (compared to 44% and 61%, respectively, in 2005). The Clean Water Fund recorded a decrease of \$1.2 million dollars in net assets in 2006 (a 1% change). Total assets decreased by \$0.8 million, a combination of a \$1.3 million increase in current assets and a \$2.1 million decrease in capital assets (due to stormwater facilities being included in city annexations or returned to developers). Liabilities increased by \$0.3 million in 2006.

Although the Sanitary Sewer Fund has nearly \$34 million more in total assets than the Clean Water Fund, the Clean Water Fund has only \$0.9 million in liabilities (as compared to nearly \$54 million in liabilities in the sewer fund), which accounts for the Clean Water Fund having the larger share of enterprise fund net assets. While initial phases of the treatment plant construction and previous upgrades were paid for with revenue bonds and Public Works Trust Fund loans, most of

the stormwater and drainage facilities have been contributed by developers. In addition, the stormwater facilities that were paid for by the County have either been funded by clean water fees that were collected prior to the building of the facilities, or were paid for by the County Roads Fund as part of a road construction project.

At December 31, 2006, enterprise funds reported combined net assets of \$159 million, an increase of \$17 million from 2005. Of the total net assets, \$141 million (88%) is accounted for by investment in capital assets, net of related debt. The remaining \$18.3 million (a 10% increase from 2005) is unrestricted and available for spending in accordance with the needs of the funds.

### Enterprise Funds Revenue and Expense Analysis

Enterprise funds, in total, increased revenues by nearly \$1.4 million in 2006. The Sanitary Sewer Fund contributed 47% (50% in 2005), the Clean Water Fund contributed 36% (38% in 2005), and the Solid Waste Fund contributed 17% (12% in 2005). The following table reflects the Enterprise Funds revenues and expenses for the year ending December 31, 2006.

<i>Clark County Washington</i>								
Enterprise Funds - Revenues and Expenses								
	Major				Non-Major		Total	
	Sanitary Sewer		Clean Water		Solid Waste			
	2006	2005	2006	2005	2006	2005	2006	2005
<b>REVENUES</b>								
Charges for services	\$ 6,773,251	\$ 6,601,404	\$ 4,809,283	\$ 4,655,877	\$ 1,561,936	\$ 1,206,000	\$ 13,144,470	\$ 12,463,281
Interest and investment revenue	218,421	105,203	455,587	224,067	221,615	139,515	895,623	468,785
Operating grant revenue	0	0		39,701	691,184	274,122	691,184	313,823
Miscellaneous revenue	1,068	0	65,521	141,051	8,991	32,522	75,580	173,573
Total revenues	6,992,740	6,706,607	5,330,391	5,060,696	2,483,726	1,652,159	14,806,857	13,419,462
<b>EXPENSES</b>								
Personal services	991,527	969,032	938,367	1,113,637	697,013	656,672	2,626,907	2,739,341
Contractual services	929,166	1,013,098	531,529	498,482	962,523	695,609	2,423,218	2,207,189
Other supplies/expenses	642,811	396,214	2,254,664	2,119,257	564,240	568,568	3,461,715	3,084,039
Depreciation	799,354	1,439,780	69,908	154,677	10,425	28,534	879,687	1,622,991
Interest expense	1,908,420	2,030,654	0	0	0	0	1,908,420	2,030,654
Total expenses	5,271,278	5,848,778	3,794,468	3,886,053	2,234,201	1,949,383	11,299,947	11,684,214
Income (loss) before contributions, gain/(loss) on assets, transfers, & special items	1,721,462	857,829	1,535,923	1,174,643	249,525	(297,224)	3,506,910	1,735,248
Gain/(loss) on disposition of capital assets	(5,344)	0	(3,373,798)	(16,104)	0	0	(3,379,142)	(16,104)
Capital contributions, interfund transfers, and special items	16,457,817	4,165,956	1,102,778	410,441	(587,500)	(25,000)	16,973,095	4,551,397
Change in net assets	18,173,935	5,023,785	(735,097)	1,568,980	(337,975)	(322,224)	17,100,863	6,270,541
Net assets - Jan 1	49,141,453	44,117,668	87,418,502	82,436,470	6,010,465	6,332,689	142,570,420	132,886,827
Prior period adjustment	0	0	(428,305)	3,413,052	0	0	(428,305)	3,413,052
Net assets - Jan 1 - restated	49,141,453	44,117,668	86,990,197	85,849,522	6,010,465	6,332,689	142,142,115	136,299,879
Net assets - Dec 31	\$ 67,315,388	\$ 49,141,453	\$ 86,255,100	\$ 87,418,502	\$ 5,672,490	\$ 6,010,465	\$ 159,242,978	\$ 142,570,420

Sanitary Sewer revenues increased by \$286,133, Clean Water revenues increased by \$269,695, and at \$831,567, Solid Waste revenues showed the largest increase. Grants increased by \$417,062 and charges for services increased by \$355,936, accounting for most of the increase in the Solid Waste Fund. Enterprise funds, in total, increased revenues by nearly \$1.4 million in

2006. In 2006, charges for services accounted for 89% of total enterprise fund revenues (as compared to 93% in 2005).

There was a slight decrease (\$0.4 million) in enterprise fund expenses in 2006. The Sanitary Sewer Fund had a \$0.6 million decrease, the Clean Water Fund had a \$0.1 million decrease, and the Solid Waste Fund had a \$0.3 million increase.

In 2006, there were capital contributions by developers of stormwater facilities in the amount of \$1.2 million and intergovernmental capital contributions of \$16.5 million for upgrades at the sewer treatment plant. There was a loss on disposition of capital assets of nearly \$3.4 million in the Clean Water Fund for stormwater facilities that were either included in city annexations or disposed of in other ways.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **General Fund Changes in Budget**

The County adopts a biennial budget which is amended during the budget years by supplemental appropriation resolutions. General Fund budget revenues increased by 4.7% from the original budget, while budgeted expenditures increased by 4.1%. Interfund transfers increased by 45.6% from the original budget amount. The following table shows the changes between the original and the final biennial General Fund budget and the variances between the final budget and the actual revenues and expenditures, as of December 31, 2006.

<i>Clark County Washington</i>					
General Fund Budgeted Revenues and Expenditures For the Biennium Ended December 31, 2006					
	Original 2005/2006 <u>Budget</u>	Final 2005/2006 <u>Budget</u>	Change Positive / (Negative)	Actual Biennium- <u>To-Date</u>	Variance Positive / (Negative)
<b><u>Revenues:</u></b>					
Taxes	\$ 144,548,095	\$ 142,321,439	\$ (2,226,656)	\$ 142,632,154	\$ 310,715
Intergovernmental	23,331,863	30,654,629	7,322,766	33,282,947	2,628,318
Charges for services	32,789,288	35,995,502	3,206,214	34,311,473	(1,684,029)
Other revenues	13,275,680	15,049,633	1,773,953	16,086,760	1,037,127
Total revenues	<u>213,944,926</u>	<u>224,021,203</u>	<u>10,076,277</u>	<u>226,313,334</u>	<u>2,292,131</u>
<b><u>Expenditures</u></b>					
General government	69,949,814	67,664,190	2,285,624	63,839,948	3,824,242
Public safety	101,866,256	109,705,058	(7,838,802)	106,370,758	3,334,300
Judicial	24,528,148	26,166,002	(1,637,854)	25,261,011	904,991
All other expenditures	9,420,607	10,690,034	(1,269,427)	10,178,247	511,787
Total expenditures	<u>205,764,825</u>	<u>214,225,284</u>	<u>(8,460,459)</u>	<u>205,649,964</u>	<u>8,575,320</u>
Excess (deficiency) of revenues over expenditures	8,180,101	9,795,919	1,615,818	20,663,370	10,867,451
Other financing sources	1,541,636	1,437,161	(104,475)	1,245,903	(191,258)
Interfund transfers	(11,143,583)	(16,228,650)	(5,085,067)	(15,860,519)	368,131
Net change in fund balance	<u>(1,421,846)</u>	<u>(4,995,570)</u>	<u>(3,573,724)</u>	<u>6,048,754</u>	<u>11,044,324</u>
Fund Balance as of January 1	10,939,083	7,410,822	(3,528,261)	12,016,252	4,605,430
Prior Period Adjustment	0	0	0	189,432	189,432
Fund Balance as of January 1- restated	<u>10,939,083</u>	<u>7,410,822</u>	<u>(3,528,261)</u>	<u>12,205,684</u>	<u>4,794,862</u>
Fund balance as of December 31	<u>\$ 9,517,237</u>	<u>\$ 2,415,252</u>	<u>\$ (7,101,985)</u>	<u>\$ 18,254,438</u>	<u>\$ 15,839,186</u>

Taxes decreased in 2005 when Clark County and the City of Vancouver terminated an interlocal agreement which dealt with shared revenue arrangements. This resulted in a budget decrease in sales tax revenues of \$5.5 million and an increase in intergovernmental revenues of \$4.5 million. In November of 2006, budgeted tax revenues were adjusted to better reflect actual tax collections, resulting in an additional \$2.2 million decrease from the original budget for tax revenue. The

additional \$2.8 million increase in intergovernmental revenues resulted from \$1.2 million in additional public safety grants received, \$0.3 million for a freight rail grant, and several smaller increases for additional grants received for projects such as habitat restoration, computer access to remote sites, and judicial officer training.

The \$3.2 million increase in charges for services includes \$2.6 million for an offender accountability inmate housing contract with Washington State Department of Corrections, \$240,000 increase for a surcharge on recording (based on new state legislation), and \$240,000 for postage costs reimbursed by other funds. Increases in the interest rate nationwide are the basis for a \$1.8 million increase in miscellaneous income.

The total General Fund expenditure budget increased \$8.5 million during the biennium. Public safety expenditures account for 93% of the total dollar increase (\$7.8 million). General government programs decreased their expenditure budget by \$2.3 million and judiciary programs increased their budget by \$1.6 million, while all other programs, combined, increased the expenditure budget by \$1.4 million. Significant changes in the General Fund's expenditure budget follow:

- Approval for a jail staffing and funding plan for \$2.6 million. The revenue to support this comes from the increase in charges and services from the Washington State Department of Corrections that was discussed in the revenue section above.
- Increases in the jail population, along with inflationary factors, resulted in a \$1.4 million budget increase for food, water, and medical service expenditures for inmates.
- A \$2.8 million increase in salaries and benefits for public safety employees, resulting from labor negotiations, and other increases of \$554,909 in public safety programs (including a remodel of the jail booking area and the purchase of 215 tasers, to provide officers with a less than lethal alternative).
- An upgrade to the County's financial management system, along with costs for additional licenses, resulted in an \$818,000 budget increase.
- The indigent defense budget was increased by \$1.3 million in response to an ongoing increase in the number of cases that require these services.
- The budget was increased by \$500,000 to purchase land to be used for little league baseball fields.
- Unanticipated increases in postal service costs resulted in a \$575,000 budget increase.

Interfund transfers increased \$4.5 million, and were for one time expenditures and subsidies to other funds (generally to reduce debt or deficits within the receiving funds). Significant transfer adjustments include:

- \$920,000 was transferred to the Elections Fund, in response to increased voter participation and to establish a level of financial stability.
- \$700,000 was transferred to the Central Support Services Fund to cover the cost of facility remodels and renovations, and to provide funds for other operating costs of the facilities maintenance department.
- \$400,000 was transferred from the General Fund technology budget to the Information Reserve Fund to provide for debt payment for the assessment/taxation system software.

- \$500,000 was transferred from the General Fund to the Retirement Benefit Reserve Fund to cover retirement claims.
- \$680,000 was transferred to the Workers Compensation Fund to cover self insurance payments and workers compensation claims that exceeded normal expectations.
- \$475,000 was transferred to the Tri Mountain Golf Maintenance Fund to cover short term debt service.

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

Total revenues are 101% of the final revenue budget, while total expenditures are 96% of the final budget at December 31, 2006. Other financing sources (which account for less than 1% of the total budget funding) are at 87% of budget, while interfund transfers stand at 98% of the final budget.

Tax revenue (which accounts for 64% of the total revenue budget) ended the year at 100% of the final biennial budget. Intergovernmental revenue (which accounts for 14% of the total revenue budget) ended the year at 109% of budget. The \$2.6 million additional intergovernmental revenue is due to payments from the Washington State Department of Corrections which was budgeted in charges for services rather than in intergovernmental revenue. Even so, charges for services were more than expected, and came in only \$1.7 million under budget. Other revenues are \$1 million over budget. The miscellaneous revenues over budget include interest earnings \$0.3 million, miscellaneous public safety revenues \$0.3 million, general government miscellaneous revenues \$0.2, and license and permits \$0.2 million.

Total General Fund expenditures were 96% of the final budget for the biennium. General government, public safety, and judicial programs account for 95% of General Fund expenditures.

The \$3.8 million variance (under budget) in general government expenditures includes \$1.3 million in salaries, wages, and benefits expenditures, \$1.7 million in other services and charges, and \$0.6 million in capital outlay. Public safety expenditures were \$3.3 million under budget for the biennium. The largest variances were in salaries, wages, and benefits expenditures (\$1.9 million under) and intergovernmental expenditures (\$0.9 million under). Judicial expenditures were \$904,991 under budget, with salaries, wages, and benefits expenditures coming in \$314,658 under budget and indigent defense expenditures \$441,927 under budget. Savings in salaries, wages, and benefits are generally a result of short term staffing vacancies.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

Clark County's total investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2006, is \$1.14 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, road and bridge subsystems, stormwater facilities, trails, and construction in progress on buildings and systems. Major capital asset events during the current fiscal year included the following:

- A variety of projects for new road construction and expansion of existing roads were ongoing during the year. The County spent \$11 million in 2006 on road projects completed in 2006, while another \$17.9 million was spent in 2006 on projects that will continue into 2007.
- In 2003, construction began on the center for community health, which was completed in 2006. The County spent \$2.7 million on this project in 2006, for a total completed cost of \$37.4 million.

- Vehicles, road equipment, and trailers were added to the fleet as either new equipment or replacements during the year, at a cost of \$3.2 million. Fleet equipment with an original cost of \$2 million and a net depreciated value of \$244,303 was disposed of in 2006.
- Park acquisitions and improvements amounting to \$11.8 million were added in 2006.
- The Sanitary Sewer Fund began planning and engineering for the phase four expansion of the Salmon Creek Treatment Plant in 2003. Project costs in 2006 were \$16.8 million dollars, and included construction work on interceptor and transmission lines, pump station upgrades, and planning and engineering costs. The phase four expansion will continue for several years, and is expected to cost \$71 million at completion. All debt and cash outlay for the cost of the treatment plant is paid for by the City of Battle Ground and Clark Regional Wastewater District, through an interlocal agreement.
- In 2006, urban residential roads and right of way contributed by developers, at a value of \$43 million, was added to County capital assets.
- Land dedicated to stormwater facilities, valued at \$1.2 million dollars, was contributed by developers and added to the County's capital assets in 2006. Stormwater land and facilities in the amount of \$4.2 million was removed from the County's capital assets in 2006, due to changes in ownership and annexations.

Additional information on Clark County's capital assets can be found in note IV.D. of this report.

### **Long-Term Debt**

At December 31, 2006, Clark County had total bonded debt outstanding of \$171 million (a decrease from \$178 million at December 31, 2005). Governmental activities had bonds payable of \$145.3 million (down \$5.9 million from 2005), while business-type activities had \$25.3 million in bonds payable (a decrease of \$1.5 million from 2005). At this time, all bonds held for business type activities are revenue bonds (bonds secured solely by specified revenue sources). The bonds currently held for governmental activities are comprised of \$145 million in general obligation bonds and \$228,954 in special assessment debt (for which the County is liable in the event of default by the property owners subject to the assessment).

The \$37 million in new bonded debt in 2006 was used to refund bonds which were taken out in 1999 and 2001. Bond retirements in 2006 were \$45.2 million (which included \$36.8 million for the refunded bonds). The County's remaining capacity for non-voted debt at December 31, 2006 was \$515 million (an increase from \$381 million at December 31, 2005). General obligation debt issued in 2006 was insured and had an "Aa3" rating from Moody's Investment Service. Clark County maintains an underlying rating for non-voted debt of "Aa3" from Moody's Investment Service. Additional information on the County's long-term debt can be found in note IV.H.

### **Modified Approach for Reporting Infrastructure Assets**

In 2003, the County elected to implement the "Modified Approach" for reporting road subsystems, stormwater subsystems, and bridge infrastructure, as defined by GASB Statement #34. Under GASB #34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The County manages the eligible infrastructure subsystems with:
  - an up-to-date inventory
  - current condition assessments that summarize the results using a measurement scale, in a manner that can be replicated (full assessments are done at least every three years for each eligible system)

- budget estimates of the annual expenditure amounts required to maintain and preserve the eligible infrastructure assets at the condition level that has been established and disclosed by the County
- The County documents that the eligible infrastructure assets are being preserved approximately at, or above, a condition level that has been established and disclosed by the County.

The following is a table which shows the value of infrastructure assets being reported using the modified approach, and how their current assessed condition compares with the condition level established by the County:

**Infrastructure Assets Using the Modified Approach  
Condition Assessment as of December 31, 2006**

	<i>Historical Cost</i>	<i>Accum. Depreciation as of 12/31/02</i>	<i>Net Cost</i>	<i>Average Assessment Value</i>			<i>Established Condition Level</i>
				<i>2004</i>	<i>2005</i>	<i>2006</i>	
Road Subsystem	505,978,265	16,553,296	489,424,969	85**	87	89	70
Stormwater Subsystem	47,873,144	4,260,384	43,612,760	87**	87**	86	70
Bridges Subsystem	13,045,897	-	13,045,897	74	74	73	50
Total	566,897,306	20,813,680	546,083,626				

\*Although the County has only recorded infrastructure constructed after 1980 on the capital asset listing, all county roads, stormwater facilities, and bridges are assessed, regardless of when they were constructed.

\*\* Indicates that a complete assessment was not done during this period, and the rating applies to the last period for which a complete assessment was done

Each of the three infrastructure categories in the table above had an average assessed value well above the established condition level. Road and stormwater subsystem condition assessments are done on a rotating basis, where a full assessment is completed over a three year cycle, at a minimum. All bridges are assessed every year.

Although condition assessments have not been documented for the entire road system in years prior to 2003, the County has used the pavement management system for several years, which employs industry standard road condition criteria to evaluate each road segment and determine maintenance needs. Maintenance and preservation activities have been budgeted at sufficient levels to maintain the road condition to a level at or above the established standard. The County spent \$13 million for road system preservation and maintenance in 2006, or 96% of the annual budget of \$13.5 million.

Most of the County's bridges were built prior to 1980, and are not included in the listing of capital asset infrastructure, in accordance with the requirements of GASB Statement #34. However, all County owned bridges are monitored and assessed, and are included in the average assessment value for 2006. The County has employed detailed State mandated evaluation methodologies for several years in managing the bridge network, and the ratings are sent to the State and incorporated in a state-wide bridge inspection database. Maintenance activities are budgeted at sufficient levels to maintain the bridge condition to a level at or above the established standard. Due to the timing of maintenance schedules and other efficiencies in 2006, the County spent only 85% of the annual budget (\$271,638 out of a \$317,837 budget) for bridge maintenance during the year.

The County's stormwater facilities are a recent addition to infrastructure assets, with more than 95% of the total system being added since 1996. Stormwater facilities consist mainly of holding ponds, and are commonly earthen in construction with no moving parts or non-earthen structural

layers. A few facilities include some rugged construction, generally consisting of cinderblock retention walls. The stormwater facilities are intended to collect water and allow it to seep into the ground over time. There is very little maintenance or preservation activity required for this subsystem, when compared to the investment in the subsystem. The County spent \$241,040 for stormwater maintenance in 2006, or 74% of the annual budget of \$296,415.

### **ECONOMIC FACTORS**

There have been a series of voter initiatives over the last several years, as well as both State of Washington and Federal legal changes that will have an impact on future finances of the County. A listing of legislative conditions and decisions that may significantly affect the future financial condition of the County follows:

- Initiative 747 which was approved by voters in Washington on November 6, 2001, limits the annual property tax increase to 1% or the Implicit Price Deflator (IPD), 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.
- Senate Bill 6211 took effect in 1997. This bill allows counties to recoup costs for regional services for misdemeanor offenders. This includes the costs associated with District Court, Corrections, and Jail Services. In 2006, the County recouped about \$5.6 million.
- In November 1999, the voters in Washington approved Initiative 695, which eliminated the annual motor vehicle excise tax and replaced it with a \$30 annual fee on motor vehicles. As a result, a portion of funding the County receives from the State was reduced by approximately \$3.1 million. In its place, the County has received partial funding of approximately one million dollars annually since 2000.
- The listing of several species of salmon and steelhead under the Endangered Species Act has ongoing monetary impact on the County. Ordinance revisions and changes in ongoing operations to protect fish and habitat have an associated expense. To date, restoration projects have been funded both by county contributions and outside revenues.
- Requirements of the National Pollutant Discharge Elimination System (NPDES) permit are expected to cost \$12 million for stormwater management over the next several years, to help stop the discharge of pollutants into our lakes, streams and aquifers. Funding for this stormwater system comes from user fees that began in 2000.
- In 2005, voters approved the creation of a Metropolitan Park District in the unincorporated urban growth area of Vancouver, which allows for a general tax levy of up to \$0.27 per thousand dollars of assessed valuation to finance urban park and trail maintenance funding. Impact Fees dedicated to parks development have been accumulating until a source of maintenance funding could be found. With the approval of the MPD, parks development will be able to proceed at a significant rate.
- In 2005, statewide voters rejected a repeal of gas tax increases which were enacted in 2005 for transportation improvements. The transportation improvement plan which the legislature passed (and the public upheld) releases several million dollars slated for improvements to state highways and interchanges located in Clark County, which will encourage further economic development within the County.
- In 2005, voters approved a 0.2 percent increase in the sales and use tax to provide long term financing to maintain and enhance public transportation in the Clark County Public Transportation Benefit Area Authority (C-Tran).

- In December 2006 the Board of County Commissioners passed a resolution increasing sales tax by 0.2% to provide additional funding for law enforcement and courts, and an additional 0.1% to raise revenue for substance abuse and mental health treatment, as well as enhanced therapeutic jurisprudence. Both increases are effective beginning April 2007.

As discussed in the letter of transmittal (located in the introduction section of this document), the County experienced unprecedented growth in building construction activities and population from 1990 through 2005. However, a recent decline (of approximately 25% between 2005 and 2006) in construction activity may indicate that growth levels are returning to a more modest rate. As shown in the statistical section at the end of this document, sales and use tax revenue decreased in 2006, as a result of the dissolution of the revenue sharing agreement with the City of Vancouver, (as discussed earlier in the Governmental Funds Revenue/Expenditure Analysis section of this discussion and analysis), while property tax levies continue to grow. Total tax revenue in 2006 was 99% of the amount collected in 2005. Even though the rate of growth declined in 2006, from previous years, the County still experienced a 3% increase in population, county unemployment went from 6.2% in 2005 to 5% in 2006, and there were 1,942 building permits issued in 2006. These factors indicate that the County economy will continue to be strong in 2007.

### **Requests for Information**

This financial report is designed to provide a general overview of Clark 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 financial information should be addressed to the Auditor's Office, Clark County, 1300 Franklin Street, P.O. Box 5000, Vancouver, WA, 98666-5000.