

Financial Report of Revenues and Expenses

1st Quarter 2006



proud past, promising future

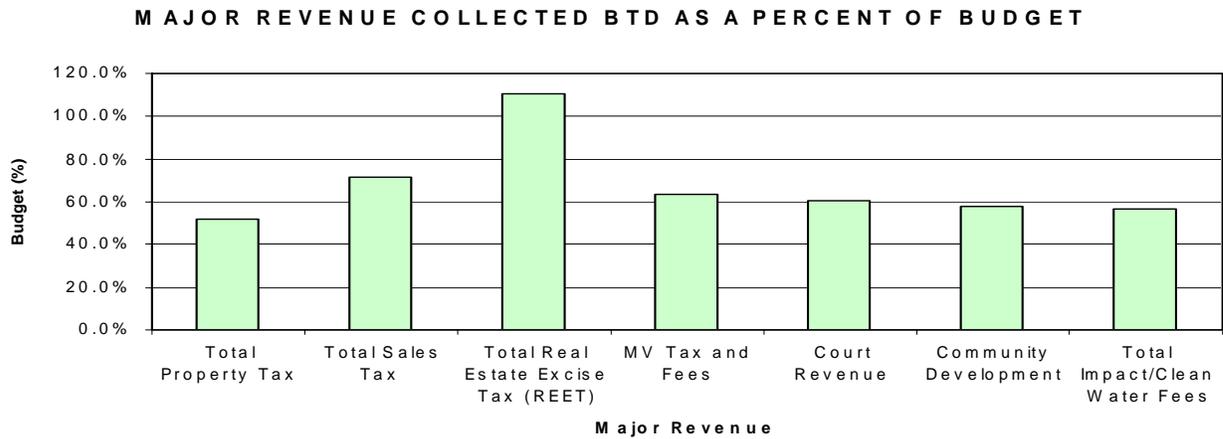
CLARK COUNTY
WASHINGTON

1200 Franklin Street • P.O. Box 5000 • Vancouver, Washington 98666-5000
(360) 397-2241 • FAX (360) 397-6007

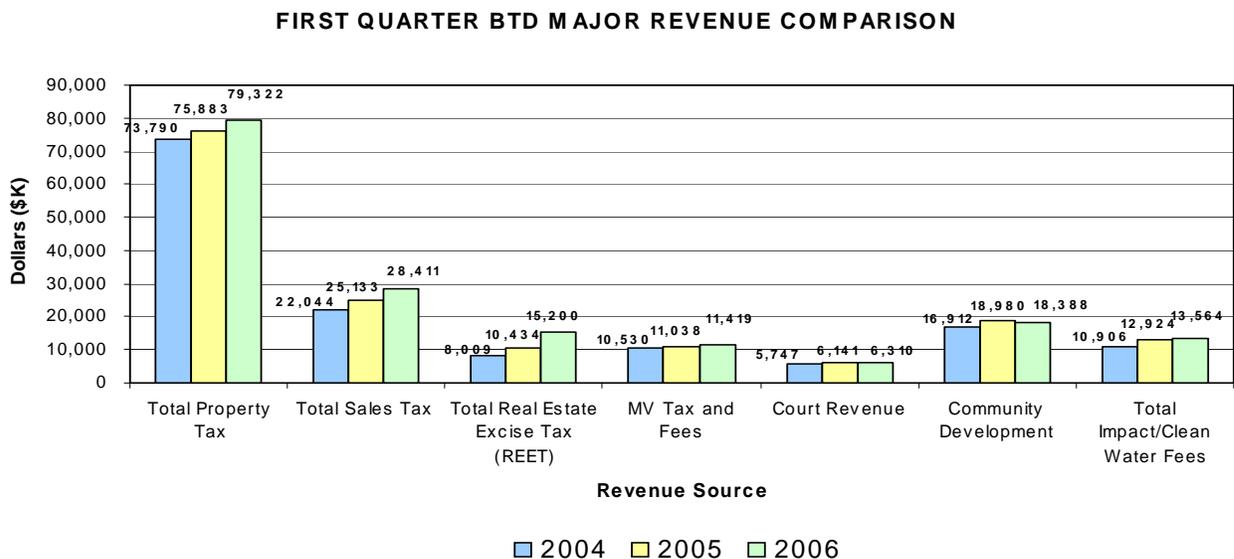
COUNTY REVENUE OVERVIEW

The County collected \$389M or 54.7 percent of the 05-06 budgeted revenues through March, 2006. The \$389M excludes interfund transfers, Vancouver Optional Sales Tax, and fiduciary funds. Taxes collected of \$143.1M represent 53.7 percent of budgeted tax revenues. The percent of taxes collected is high due to a greater than expected increase in sales tax and REET as illustrated below.

The following chart presents major sources of revenue collected through the 2006 first quarter, or 62.5 percent of the budget period, as a percent of budget. It should be noted that some revenue sources are not earned equally throughout the budget period. Comparing the percent of budget collected based on a point in the budget period should take into consideration the revenue's individual collection cycle.



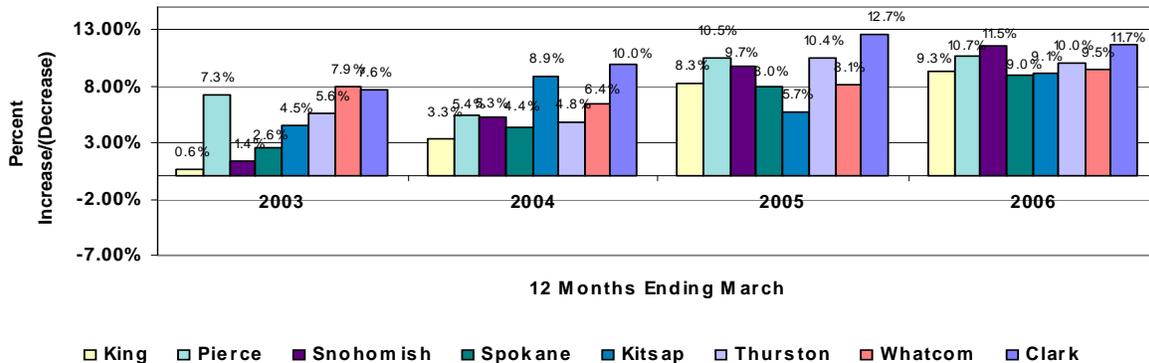
Another way to assess trends is to compare revenue types over time. The following chart shows a general increase in revenue collection from major revenue sources, for five consecutive quarters through the first quarters of each of the past three years.



SALES TAX REVENUE

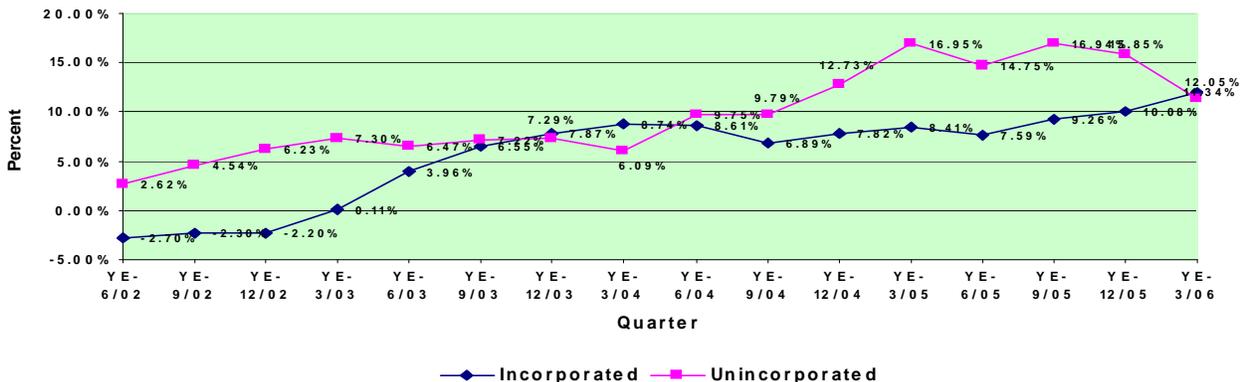
In the past twelve months, all major counties have experienced a retail sales growth rate of 9 percent or greater. Clark County's retail sales growth continues to outpace the largest counties in the state, however, Clark County's lead has narrowed significantly. For the year ending March 31, 2006, the County's growth rate was 11.7 percent.

**Washington Counties Retail Sales Growth
(Year over Year)**



Unincorporated Clark County received approximately \$12.5M (basic 0.5 percent) in retail sales tax revenue for the 12 months ending March 31, 2006. This represents 45.5 percent of the retail sales tax received in the entire county. In the past three years, retail sales in unincorporated Clark County have grown at a faster rate than in the incorporated areas. However, in the past twelve months, incorporated retail sales tax increased 12.1 percent while unincorporated sales tax increased 11.3 percent. The County receives approximately \$3.6M from the County's portion of sales tax in incorporated areas.

**Clark County
12 Months Ending Retail Sales Growth**

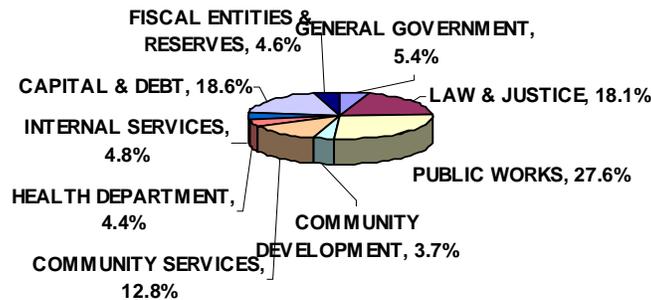


In the past ten years, construction spending in unincorporated Clark County ranges from 30-35 percent of percent of retail sales. In 2005, construction spending was 36.5 percent . In the past five years, the non-construction retail sales base has expanded significantly with the addition of "big box" stores. Comparing 2005 construction sales to the 2001 retail base, construction would be approximately 46 percent of retail sales. Construction retail sales tax contributed approximately \$7.3M to the county in 2005.

COUNTY EXPENSE OVERVIEW

Budgeted expenses by category for the 05-06 biennium closely resemble the actual expenses by category for the 03-04 biennium. Approximately 72 percent of expense is budgeted for direct program services. This is about the same as the 03-04 actual direct program services rate of 75 percent. Direct program service expenditures include: public works 27.6 percent, law and justice 18.1 percent, community services 12.8 percent, general government 5.4 percent, the Clark County Health Department 4.4 percent, and community development 3.7 percent. The remaining 28 percent of expenditures is spent on capital and debt services, fiscal entities and reserves, and internal services.

**Clark County Expense Distribution
2005-2006 Budget**



Total Clark County expenses through 2006 first quarter are approximately 51.3 percent of budget, lower than the benchmark of 62.5 percent of the biennium. Public Works spending is only 44.1 percent, however, major projects are planned for 2006. The Health Department is also behind on spending, primarily due to department vacancies. (See p.13 on County Employment.) Law and Justice expense is close to its expected budget at 61.4 percent.

CLARK COUNTY EXPENSE DISTRIBUTION
(Dollars in thousands)

	1Q06	1Q05	05-06 Budget	06/05	YTD/Budget
GENERAL GOVERNMENT	\$ 4,535	\$ 4,380	\$ 45,054	103.5%	54.0%
LAW & JUSTICE	18,795	18,232	150,818	103.1%	61.4%
PUBLIC WORKS	13,995	11,777	230,377	118.8%	44.1%
COMMUNITY DEVELOPMENT	3,562	3,263	30,971	109.2%	56.4%
COMMUNITY SERVICES	8,091	7,523	106,577	107.6%	44.9%
HEALTH DEPARTMENT	3,403	2,891	37,080	117.7%	44.9%
INTERNAL SERVICES	4,552	4,395	39,888	103.6%	56.5%
CAPITAL & DEBT	785	1,166	154,771	67.3%	52.0%
FISCAL ENTITIES & RESERVES	3,123	3,067	38,760	101.8%	53.8%
TOTAL	\$60,841	\$56,694	\$834,295	107.3%	51.3%

GENERAL FUND

The General Fund undesignated balance of \$1.8M at the end of the 2006 first quarter is down significantly from the \$12.4M balance at the end of 2005. This decrease in fund balance in the first quarter of the year is typical for the general fund since the majority of the fund's major revenue, property taxes, is collected in the second and fourth quarters of the year.

The first quarter fund balance has improved from the previous three years when the balance was \$.8M in 2005 and had deficits of (\$.8M) and (\$1.1M) in 2004 and 2003 respectively. The 2006 first quarter fund balance includes the \$1.5M impact for the Deputy Guild settlement. The Sheriff has yet to spend the \$1.3M budgeted for one-time only expenditures from revenue received from the Washington State Department of Corrections in 2005.

FUND 0001-GENERAL FUND CONDENSED HISTORY

	ACTUAL							
	2002 \$ M	2003 \$ M	% 03/02	2004 \$ M	% 04/03	2005 \$ M	% 05/04	2006 \$ M
Total Revenue	99.0	105.6	6.6%	107.6	2.0%	120.4	11.9%	18.6
Total Expenses	101.3	105.2	3.8%	108.6	3.2%	116.9	7.7%	29.2
Surplus/(Deficit)	(2.3)	0.4		(1.0)		3.5		(10.6)
One-time In	2.0	2.0		4.4		-		-
One-time Out	-	-		(3.8)		(1.6)		-
Net Gain/(Loss)	(0.3)	2.4		(0.4)		1.9		(10.6)
Undesignated Fund Balance	8.5	10.9		10.5		12.4		1.8

General fund revenue collected through the 2006 first quarter of \$139M is 58.7 percent of the current budget. Revenue is below the 62.5 percent benchmark for the biennium, however, a significant source of general fund income comes from property taxes which are collected in the second and fourth quarters of the year. Other significant sources of general fund revenue including Sales Tax, Motor Vehicle Fees, and Recording Fees currently exceed the benchmark.

General fund expense through the first quarter of 2006 is 60.4 percent of the current budget, a little below 62.5 percent of budget benchmark. This is normal due to inflationary factors built into the second year of the budget cycle.

GENERAL FUND

FUND 0001-GENERAL FUND ACTUAL VS. BUDGET						
	ACTUAL		BUDGET		ACTUAL VS. BUDGET	
	05-06	Adopted	Current	2005/06	2005/06	
	\$ M	\$ M	\$ M	Adopted	Current	
Total Revenue	139.0	231.2	236.8	60.1%	58.7%	
Total Expenses	146.1	233.6	241.8	62.6%	60.4%	
Surplus/(Deficit)	(7.1)	(2.4)	(5.0)			
One-time In	0.0	-	-			
One-time Out	(1.6)	-	-			
Net Gain/(Loss)	(8.7)	(2.4)	(5.0)			
Fund Balance END of period	1.8	-	-			

Each biennial budget sets aside an amount to deal with contingencies. Contingencies are generally items that are known, not part of the baseline budget, and the amount may be estimated. For example contingency items include labor settlements, earned leave buybacks and payoffs, and merit increases. At the end of the 2006 first quarter there is approximately \$4.1M is available to offset contingency items.

GENERAL FUND DEPARTMENT 308 CONTINGENCY							
Account	Description	Detail Balance	05-06 Adopted Budget	Jun-05 Budget	Dec-05 Re-Adopt	Mar-06 JE	Current Budget
0001.000.308.508200.110BTD	Salaries		(2,000,000)				(2,000,000)
0001.000.308.508200.211BTD	PERS/LEOFF		2,746,126		(1,549,598)	(1)	1,196,527
0001.000.308.508200.414BTD	Medical/Dental		393,070		650,000	(2) (650,000)	393,068
0001.000.308.508200.419BTD	Prof Services		25,000				25,000
	Settlements/Merit/Misc	3,900,000		(821,198)	(4) 850,000	(3) (476,133)	(5) 3,452,662
	Leave Payoffs/Buybacks	1,000,000					1,000,000
0001.000.308.508200.997BTD	Yr. End Entries		4,900,000				
Available Balance			6,064,196	(821,198)	(49,598)	(1,126,133)	4,067,267

(1) Required funding for Public Employee Retirement System.

(2) Support for inmate medical services (\$450k) and off-site medical services (\$200k). Transfer to Sheriff Custody

(3) Sheriff Guild settlements and ongoing pay/overtime.

(4) Merit increases for 2005

(5) Distribution of 2005 Merit Increases to various departments

DEPARTMENT OF COMMUNITY DEVELOPMENT

The Department of Community Development 2006 fund balance at the end of the first quarter is \$3.2M. The balance compares to the 2005 ending balance of \$3.4M and the 2004 first quarter balance of \$2.2M. Fund balance growth has slowed from the previous year's and currently appears to be stabilizing. The quarter-end balances since the 2005 third quarter have been \$3M, \$3.4M and \$3.2M respectively.

Planning and development fees are reviewed and recalculated each year to better reflect the cost of performing the respective service. As a result of the 2005 recalculation, 2006 fees were reduced by approximately 4.7 percent. The intent of the fee decrease is to keep the fund balance stabilized at the current level.

FUND 1011-COMMUNITY DEVELOPMENT CONDENSED HISTORY

	ACTUAL							
	2002 \$ M	2003 \$ M	Change 03/02	2004 \$ M	Change 01/02	2005 \$ M	Change 01/02	2006 \$ M
Total Revenue	11.6	13.5	16.7%	16.1	18.8%	15.4	-3.9%	3.4
Total Expenses	12.4	12.7	1.9%	13.4	5.7%	13.9	3.8%	3.6
Surplus/(Deficit)	(0.9)	0.8		2.7		1.5		(0.2)
One-time In	-	-		-		-		-
One-time Out	-	-		-		-		-
Net Gain/(Loss)	(0.9)	0.8		2.7		1.5		(0.2)
Fund Balance END of period	(1.7)	(0.8)		1.8		3.4		3.2

Most Community Development activities are subsidized to some extent by the general fund to reflect the "community benefit" of that activity. The costs of specific activities that do not provide a direct service to the consumer, such as long range planning, are wholly supported by the General Fund.

Expenses through 2006 first quarter are 54.8 percent of the current budget. Personnel Services are 57 percent of budget and Supplies and Services are 51 percent of budget. The lower than budgeted salaries expense is due to lower than expected employee benefits. The lower supplies expense is due to a delay in the software project to interface Tidemark to a document imaging software and a delay in the leasing (expense) for the new Battleground office.

FUND1011-COMMUNITY DEVELOPMENT ACTUAL VS. BUDGET

	ACTUAL			BUDGET		ACTUAL VS. BUDGET	
	05-06 \$ M	Adopted \$ M	Current \$ M	2005/06 Adopted	2005/06 Current		
Total Revenue	18.8	30.8	31.6	61.0%	59.4%		
Total Expenses	17.5	30.9	31.9	56.5%	54.8%		
Surplus/(Deficit)	1.3	(0.1)	(0.3)				
One-time In	0.0	-	-				
One-time Out	0.0	-	-				
Net Gain/(Loss)	1.3	(0.1)	(0.3)				
Fund Balance END of period	3.2	-	-				

ROADS FUND (DEPARTMENT OF PUBLIC WORKS)

The Road Fund fund balance has decreased from \$8.5M at the end of 2005 to \$4.1M at the end of the 2006 first quarter. The decrease is due to the seasonal nature of road work and the timing of property tax collections and grant reimbursements. Although the fund balance is currently positive, the balance is drawn down during the summer construction months and has needed to borrow intermittently to remain liquid. In addition to short term borrowings, borrowings from the Public Works Trust fund are listed as "One-time In" in the chart below.

Biennium-to-date revenue collected through the 2006 first quarter is \$58.1M. This compares to revenue of \$60.3M collected in the five quarter period ending March 31, 2005. Revenue collected of 52.4 percent of budget is below the benchmark percentage of 62.5 percent, primarily due to the timing of property tax collections in the second quarter of the year.

FUND 1012-ROAD FUND CONDENSED HISTORY

	ACTUAL							
	2002 \$ M	2003 \$ M	Change 03/02	2004 \$ M	Change -11/02	2005 \$ M	Change -11/02	2006 \$ M
Total Revenue	48.4	53.4	10.2%	56.0	5.0%	53.7	-4.1%	4.4
Total Expenses	54.7	60.7	10.9%	55.9	-7.9%	49.4	-11.6%	8.9
Surplus/(Deficit)	(6.3)	(7.3)		0.1		4.3		(4.5)
One-time In	3.6	5.3		1.2		-		-
One-time Out	-	-		(1.7)		-		-
Net Gain/(Loss)	(2.7)	(2.0)		(0.4)		4.3		(4.5)
Fund Balance END of period	5.0	3.0		4.3		8.5		4.1

Expenses through the 2006 first quarter are \$58.3M or 52.5 percent of the current 05-06 budget. If major transportation projects progress as planned during 2006, expenses should approach budget, however, it is possible that these projects will be delayed pushing the expenses into the 07-08 budget cycle.

FUND 1012-ROAD FUND ACTUAL VS. BUDGET

	ACTUAL			BUDGET		ACTUAL VS. BUDGET	
	05-06 \$ M	Adopted \$ M	Current \$ M	Adopted \$ M	Current \$ M	2005/06 Adopted	2005/06 Current
Total Revenue	58.1	97.7	111.0			59.5%	52.4%
Total Expenses	58.3	97.2	111.1			60.0%	52.5%
Surplus/(Deficit)	(0.2)	0.5	(0.0)				
One-time In	0.0						
One-time Out	0.0	-	-				
Net Gain/(Loss)	(0.2)	0.5	(0.0)				
Fund Balance END of period	4.1	-	-				

HEALTH DEPARTMENT

The Health Department became a county department at the beginning of the 03-04 biennium. The addition of the Health Department added approximately 128 FTE's and a biennial revenue budget of \$35M to the county. The 2006 first quarter ending fund balance of \$3.8M is \$.5M higher than 2005 year-end. The increase in fund balance is a result of decreased expenses as discussed below.

Health Department revenue through the 2006 first quarter is \$21.9M which is 61.3 percent of the current budget. This compares favorably to the benchmark of 62.5 percent.

FUND 1025-HEALTH DEPARTMENT CONDENSED HISTORY

	ACTUAL							
	2002 \$ M	2003 \$ M	Change 03/02	2004 \$ M	Change η] 002	2005 \$ M	Change η] 002	2006 \$ M
Total Revenue	13.1	17.0	29.5%	20.0	17.2%	18.0	-9.8%	3.9
Total Expenses	13.0	16.7	28.1%	18.1	8.2%	16.9	-6.6%	3.4
Surplus/(Deficit)	0.1	0.3		1.9		1.1		0.5
Net Transfers	(2.2)	1.8		(1.8)		-		-
Net Gain/(Loss)	(2.1)	2.1		0.1		1.1		0.5
Fund Balance END of period	(0.0)	2.1		2.2		3.3		3.8

The Health Department's expenses through the 2006 first quarter of \$20.3M, are only 55.9 percent of the current budget. The lower than budgeted expense is attributed to a change in the allocation methodology for county-wide indirects. Previously, indirects were charged to department 700 Administration, then allocated out to the other departments, creating two transfers. Now indirects are allocated directly to departments.

FUND1025-HEALTH DEPARTMENT ACTUAL VS. BUDGET

	ACTUAL		BUDGET		ACTUAL VS. BUDGET	
	05-06 \$ M	Adopted \$ M	Current \$ M	2005/06 Adopted	2005/06 Current	
Total Revenue	21.9	35.3	35.7	62.0%	61.3%	
Total Expenses	20.3	36.4	36.3	55.7%	55.9%	
Surplus/(Deficit)	1.6	(1.1)	(0.6)			
Net Transfers	0.0	-	-			
Net Gain/(Loss)	1.6	(1.1)	(0.6)			
Fund Balance END of period	3.8	-	-			

CLARK COUNTY FAIR

In preparation for the opening of the Exhibit Hall in 2004, the Fair Fund received a \$1.25M transfer from the general fund to clear the deficit fund balance created by prior years' operations. Approximately \$.25M of the transfer was to provide additional working capital for future fair operations. In addition, \$.4M was set aside to provide working capital for the new Exhibition Hall.

Fair Fund revenue through the 2006 first quarter was \$3.2M or 51.5 percent of the biennial budget. The Exhibition Hall contributed approximately \$.2M in revenue. Revenues increased slightly from the \$3.1M earned in the prior year 15 month period. The percent of budget earned appears reasonable considering the majority of the fund's income is earned in the third quarter of the year.

FUND 1003-CLARK COUNTY FAIR CONDENSED HISTORY

	ACTUAL							
	2002 \$ K	2003 \$ K	Change 03/02	2004 \$ K	Change ΔMID	2005 \$ K	Change ΔMID	2006 \$ K
Total Revenue	2,460.3	2,940.3	19.5%	2,745.3	-6.6%	2,927.7	6.6%	294.4
Total Expenses	2,639.5	2,942.5	11.5%	2,840.1	-3.5%	3,053.8	7.5%	390.8
Surplus/(Deficit)	(179.2)	(2.2)		(94.8)		(126.1)		(96.4)
Net Transfers	-	-		1,250.0		-		-
Net Gain/(Loss)	(179.2)	(2.2)		1,155.2		(126.1)		(96.4)
Fund Balance END of period	(765.5)	(767.7)		387.5		261.5		165.0

The 2006 Fair Fund expense of \$3.4M represents 54.1 percent of the current biennial expense budget. Through 2005 year-end, 47.9 percent of the current budget had been spent.

FUND 1003-CLARK COUNTY FAIR ACTUAL VS. BUDGET

	ACTUAL			BUDGET		ACTUAL VS. BUDGET	
	05-06 \$ K	Adopted \$ K	Current \$ K	Adopted \$ K	Current \$ K	2005/06 Adopted	2005/06 Current
Total Revenue	3,222.0	5,546.0	6,255.4			58.1%	51.5%
Total Expenses	3,444.5	5,552.0	6,369.3			62.0%	54.1%
Surplus/(Deficit)	(222.5)	(6.0)	(113.9)				
Net Transfers	0.0	-	-				
Net Gain/(Loss)	(222.5)	(6.0)	(113.9)				
Fund Balance END of period	165.0	-	-				

CENTRAL SUPPORT SERVICES (FACILITIES)

The Central Support Services (Facilities) fund balance improved significantly from 2003 as a result of approximately \$3.8M in transfers; \$2.5M from the General Fund and \$1.3M from other funds including \$966K from the Road Fund in 2004. The 2004 transfers were made to offset the cumulative effect of under-billing for services provided in the past three years.

In 2005, transfers from the general fund, excluding the 2004 one-time transfers increased \$1.2M and transfers from the Capital Building Fund 3051 increased \$670K. The fund deficit declined from a negative \$3.4M at the end of 2004 to a negative \$593.2K at the end of the first quarter 2006.

FUND 5093-CENTRAL SERVICES CONDENSED HISTORY

	ACTUAL							
	2002 \$K	2003 \$K	Change 03/02	2004 \$K	Change /0002	2005 \$K	Change /0002	2006 \$K
Total Revenue	3,734.2	4,737.3	26.9%	4,782.2	0.9%	6,357.7	32.9%	1,518.0
Total Expenses	4,673.2	6,565.7	40.5%	6,341.3	-3.4%	6,627.2	4.5%	1,444.4
Surplus/(Deficit)	(939.0)	(1,828.4)		(1,559.0)		(269.5)		73.6
Net Transfers	-	(141.8)		3,800.0		670.0		-
Net Gain/(Loss)	(939.0)	(1,970.2)		2,241.0		400.5		73.6
Fund Balance END of year	(1,338.1)	(3,308.3)		(1,067.3)		(666.8)		(593.2)

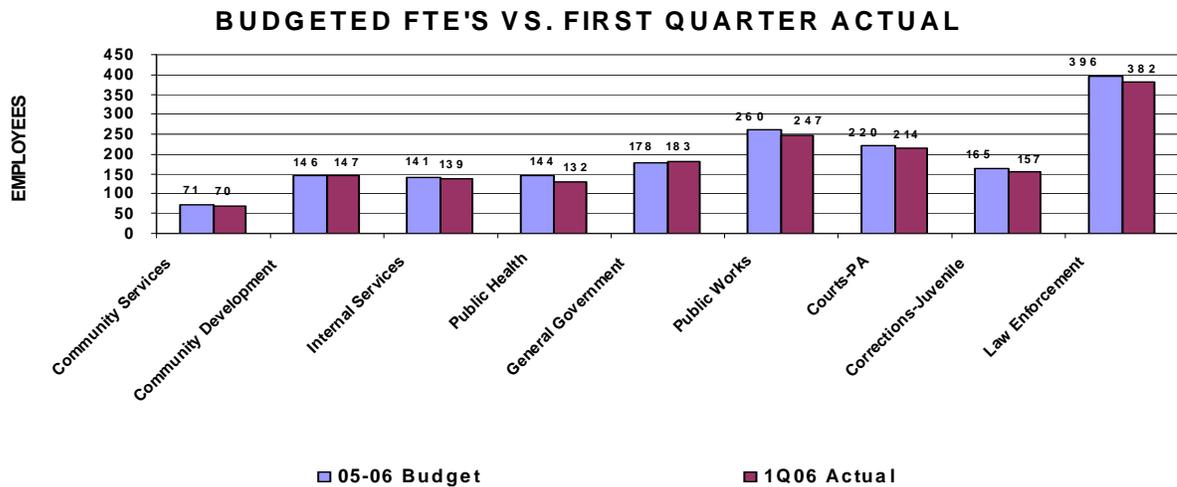
Expenses through the 2006 first quarter were approximately 54.2 percent of the biennial budget, well below the benchmark percentage of 62.5 percent. Revenues exceeded expenses by \$73K further reducing the fund balance deficit.

FUND 5093-CENTRAL SERVICES ACTUAL VS. BUDGET

	ACTUAL			BUDGET		ACTUAL VS. BUDGET	
	05-06 \$K	Adopted \$ K	Current \$ K	Adopted	Current	2005/06 Adopted	2005/06 Current
Total Revenue	7,875.7	13,580.7	14,308.4			58.0%	55.0%
Total Expenses	8,071.6	14,530.8	14,890.2			55.5%	54.2%
Surplus/(Deficit)	(195.9)	(950.1)	(581.8)				
Net Transfers	670.0	-	-				
Net Gain/(Loss)	474.1	(950.1)	(581.8)				
Fund Balance END of year	(593.2)	-	-				

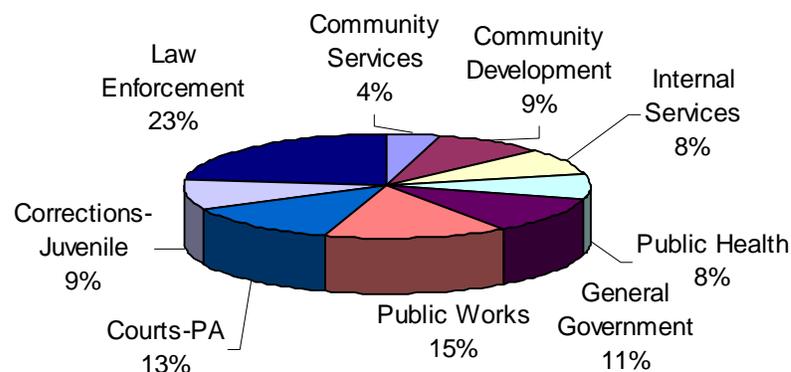
COUNTY EMPLOYMENT

The adopted 05-06 budget approves 1,720 FTE's. County employment has increased 5 FTE since the end of 2005. The increase includes 5 project employees in the Treasurers office hire to help implement the Point of Sales system. Law Enforcement has the largest number of vacant positions with 14 followed by Public Works with 13 and Public Health with 12.



The distribution of employees by function at the end of the 2006 first quarter is essentially the same as the end of 2005. Law and Justice, including the County Sheriff' Department, Corrections, the County Clerk's office, Superior Court, the Prosecuting Attorney, and the District Court, represent 45 percent of the county's work force. The next largest department is Public Works with 15 percent of the county's employees. The remaining groups are General Government (Assessor, Auditor, Treasurer, Commissioners) with 11 percent, Community Development (Planning, Permitting, Inspections) with 9 percent, Internal Services (Budget, Human Resources, Central Services, Purchasing, Facilities) with 8 percent, Health Department with 8 percent, and Community Services with 4 percent.

2006 EMPLOYEES BY FUNCTION



CAPITAL PROJECTS/OTHER

Legacy Health Systems began operation of a new 220-bed hospital in Salmon Creek. The \$220M facility included spending about \$4M for road improvements, including construction of NE 23rd Ave. from 134th St. to 139th St., a bridge over Whipple Creek tributary, the widening of the northbound off-ramp at I-5 and NE 134th St., a center left turn lane at NE 139th St. between 20th and 29th avenues, and frontage improvements on the south side of NE 139th St. between 20th and 29th avenues. These improvements are now complete.

The Community Health Center located on Veterans Affairs property opened. It houses the Health Department, the Department of Community Services, several nonprofit organizations, and some Veteran's Affairs programs. A nonprofit governmental bond has been issued, whereby a significant portion of the debt service would be paid via rent from these social service programs. Other funding, including sale of the current location to the Clark College Foundation and specific grants (\$3M Triage Center) will reduce the amount of debt required. The total cost of the project is approximately \$40M. General Obligation bonds valued at approximately \$5.7M were issued in July 2005 to complete the funding for the Health Department building construction.

The unemployment rate in Clark County for March 2006 was unchanged from the end of 2005 at 6.1 percent. The rate is down significantly from 7.3 percent in 2005.

The Vancouver City Council voted an additional .2 percent optional sales tax to take effect in January 2006. As a result, beginning March 2006, the Vancouver .3 percent optional sales tax previously collected by the County to offset SB6211 costs will now be collected by the City. The County will invoice monthly for SB6211 services.

In September, C-Tran was successful in passing a .2 percent sales tax that took effect October 1 in the Vancouver Urban Growth Boundary and within all other incorporated city limits. The sales tax will replace state matching revenues lost in 2000 and is intended to preserve existing service levels, as well as restore some routes cut since 2000. Service will be limited to the Vancouver UGA and other incorporated areas.