



proud past, promising future

CLARK COUNTY
WASHINGTON

AUDITOR
GREG KIMSEY

June 21, 2010

To the Honorable Board of Commissioners and Citizens of Clark County:

In accordance with the provisions of Chapter 36.22 of the Revised Code of Washington, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Clark County for the fiscal year ended December 31, 2009. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by independent auditors from the Office of the Washington State Auditor.

The 2009 CAFR meets the requirements of Government Accounting Standards Board (GASB) Statement #34 with the inclusion of government-wide statements that are based on full accrual accounting and includes capital assets and long-term debt. In 2003, the County elected to implement the "Modified Approach" for reporting road systems, stormwater systems, and bridge infrastructure, as defined by GASB #34. Under GASB #34, eligible infrastructure capital assets are not required to be depreciated if they are being preserved under certain conditions. Further discussion about these changes are explained within the Management's Discussion and Analysis section of this CAFR, which immediately precedes the basic financial statements in the financial section of this report.

The CAFR consists of management's representations concerning the finances of the County. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of Clark County. Clark County has established a comprehensive internal control framework to provide a reasonable basis for making these representations. Management of the County has established internal controls that are designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's internal controls have been designed to provide reasonable assurance that the financial statements will be free from material misstatements. To the best of our knowledge and belief, the data presented is accurate in all material respects and disclosures.

The Comprehensive Annual Financial Report is developed to provide meaningful financial information to the public, legislative bodies, creditors, investors, and teachers and students of public finance. It is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and a presentation of the County's organizational structure and elected officials. The financial section includes the independent auditor's report, management discussion and analysis, government-wide statements, fund statements, notes to the financial statements, and combining and individual fund financial

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statements and schedules. The statistical section presents financial and demographic information, which is generally presented on a multi-year basis.

The Office of the Washington State Auditor conducts an annual audit of the financial statements of Clark County as required by state law. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2009, are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Clark County's financial statements for fiscal year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Their examination is conducted in accordance with *generally accepted auditing standards, Government Auditing Standards* issued by the Comptroller of the United States, and the provisions of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards and state/local financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, will be issued in a separate Single Audit Report issued by the Office of the Washington State Auditor.

GAAP requires that management provide a narrative introduction, overview, and analysis of financial condition and results of operations to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Clark County's MD&A can be found immediately following the report of the independent auditors.

Profile of Clark County

Clark County, incorporated in 1849, is located in the southwestern portion of the State of Washington, on the Columbia River, approximately 80 miles from the Pacific Ocean. The Columbia River forms the western and southern boundaries of the County and provides over 41 miles of river frontage. The North Fork of the Lewis River forms the northern boundary of the County and Skamania County and the Cascade Range forms the eastern boundary. The land area of the County encompasses 405,760 acres, approximately two-thirds of which lie in the foothills of the Cascade Range. Located directly across the Columbia River from Portland, Oregon and 150 miles south of Seattle, Clark County is one of the fastest growing areas in the Pacific Northwest. The Columbia River and the proximity of the Pacific Ocean have a strong influence on the economy, climate and recreational activities of the area.

The County enjoys a diversified economy with a solid commercial sector, valuable port activities, significant government and service sectors as well as a resilient manufacturing base. Additionally, the County is well served by a variety of transportation facilities. Interstates 5 and 205 access the Portland area, and the Ports of Vancouver, Ridgefield, and Camas/Washougal offer port facilities which capitalize on the Columbia River's status as a fresh water, deep draft harbor between Canada and California. Transcontinental railroads, trucking firms, bus lines, and the Portland International Airport also serve the County.

Clark County is a statute county, which means that the organization of the County is prescribed by state statute. Locally elected officials include the County Assessor, Auditor, Clerk,

Prosecuting Attorney, Sheriff, Treasurer, ten Superior Court Judges, six District Court Judges, and a three member Board of County Commissioners. These elected officials govern the County and establish policies on the basis of the local community's needs and preferences. The Board of County Commissioners acts as the County's legislative body and appoints a County Administrator who, with the Deputy County Administrator, oversees twelve departments.

In accordance with GASB #14 "The Financial Reporting Entity", the County has identified five entities as component units. By virtue of its authority to exercise influence over their operations, the County has included the financial statements of the Industrial Revenue Bond Corporation, the Fairgrounds Site Management Group, Emergency Medical Service District, and the Metropolitan Park District, as blended component units reported as special revenue funds. Because the County cannot impose its will on the Clark County Public Facilities District, it is reported as a discrete (separate) component unit of the County. The County also reports its investment in a governmental joint venture: Clark Regional Emergency Services Agency.

The County's biennial budget serves as the foundation for financial planning and control. State law (RCW 36.40) establishes the general requirements of Clark County's biennial budget process. The law requires the County to initiate the budget process on or before the second Monday in July, by requesting budget estimates for the ensuing year from each County department. The County is required to present a compilation of these estimates, including revenue projections, to the Board of Commissioners upon or before the first Tuesday in September, or if the Board so chooses, the first Tuesday in November. A compilation of submissions is then prepared, and copies are made available to the public. The Commissioners must schedule a hearing on the budget for the first Monday in October, or if the Board so chooses, the first Monday in December. The budget hearing may be continued from day to day for no more than five days. At the conclusion of the hearing, the Board of Commissioners adopts the budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated budget has been adopted. The biennial budget is adopted and systematically monitored on the fund level for special revenue and capital project funds and on a department level for the general fund. Personal service costs in each fund are controlled by position. The major capital projects are approved in accordance with a long-term capital acquisition plan.

Relevant Financial Policies

The County adopted a fiscal policy plan in 1982 and amended it in 1994. There are 17 fiscal policies in the plan which provides guidance for prudent management of the County's resources. These fiscal policies help provide high level direction over the County's finances and have been consistently applied during 2009.

Local Economy

Between 2001 and 2009, Clark County's population increased by 22.3%, to approximately 431,000 at the end of 2009. The increase in population ranked second in the state by percentage change and was nearly double the state's growth of 11.6% for the same period. About 70% of that growth was from migration from other areas, in particular, from Portland, Oregon. The County attracted many of these former Portland residents because of lower housing costs, available land, and good schools. About 22% of the County's labor force commutes across the Columbia River to Oregon to work.

The local employment market has generally seen a higher unemployment rate than the State unemployment rate. The unemployment rate in Clark County was at 13.7% at the end of 2009, up from 10.5% at the end of 2008, (compared to 5.4% in December 2007 and 4.6% in December 2006). The State unemployment rate was 9.5% at the end of 2009. The total Clark County resident work force numbered approximately 219,800 in December 2009 and of that workforce, approximately 30,000 residents were looking for work at the end of 2009

The County, like the rest of the country, has been adversely impacted by the decline in the housing industry. This has been reflected in the decline in building permits and sales tax receipts associated with a robust building industry. In 2009 there was a 19.6% decline in building permits from 2008 (from 884 to 711). The number of building permits processed has gone down in each of the last five years resulting in a 73% reduction since 2,640 permits were processed in 2005. The median home price decreased 9% in 2009. Home sales in Clark County increased from 5,110 homes sold during 2008 to 7,890 homes sold in 2009. The increase in home sales and the slowing decline in building permits may indicate that the home construction industry has reached bottom and is stabilizing. However, high unemployment probably means that economic improvement will be slow.

Long-Term Financial Planning

The County has capital investments planned over the next several years for the following areas:

- Approximately \$29 million in community parks amenities and improvements is planned during the years 2010 through 2012.
- The County's six year Transportation Improvement Program calls for \$171 million to be spent on roads during the period 2010 through 2015. Of this amount, 42 percent is expected to come from the County Roads Fund, with the remainder to be financed through grants, partnerships, and other resources.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clark County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2008. Clark County has received this prestigious award for twenty-eight consecutive years. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County has received the GFOA Distinguished Budget Presentation Award for seventeen consecutive budget periods, most recently for its biennial budget document dated 2009/2010. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operating guide, and a communication device.

We express our appreciation to those who have devoted their time to the preparation of this report, especially the Financial Services staff in the Clark County Auditor's office and the Clark County Treasurer's office. We also recognize the professional efforts of the State Auditor's Office in their audit, and the direction and advice they provide us throughout the year.

Finally, we express our sincere appreciation to the Board of County Commissioners for their continued support, and their tireless efforts in working for the betterment of the community and in making Clark County a great place to live, work, and play.

Respectfully submitted,

Greg Kimsey
Clark County Auditor

John Ingram
Director of Finance