CLARK COUNTY WASHINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clark County have been prepared in conformance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Washington State Auditor's Office has developed and implemented the Budgeting, Accounting, and Reporting System (BARS) designed to promote uniformity among cities and counties in Washington. Following is a summary of significant accounting policies for Clark County.

A. Reporting Entity

The reporting entity "Clark County" consists of Clark County as the primary government and five blended component units for which the County is financially accountable. Blended component units are legally separate entities, but are in substance a part of the County's operations. The data from these entities are combined with the financial data from the primary government. Clark County is a statute county, which means the organization of the County is prescribed by state statute. The County has a commissioner form of government with a governing body consisting of three County Commissioners.

Blended Component Units

The ***Industrial Revenue Bond Corporation of Clark County (IRBC***) was established in 1982 with the granting of its charter under RCW 39.84. IRBC is responsible for encouraging industrial development by issuing industrial revenue bonds in accordance with the 1981 Economic Development Act of the State of Washington. Revenue bonds issued by the corporation are payable solely from revenues of the industrial development facility funded by the revenue bonds and are neither a liability nor a contingent liability of Clark County, the IRBC, or any other public entity. There are no bond issues outstanding at December 31, 2008. IRBC is a component unit of the County because: 1) it is a separate legal entity; 2) the Board of County Commissioners comprises the Board of the IRBC; and 3) the County can impose its will on the IRBC. The operations of the IRBC are reported as a blended special revenue fund.

***Emergency Medical Service District (EMSD*)** was established in 1987 as a quasi-municipal corporation and an independent taxing authority under RCW 36.32.480. In 1995, an Emergency Medical Service (EMS) Interlocal Cooperation Agreement was signed by the County and various cities within the county to enable these jurisdictions to exercise uniform EMS regulatory oversight and to participate in purchasing ambulance services in the contract service area. The EMSD is a separate legal entity and within the EMSD ordinance the Board of Clark County Commissioners is designated as the governing body of the EMSD. The operations of the EMSD are reported as a blended special revenue fund (Emergency Medical Services).

Fairgrounds Site Management Group (FSMG*)* was established in 2004 as a non-profit organization to oversee the management, operations and maintenance of the county fairgrounds. All operating revenues collected by FSMG are the sole property of the County. The County adopts a budget for the expenditures relating to operations of the fairgrounds and the services of the FSMG are provided almost entirely to the County. FSMG is a component unit of the County because: 1) it is a separate legal entity; 2) the five member board is made up of three members appointed by the Clark County Commissioners and two members appointed by the Clark County Fair Association and 3) the County can impose its will on FSMG. Its operations are reported as a blended special revenue fund (Clark County Fair Fund).

Metropolitan Park District (MPD) was approved by the citizens of the county by vote in 2005 under the authority of RCW 35.61. The MPD creates a district whereby a property tax is imposed to provide operating and maintenance funding for park and trail development in the unincorporated urban area of Clark County. The collection of taxes and the operation of the MPD are reported as a blended special revenue fund. The MPD is a separate legal entity governed by the Board of County Commissioners.

In 2002, Clark County formed the **Clark County Public Facilities District (CCPFD**) to collect a portion of state sales and use taxes within the public facilities district. These revenues are to be used solely to acquire, collect, own, remodel, maintain, and equip regional centers as defined by law. The CCPFD is made up of five directors, two are appointed by the Clark County Commissioners, two appointed by the Vancouver City Council and one member appointed by the other directors. In 2003, the CCPFD and the City of Vancouver Public Facilities District entered into an interlocal agreement to transfer ninety-seven percent of the State sales tax revenue received by the County PFD to the City's public facilities district, in order to support the Vancouver Convention Center. The remainder of the sales tax revenue goes to support the construction and maintenance of the County Fairgrounds Expo Center.

Under the interlocal agreement, the Vancouver PFD agrees to pay the CCPFD each year 75% of the "surplus" revenues from the convention center project up to $450,000, provided that payment doesn't exceed the amount the CCPFD transferred to the City PFD for that year. In addition, following the final payment on the Vancouver conference center bonds, or the end of the sales and use tax collection, the CCPFD shall be paid annually 70% of the "surplus" revenue for the prior year up to a maximum 25% of the amount carried forward balance. At the end of 2008, the CCPFD has a note receivable in the amount of $2,294,007 plus accrued interest receivable of $6,705, from the City PFD. CCPFD is a component unit of the County because: 1) it is a separate legal entity and 2) there is a financial benefit to the County because the loan will be repaid by the Vancouver PFD. The CCPFD is reported as a blended special revenue fund.

Complete statements for the blended component units may be obtained from Clark County.

Related Organizations

The Vancouver Library Capital Facilities Area (VLCFA*)* was created in 2006 under RCW 27.15 which allows regional libraries and cities to form library capital facility areas. The voters approved a $43 million bond measure to pay for the replacement of the main branch of the downtown library and the Cascade Park branch. The Fort Vancouver Regional Library (FVRL) entered into an interlocal agreement with the VLCFA whereby it is responsible for the management of new library projects. There is no financial benefit/burden to the County, therefore it is not a component unit of the County. The County serves as treasurer for the VLCFA and the FVRL in a fiduciary capacity and the operations of these organizations are reported as agency funds to distinguish them from County funds. The County can impose its will on VLCFA and has a relationship of financial benefit from this organization.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County allocates a portion of its indirect costs to individual functions. These indirect costs are excluded from program expenses reported for the various functional activities. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Fund financial statements are used to report additional and more detailed information about the primary government and its blended component units. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. Exceptions to this rule include unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

Clark County reports three major governmental funds.

- The *General Fund* is the County's primary operating fund. It is used to account for all activities of the general government not accounted for in another fund.
- The *County Roads Special Revenue Fund* accounts for the design, construction, and maintenance of county roads.
- The *Community Services Grants Special Revenue Fund* is a multi-grant fund used to finance a variety of community improvement and relief services, including assistance to the elderly, weatherization, special volunteers, and aid to the economically disadvantaged.

The County reports two major proprietary funds.

- The *Sanitary Sewer Fund* accounts for all sewer activity, including maintenance and operation of the County's sewer treatment plant and sewer capital construction projects.
- The *Clean Water Fund* accounts for activities related to the County's stormwater drainage systems, in accordance with the Federal Clean Water Act.

Additionally, the County reports the following fund types:

- *Internal service funds* account for equipment rental, elections, central support, self insurance, building maintenance, retirement benefit reserve, and data processing services provided to other departments, agencies of the government, and other governments on a cost reimbursement basis.

- The *private-purpose trust fund* accounts for resources legally held in trust for a private organization, the Childrens Home Society, to benefit homeless or orphaned children. Only earnings on investments may benefit this activity. The capital portion of the trust must be preserved intact. No resources are used to support the County's programs.

- *Investment trust funds* account for external pooled and non-pooled investments held by the County Treasurer on behalf of external pool participants in the County's investment program. Pooled money is invested and monitored by the County and external participants are generally government entities that do not have their own treasurer, such as fire and school districts.

- *Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets (such as property taxes collected on behalf of other governments) that the County holds for others in an agency capacity. Agency funds include fire, school, port, cemetery, air pollution, cities & towns, library, drainage district, and miscellaneous clearing fund activities.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include a) charges to customers or applicants for goods, services or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes, interest earnings, sale of capital assets, and transfers.

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

When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources, as they are needed.

D. <u>Budgetary Information</u>

The biennial budget for Clark County is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting Systems (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles. The Board of County Commissioners adopts biennial appropriations for the general, special revenue, and capital project funds. Budgetary constraints for debt service funds are determined by the terms of the debt instruments or enabling legislation.

During the budget process, each county official submits detailed estimates of anticipated revenues and expenditure requests for the ensuing budget years. The budget office compiles this data and makes it available for public comment in early October of the budget adoption year. A recommended budget is published in the third week of November with a public hearing held during the first week in December, when the final budget is adopted.

The biennial budget is adopted and systematically monitored on the fund level for special revenue, general obligation bond debt service, and capital project funds and on a department level for the General Fund. Personal service costs in each fund are controlled by position. The acquisition of capital items is approved on an item by item basis in accordance with a long-term capital plan.

Biennial budgets are amended during the budget years by supplemental appropriation resolutions that are approved by the Board during public meetings. Revisions which increase the total appropriation of any fund are published in the official county newspaper (The Columbian) at least two weeks before the public hearing. Revisions approved by the Board during 2008 consisted of awards and modifications of grants, the release of contingency funds to specific programs, and enhanced revenues supporting expanded program requirements. Department heads may transfer budget amounts between certain categories of expenditures (supplies and services) without approval of the Board as long as they do not exceed their total department/fund budget.

E. Assets, Liabilities, and Net Assets or Equity

1. *Cash and Cash Equivalents (See Note 4 for more details)*

It is the County's policy to invest all temporary cash surpluses. At December 31, 2008, the Treasurer was holding $37,949,680 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents along with pooled investments of the various funds.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months from the date of acquisition. For purposes of the statement of cash flows, the county considers pooled investments and deposits in trust to be cash equivalents.

2. *Investments (See Note 4 for more details)*

The Clark County Treasurer (Treasurer) is empowered by the State of Washington to act as the fiduciary agent for the County (as Treasurer) and other junior taxing districts (as ex-officio Treasurer), which includes the receipt, deposit and prudent investment of public funds as legally prescribed by the laws of the State. State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, banker's acceptances, certain other government agency obligations, and the state treasurer's investment pool. County policy dictates that all investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool and similar money market accounts be transacted on the delivery versus payment basis. Investments are stated at fair value.

The Treasurer administers and maintains an External Investment Pool for the County and other jurisdictional governments within the county. Participation in the Pool is voluntary. All participants have the option of investing in the Pool, or requesting specific investment amounts and maturity dates for investments outside the Pool. The Treasurer's Office does not report any securities at amortized cost. All securities are reported using the security's fair market value.

3. *Receivables (See Note 8)*

Taxes receivable consist of delinquent property taxes. Property taxes are levied annually before December 15th and become a lien as of January 1st. Property taxes are recorded on the balance sheet as taxes receivable and deferred revenues at the beginning of the year. Taxes are due in two equal installments on April 30th and October 31st. All uncollected property taxes at year-end are reported as taxes receivable. No allowance for doubtful taxes receivable is recorded because delinquent taxes are considered fully collectible. Interest and penalties receivable is related to delinquent property taxes.

Special Assessment receivables consist of current and delinquent assessments and related penalties and interest for county road improvement districts which are recorded when levied. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. Notes receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered or sales of capital assets. The amount of accounts receivable estimated to be uncollectible at year end has been determined to be small, and not material.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivables (See Note 9 for more details)

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Other outstanding balances between funds are reported as “due to/from other funds”. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Interfund balances between governmental funds and interfund balances between proprietary funds have been eliminated and are not included in the government-wide statement of net assets.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

5. *Inventories and Prepaid Items*

Inventories in governmental funds consist of expendable supplies or vaccines held for consumption. Inventories in internal service funds consist of expendable supplies, rock, road oil, parts, gas, and signs used mainly in the County Road Fund. The cost is recorded as expenditures at the time inventory items are consumed. Inventory is valued using the average cost method, which approximates the market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The reserve for inventory and prepaid items is equal to the ending amount of inventory and prepaid amounts to indicate that a portion of the fund balance is not available for future expenditures

6. Restricted Assets

In December 1999, the County and the City of Vancouver (the City) consolidated their parks operations. The County transfers its park impact fee revenues to the City and the City will expend them on various park projects in the coming years. These impact fees have been recorded as restricted - assets in safekeeping until such time as the parks are purchased and recorded as capital assets in the County’s Statement of Net Assets. For 2008, $7.3 million was recorded as assets in safekeeping.

7. *Capital Assets (See Note 6 for more details)*

Capital assets include land, buildings, improvements to land and buildings, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, stormwater facilities, and water and sewer systems. Capital assets are defined by the County as assets with an initial individual cost of more than $5,000, or in the case of infrastructure assets with an initial cost of more than $100,000, and for all categories of assets, an estimated useful life in excess of one year.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement # 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, which requires the inclusion of infrastructure capital assets in local governments basic financial statements. In accordance with GASB # 34, the County has recorded the value of all infrastructure (which meets the $100,000 capital threshold requirement referred to in the previous paragraph) acquired from 1980 to present, and has included that value in the financial statements. Engineering estimates were used to value the estimated historical costs of the infrastructure. The County has not reported any infrastructure acquired prior to January 1, 1980.

The County has chosen the modified approach for reporting the road, bridge, and stormwater subsystems of infrastructure of the County. Under the modified approach, capital infrastructure assets are not required to report depreciation if an asset management system is used to document that infrastructure assets are being preserved at a condition level set by the government. Governmental infrastructure assets were first reported in 2001, with the implementation of GASB #34. All infrastructure assets were depreciated until 2003, when the County chose to report roads, stormwater and bridge systems using the modified approach.

When capital assets are purchased they are capitalized and depreciated (with the exception of construction in progress, land, and infrastructure assets being reported under the modified approach) in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Capital assets are valued at cost where historical records are available and at estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value on the date received.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other repairs and normal maintenance are expensed. Outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, equipment, improvements, software, and infrastructure are depreciated using the straight-line method. Estimated useful lives are as follows:

Buildings	40 – 60 years
Improvements other than buildings	10 - 50 years
Light vehicles	2 - 5 years
Heavy vehicles and equipment	3 - 15 years
Infrastructure	40 - 80 years
Software	5 - 10 years

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

8. *Compensated Absences*

It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Employees with a minimum of ten years of services are permitted to cash out a portion of their accrued sick leave based on a percentage of accumulated hours. The remainder of unpaid sick leave is not earned until taken by the employee, and therefore is recorded at the time used in governmental funds. All vacation pay and eligible sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Other Accrued Liabilities

These accounts consist mainly of accrued employee wages and benefits, including compensated absences, where applicable.

10. *Long-term Obligations (See Note 11and 12)*

Revenue bonds and other long-term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other County long-term debt is reported in the governmental column of the government-wide statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight line interest method since it is not materially different from the effective interest method. Bonds payable are reported net of the premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance cost is reported as debt service expenditures.

11. *Deferred Charges, Deferred Revenue, and Unearned Revenue*

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

Deferred Revenues in the fund financial statements include amounts collected before revenue recognition criteria are met and receivables for delinquent taxes that are not yet available under the modified accrual basis of accounting. Unearned revenues in the government-wide financial statements are resources received but are not yet earned. See Note 8 for more details.

12. *Fund Equity*

Fund equity is recognized as fund balance in governmental funds, and as net assets in proprietary funds. Certain fund equity may be reserved because of legal restrictions by outside parties for use for a specific purpose or to denote unavailability for current operations. Designations of fund balance represent tentative management plans that are subject to change. Unless otherwise noted, fund balances and retained earnings (deficits) are unreserved and undesignated.

13. *Restricted Net Assets*

A portion of the County's net assets are subject to external legal restrictions (by the Revised Code of the State of Washington or by contractual agreements with outside parties) on how they may be used, and therefore are not available for general spending at the discretion of the County. An amount equal to these restricted assets, less related liabilities, is reported as restricted net assets (and identified as to purpose) on the government-wide Statement of Net Assets.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds." The details of the $24,658,486 are as follows:

Unavailable deferred revenue (mainly property taxes and notes receivable)	$ 25,899,557
Deferred charges (bond issuance costs)	1,284,386
Net OPEB obligation (asset)	116,782
CC Public Facilities District long-term note receivable	2,294,007
Deferred revenue - transportation impact fee credits	(4,936,246)
Net adjustment to increase total governmental funds to arrive at net assets - governmental funds	$ 24,658,486

Another element of reconciliation explains that "long-term liabilities that are not due and payable in the current period are not reported in the funds". The details of this $159,128,749 are as follows:

Bonds payable	$ 130,520,000
plus deferred amount for issuance costs	4,674,698
Less deferred charge for refunding	(2,782,747)
Capital lease	742,717
Special assessment debt	18,954
Compensated absences	10,940,941
Advance due to other government	14,712,907
Other post employment benefits	301,279
Net adjustment to reduce – *total governmental funds to arrive at net assets -* governmental activities	$ 159,128,749

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlay as expenditures. In the statement of activities the cost of those assets is capitalized and depreciated over the period of the asset's useful life. When capital assets are disposed of the difference between original cost and depreciation, and the proceeds, is booked as a gain or (loss) on the sale." The details of this $27,296,533 difference are as follows:

Capital outlay	$	44,812,442
Depreciation expense		(8,812,326)
Disposition of capital assets (net book value)		(8,703,583)
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	$	27,296,533

Another reconciling item states "The County receives contributions in the form of capital assets from developers and other donors. Because capital assets are not reported in governmental funds, neither are such contributions. Government-Wide statements report capital assets in the Statement of Net

Assets, and any contributions are reported in the Statement of Activities" as revenue. The details of this $20,477,128 are as follows:

Road Systems contributed by Developers	$ 11,020,010
Park land and improvements paid for by the City of Vancouver	1,041,918
Washington State University Extension property deeded to the County	8,415,200
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	$ 20,477,128

Another element of this reconciliation states "the issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this $2,434,562 difference are as follows:

Issuance of advance due to other government	$ (4,200,000)
Deferred charges	(97,155)
Retirement of debt premiums/discounts	(20,902)
Principal repayments:	
General obligation debt	5,540,000
Advance due to other government	1,106,387
Capital lease	106,232
Net adjustment to decrease/ (increase) net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ 2,434,562

Another element states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds." The break-down of this $6,066,592 follows:

Property tax (and associated interest and penalty) payments received for amounts not yet due	$ 1,822,081
Payments received on notes and contracts for amounts not yet due	1,446,981
Traffic Impact fee credits earned in previous years used by developers	833,528
Clark County Public Facilities District note receivable	2,294,007
Miscellaneous accrued credits	(330,005)
Net adjustment to increase/(decrease) net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ 6,066,592

The final item in this reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds." This item contains the following expenditures:

Interest and fiscal charges accrued	$ (6,935)
Other post employment benefits	(33,498)
Expenditures for compensated balances accrued	(826,697)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ (867,130)

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

There have been no material violations of finance related legal or contractual provisions.

B. Deficit Fund Equity

There are two non-major governmental funds with a deficit fund balance at December 31, 2008:

- The *County Building Special Revenue Fund* reports a deficit of $2,720,655 due to a decline in planning and building activities, but fixed costs (mainly personnel) remain the same. There is a plan to reduce staff, increase fees, and reduce other costs in 2009.

- A deficit of $6,181 in the *Narcotics Task Force Special Revenue Fund* occurred because funds that are seized are recorded in a liability account until the courts hear the case of seized funds and then the funds are distributed accordingly.

There are two proprietary type internal service funds with deficit net assets at December 31, 2008:

- *Central Support Service Internal Services Fund* has deficit net assets of $241,055 which should be recovered in 2009.

- *General Liability Insurance Internal Service Fund* has deficit net assets of $489,372 after recognizing an actuarial determined liability for claims and judgments payable. The deficit should be eliminated with increased contributions from participants.

NOTE 4 - *DEPOSITS AND INVESTMENTS*

Deposits

Cash on hand, demand deposits, and short-term investments with original maturity of three months or less (money market accounts) are classified as cash and cash equivalents. Deposits consist of cash and cash equivalents on deposit with the Treasurer. As of December 31, 2008, the book value of deposits was $247,877,342 and the bank balance was $247,953,374.

All receipts received by the Treasurer are deposited into qualified bank depositories as specified by the Washington Public Deposit Protection Commission. All of the deposits are either covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

Investments

Investments may be made in the form of commercial paper, banker's acceptances, U.S. Treasury bills, notes, and certain other government agency obligations. County policy dictates that all investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool and similar money market accounts (like the Key Bank Savings Account) be transacted on the delivery versus payment basis.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the County Treasurer manages exposure to declines in fair values from interest rates by limiting the weighted average maturity of its investment portfolio to maturities that will fulfill the cash flow needs of Clark County and its junior taxing districts. The securities in the portfolio are structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs, based on historical information. Any cash in excess of that necessary to meet anticipated liquidity needs is invested with the following maturity limitations:

Type of Security	Maximum Maturity
Any single security (unless matched to a specific cash flow requirement)	5 years
Repurchase and Reverse Agreements	90 days
Commercial Paper	180 days
Banker’s Acceptances	185 days
Forward Delivery Agreement	3 years

Further, the maximum average maturity of the External Investment Pool cannot exceed one and one half years.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit risk, state law does not allow general governments to invest in corporate equities. State law and county policy further limits such risk by placing the following credit standards on securities:

Type of Security	Credit Standards
Banker's Acceptances	Highest short-term credit rating at the time of purchase
Commercial Paper	A1/P1 and "A" or equivalent
Repurchase Agreements and Reverse Repurchase Agreements	"A" if maturity is less than one week, or "AA" if maturity is greater than one week
Securities Lending Agreements	Long term rating of "A" or equivalent
Deposit Notes	A1/P1 and "AA" or equivalent
WA State Municipal Bonds	"A" or equivalent

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

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

Concentration Risk
Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Treasurer's policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. U.S. Treasuries and Federal Agencies, that have fixed rates, are not limited because they carry little credit risk. The specific limits of each eligible security are described below:

1) No more than 5% of the portfolio value will be invested in the securities of any single issuer with the following exceptions:
   a. US government obligations are not limited
   b. US agency obligations are limited to 25% per issuer
   c. Repurchase agreement counterparties are limited to 20% per overnight or 10% if greater than one day
   d. Non-negotiable certificates of deposit are limited to 10% per issuer
2) Limited to no more than 25% in either Commercial Paper or Banker's Acceptances
3) Limited to no more than 10% in Federal Agency Variable Rate Notes
4) Limited to no more than 65% in a the Washington State Local Government Investment Pool or Municipal Investment Accounts
5) Limited to no more than 15% in Mutual Funds Qualified & Registered with Washington State
6) Limited to no more that 20% in Washington state municipal bonds
7) Limited to no more that 25% in deposit notes
8) Limited to no more than 25% in securities lending agreements
9) Limited to no more than 10% of the portfolio value in reverse repurchase agreements
10) Repurchase agreements are limited to no more than 100% overnight or 30% if maturity is greater than 30 days

11) Limiting the amount of exposure from non-negotiable certificates of deposit to no more than 30% of the total portfolio

The Treasurer has several investments in government sponsored and other private enterprises that are not explicitly backed by the federal government. Those securities that exceed 5% of the total investment portfolio market value are disclosed below:

Issuer	% of Investment Portfolio
Federal Home Loan Bank	11.35%
Fannie Mae (Federal National Mortgage Association)	15.19%
Federal Farm Credit Bank	9.20%
Wash State LGIP	47.88%

Equity in Pooled Investments

County monies are invested by certain individual funds for the benefit of the respective fund in the Clark County External Investment Pool. Remaining County monies are aggregated in a residual account and invested in the pool for the benefit of the General Fund.

Pooled investments, during 2008, included Certificates of Deposit, Commercial Paper, Federal Agencies, Municipal bonds, monies invested with the Washington State Local Government Investment Pool and money market accounts. The book value of the County Pool on December 31, 2008 was $462,161,451 of which $237,480,811 is classified as deposits.

As of December 31, 2008, the County had the following investments, shown at fair value:

Investment Type		Fair Value	Weighted Average Maturity (Years)
Federal Agencies - Discount Notes	$	27,919,337	0.58
Certificates of Deposit		40,000,000	0.34
Federal Agencies - Semi Annual		160,459,716	1.96
State Investment Pool		224,688,389	0.01
	$	453,067,442	
Portfolio weighted average maturity			0.77

As required by state law, all investments made by the Treasurer's office are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, commercial paper or certificates of deposit with Washington State banks and savings and loan institutions. All investments are stated at fair value.

Outside Investments (Non-Pooled)

Certain entities direct the Treasurer to invest funds into specific investment maturities outside of the Investment Pool. On December 31, 2008, the following specific investments were held outside the pool:

Investment Type		Book Value	Fair Value
State Investment Pool	$	1,405,403	1,405,403
SLGS		1,338,000	1,338,000
Money Market Accounts		5,228,598	5,228,598
Federal Agencies		2,079,281	2,101,420
	$	10,051,282	10,073,421

Total Cash, Cash Equivalents and Pooled Investments

Total cash, cash equivalent and investment fair value on December 31, 2008 of $492,940,888. A reconciliation of cash, cash equivalents, pooled investments and investments as shown on the fund statements is as follows:

Checking Accounts	$	10,396,531
Petty Cash		247,445
Deposit with Fiscal Agents		55,000
Deposits Held in Trust		6,308,627
Fair Value of Pooled Investments		453,067,442
Fair Value of Investments Out of Pool		10,073,421
Money Market (Pooled investments classified as deposits)		12,792,422
	$	492,940,888
Cash, cash equivalents, pooled investments	$	196,511,088
Non-pooled investments - primary government		1,284,490
Cash, cash equivalents, pooled investments - fiduciary		286,356,378
Non-pooled investments - Fiduciary		8,788,932
	$	492,940,888

External Investment Pool

The Treasurer administers and maintains an External Investment Pool for the County and other jurisdictional governments within the county. The Pool is not SEC-registered. Participation in the Pool is voluntary. An interlocal agreement is entered into with each pool participant that allows the Clark County Treasurer's Office to invest their funds in the Pool. There are no specific legally binding guarantees given to participants to support the value of the shares. All participants have the option of investing in the Pool, or requesting specific investment amounts and maturity dates for investments outside the Pool.

The Treasurer's Office does not report any securities at amortized cost. All securities are reported using the security's fair market value. Authority to manage the Pool is derived from the Revised Code of Washington (RCW) in RCW 36.29.022. Regulatory oversight is provided by the Finance Committee, which by statute consists of the Treasurer, the Auditor, and the Chair of the Board of County Commissioners. The committee approves the investment policy and makes all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060.

The reported value of the pool shares is the same as the fair value of the pool shares. The County has $467,728,862 of external pooled investments at December 31, 2008. This Pool currently has an average maturity of approximately nine months. At December 31, 2008 the Treasurer's Office reported each participant's share of $4,117,551 in unrealized gains. The Treasurer allocated and reported the change in fair value on a quarterly basis during 2008.

County monies are invested by certain individual funds for the benefit of the respective fund in the Clark County External Investment Pool. Remaining County monies are aggregated in a residual account, and invested in the pool for the benefit of the General fund. The interest on investments for external participants is recorded to the benefit of each individual fund based on each fund's month-end investment balance. The Treasurer provides monthly fair value investment reports on a fund level to all participants through footnote disclosures. This information is based on the Net Asset Value of each share in the Pool relative to each fund's month-end investment balance.

The Treasurer's Office uses "Bloomberg", an on-line financial services system to determine the fair market value of securities purchased on behalf of the Clark County Investment Pool (Pool). If Bloomberg does not price a particular security, the Treasurer's Office obtains three quotes from brokers/dealers to determine the fair market value of the security on the specified date. Bloomberg has a pricing model called "Bloomberg Fair Value" (BFV), which establishes an investment's theoretical value, based on where similar bonds, as defined by credit quality and market sector, have traded. This value is not based on market price. BFV incorporates an option adjusted spread methodology in deriving the theoretical value.

The Treasurer's Office uses an investment advisor to review the investment portfolio and assist with the portfolio strategy on a quarterly basis. The Treasurer's Office also uses an Intergovernmental Investment Pool Committee that is made up of many of the pool participants from the junior taxing districts within Clark County. This committee meets on a quarterly basis, and assists in sharing information to pool members regarding the Pool's strategy. The Treasurer's Investment Strategy Committee (TISC) is made up of the Treasurer, Deputy Treasurer, Finance Manager, Asset/Liability Manager, and Investment Officer, within the Treasurer's Office. The TISC meets weekly to discuss investment strategies; economic condition, analysis of yield curve shifts, possible Federal Reserve Board actions, cash flow forecasts, and spreads on various securities. This committee also monitors the fair market value of the Pool.

Separate financial statements are not prepared for the Clark County External Investment Pool. Condensed financial statements for the External Investment Pool are presented below:

Condensed Statement of Net Assets
Year Ended December 31, 2008

Assets	
Cash, cash equivalents and pooled investments	$ 465,859,863
Accrued Interest Receivable	1,868,999
Total Assets	$ 467,728,862
Liabilities	
Total liabilities	0
Net assets held in trust for pool participants	$ 467,728,862

Condensed Statement of Changes in Net Assets
Year Ended December 31, 2008

Changes in net assets resulting from operations	$ 17,276,651
Distributions to participants	(17,276,651)
Changes in net assets resulting from depositor transactions	74,643,222
Net Assets Available	
Beginning of Year	$ 393,085,640
End of Year	
Private Purpose Trust Fund	$ 67,972
Internal Funds	202,235,360
External Funds	265,425,530
Total net assets available	$ 467,728,862

The investment yields for the year ranged from 2.5% to 4.7%, and averaged 3.4%. The average maturity dates range from 222 to 268 days.

NOTE 5 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities such as the State of Washington, cities and towns within the county, school districts, fire districts, cemetery districts, library districts and port districts.

Property taxes are recorded as a receivable and revenue when levied. Property taxes are levied and become an enforceable lien against properties as of January 1. The assessed value of property is established in October for the ensuing year levy, and tax payments are payable in two installments on

April 30th and October 31st. Delinquent property taxes accrue interest at twelve percent per annum and are assessed a penalty between three and eleven percent, depending on the duration of delinquency. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

Regular property tax levies are subject to rate and amount limitations, as described below, and to the uniformity requirements of Article VII, Section 1 of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district. Aggregate property taxes vary within the County because of its different and overlapping taxing districts.

The Washington State Constitution and Washington State law, RCW 84.55.010 limit the levy rate as follows: The Washington state constitution limits the total regular property taxes to one percent of true and fair value or $10 per $1,000 of value. If the taxes of all districts exceed this amount, each district except Port Districts and Public Utility Districts, is proportionately reduced until the total is at or below the one percent limit.

The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of taxes levied in the highest of the three most recent years multiplied by a limit factor, plus adjustment to account for taxes on new construction at the previous year's rate. The limit factor is the lesser of 101 percent or 100 percent plus inflation.

In addition, statutory dollar rate limits are specified for regular property tax levy rates for most types of taxing districts under RCW 82.52.053. The County may levy up to $1.80 per $1,000 of assed valuation for general governmental services. The County's regular levy for 2008 was $1.08 per $1,000 on assessed valuation of $48,017,610,071 for a total regular levy of $51,747,618.

The County is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy for 2008 was $1.43 per $1,000 on an assessed valuation of $23,732,499,878 for a total diverted road levy of $33,942,696.

Clark County has two special levies that were approved by the voters which are not subject to the limitations listed above. In 2008, the County had the following special levies: an additional $0.21 per $1,000 for metropolitan parks for a total additional levy of $3,034,339 and an additional $0.33 per $1,000 for a regional library for a total additional levy of $14,803,790.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 225,927,934	$ 18,388,735	$ 1,231,894	$ 243,084,775
Infrastructure	519,649,673	32,041,169	7,187,748	544,503,094
Construction in progress	89,297,820	30,450,213	17,719,841	102,028,192
Total capital assets, not being depreciated	834,875,427	80,880,117	26,139,483	889,616,061
Capital assets, being depreciated:				
Buildings	156,681,655	149,999	7,013,148	149,818,506
Improvements other than buildings	60,911,524	10,406,279	146,337	71,171,466
Machinery and equipment	51,557,805	8,112,965	2,879,350	56,791,420
Infrastructure	10,704,606	214,917	144,277	10,775,246
Total capital assets being depreciated	279,855,590	18,884,160	10,183,112	288,556,638
Less accumulated depreciation for:				
Buildings	53,536,479	307,915	29,335	53,815,059
Improvements other than buildings	14,677,969	5,774,693	43,462	20,409,200
Machinery and equipment	28,723,879	4,844,989	2,404,063	31,164,805
Infrastructure *	16,944,771	257,501	5,346	17,196,926
Total accumulated depreciation	113,883,098	11,185,098	2,482,206	122,585,990
Total capital assets, being depreciated, net	165,972,492	7,699,062	7,700,906	165,970,648
Governmental activities capital assets, net	$ 1,000,847,919	$ 88,579,179	$ 33,840,389	$ 1,055,586,709

Depreciation expense was charged to functions as follows:	
General governmental services	$ 3,898,478
Judicial	490,651
Public safety	793,367
Physical environment	72,504
Transportation	389,129
Economic environment	9,915
Health and human services	1,129,740
Culture and recreation	2,028,542
	8,812,326
Depreciation on capital assets held by the County's internal service funds is charged to various functions based upon their usage of the assets.	2,372,772
Total governmental activities depreciation expense	$ 11,185,098

* Governmental Infrastructure assets were first added in 2001, with the implementation of GASB # 34. All infrastructure was depreciated until 2003, when the County chose to report road, stormwater, and bridge systems using the modified approach. The accumulated depreciation amount includes depreciation on some infrastructure that is now classified as capital assets not being depreciated.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated				
Land	$ 33,123,280	$ 1,159,292	$ 0	$ 34,282,572
Infrastructure	51,992,132	1,259,450	0	53,251,582
Construction in progress	51,229,571	21,399,150	0	72,628,721
Total capital assets, not being depreciated	136,344,983	23,817,892	0	160,162,875
Capital assets, being depreciated:				
Buildings	400,781	0	8,364	392,417
Improvements other than buildings	77,545,846	8,365	0	77,554,211
Machinery and equipment	463,835	34,795	0	498,630
Infrastructure	3,844,029	0	0	3,844,029
Total capital assets being depreciated	82,254,491	43,160	8,364	82,289,287
Less accumulated depreciation for:				
Buildings	219,370	10,863	7,528	222,705
Improvements other than buildings	14,424,575	356,466	0	14,781,041
Machinery and equipment	232,233	72,758	0	304,991
Infrastructure*	4,160,159	1,402,230	0	5,562,389
Total accumulated depreciation	19,036,337	1,842,317	7,528	20,871,126
Total capital assets, being depreciated, net	63,218,154	(1,799,157)	836	61,418,161
Business-type activities capital assets, net	$ 199,563,137	$ 22,018,735	$ 836	$ 221,581,036

Depreciation expense was charged to functions as follows:	
Sanitary Sewer	$ 1,702,073
Solid Waste	34,276
Water Quality	73,260
Total business-type activities depreciation expense	$ 1,809,609
Accumulated Depreciation on Asset Contributed From Governmental Fund	25,180
Total Increase in accumulated depreciation	$ 1,834,789

* Stormwater infrastructure was first added in 2001. All infrastructure was depreciated until 2003, when the County chose to report road, stormwater, and bridge systems using the modified approach. The accumulated depreciation amount includes some depreciation on infrastructure that is now classified as capital assets not being depreciated.

NOTE 7 - COMMITMENTS

The County has three projects with large capital commitments as of December 31, 2008 (taxation and assessment technology, the expansion and improvements of the sewer treatment plant and the sustainability energy project).

Project	Project Budget	Spent-to-date	Remaining commitment
Assessment/Taxation System	$ 5,400,000	$ 5,280,070	$ 119,930
Sewer Treatment Plant Expansion and Interceptor upgrades	$ 77,000,000	$ 73,695,265	$ 3,304,735
Sustainaibilty Energy Cconservation and Renewable Energy	$ 7,987,411	$ 6,544,025	$ 1,443,386

General obligation bonds finance most of the commitment for the assessment/taxation system. The treatment plant expansion is being paid for by the City of Battle Ground and Clark Regional Wastewater District, as provided for through an interlocal agreement. The energy conservation project was funded with capital lease proceeds.

NOTE 8 – RECEIVABLES BALANCES

Receivables as of December 31, 2008 for the County's individual major funds, nonmajor, and internal service funds are shown in the following table.

	Taxes	Accounts	Special Assessments	Due from other Governments	Interest & Penalties on Property	Total
Governmental Activities						
General Fund	$ 2,615,991	$ 3,867,270	$ 0	$ 1,453,913	$ 5,694,304	$ 13,631,478
County Roads	1,790,294	3,760,197	0	915,474		6,465,965
Community Services Grants	0	11,026	0	920,606	0	931,632
Nonmajor Governmental	346,671	1,025,156	190,146	5,240,471	6,704	6,809,148
Internal Service	0	608,873	0	7,549	0	616,422
Total Governmental Activities	$ 4,752,956	$ 9,272,522	$ 190,146	$ 8,538,013	$ 5,701,008	$ 28,454,645
Business-Type Activities						
Sanitary Sewer	0	284,144	0	0	0	284,144
Clean Water	0	824,025	0	0	0	824,025
Nonmajor Enterprise	0	163,997	0	409,935	0	573,932
Total Business-Type Activities	0	1,272,166	0	409,935	0	1,682,101
Total Gross Receivables	$ 4,752,956	$ 10,544,688	$ 190,146	$ 8,947,948	$ 5,701,008	$ 30,136,746

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (General Fund)	$2,615,991	
Interest & penalties on deliquent proptery taxes (General Fund)	5,694,304	
Property taxes receivable (Road Fund)	1,790,294	
Property taxes receivable (other Governmental funds)	346,671	
Revenues received but not yet earned		$ 138,473
Notes and contracts receivable not yet due	15,244,667	
Telephone revenue (General Fund)	17,484	
Special assessments not yet due	190,146	
Clark County Public Facilities District note receivable	2,294,007	
Grants received prior to meeting all eligibility requirements		610,155
Total deferred/unearned revenue for governmental funds.	$28,193,564	$748,628

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. The composition of interfund receivables at December 31, 2008 is shown in the following table:

	Due From Other Funds								
Due to Other Funds	General Fund	Road Fund	Comm. Services	Sanitary Sewer	Clean Water	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	$0	$9,673	$411	$944	$551	$2,170,491	$259	$43,675	$2,226,004
Road Fund	0	0	0	0	0	10,706	0	51,847	62,553
Comm. Services	321	0	0	0	0	0	0	0	321
Nonmajor governmental	213,100	155,215	0	0	0	3,929,803	0	439,703	4,737,821
Internal service funds	199,657	490,708	879	5,643	675	888,416	401	19,506	1,605,885
Total Due to/ Due from	$413,078	$655,596	$1,290	$6,587	$1,226	$6,999,416	$660	$554,731	$8,632,584

Interfund transfers represent subsidies and contributions with no corresponding debt or promise to repay. The purpose of General Fund transfers is to subsidize operating activities within other funds, to fund capital project activities, and for debt service. Transfers from other funds are generally for debt service capital projects, and sales tax transfer for law and justice programs. Interfund transfers between individual major funds, nonmajor governmental, nonmajor enterprise, and internal service funds of the County during the year ended December 31, 2008 are as follows:

	Transfer In					
Transfer out	General Fund	Road Fund	Comm. Services	Nonmajor Governmental	Internal Service	Total
General Fund	$0	$113,250	$1,216,810	$10,964,640	$5,194,751	$17,489,451
Road Fund	0	0	0	1,154,552	0	1,154,552
Comm. Services	0	0	0	249,863	0	249,863
Clean Water Fund	95,000	0	0	0	0	95,000
Nonmajor governmental	17,697,262	1,568,436	0	41,995,398	2,900,442	64,161,538
Nonmajor enterprise	0	0	0	0	3,990	3,990
Internal service funds	362,956	0	0	141,929	507,175	1,012,060
Total transfers	$18,155,218	$1,681,686	$1,216,810	$54,506,382	$8,606,358	$84,166,454

There were approximately $11 million in routine transfers from the General Fund to subsidize operations of other funds, and about $700,000 for debt service in 2008. There were also several one-time General Fund transfers in 2008, including $2.5 million to County Building non-major special revenue fund for contribution to development services, $2 million for a new assessment and taxation system, $400,000 to the non-major special revenue Tri-Mountain Golf O & M Fund for an irrigation project, and $424,000 to Community Services for the Energy assistance to low-income households program.

The County Road fund received $1.6 million in transfers from non-major special revenue transportation impact fee funds for road improvements. In addition, $20.5 million was transferred from various non-major funds for debt services payments. Several non-major special revenue funds collecting sales tax revenues earmarked for law and justice programs transferred $13.7 million to the General Fund. Several non-major special revenue funds collecting sales tax revenues earmarked mental health and chemical dependency transferred $6 million to the General Fund and the Mental Health and Substance Abuse non-major special revenue funds. The non-major Campus Development Fund transferred $2.8 million to the internal service Central Support Services Fund for reimbursement of maintenance and utilities costs.

NOTE 10 – LEASES

1. Operating Leases Payable

The County is committed under various leases for buildings, office space, and other equipment. Such leases are considered to be operating leases for accounting purposes. Lease expenditures for the year ended December 31, 2008 amount to approximately $1,371,000. The future minimum lease payments for these leases are:

December 31	Amount
2009	$1,221,248
2010	1,229,848
2011	1,231,848
2012	1,232,848
2013	1,229,855
Total	**$6,145,647**

2. *Operating Leases Receivable*

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. The following is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2008:

	Governmental Activities
Land	$1,322,100
Buildings	27,338,749
Less accumulated depreciation	(2,922,929)
	$25,737,920

The following is a schedule of minimum future lease receipts on non-cancelable operating leases based on contract amounts and terms as of December 31, 2008.

December 31	Amount
2009	$2,508,306
2010	2,508,306
2011	2,508,306
2012	2,508,306
2013	2,402,310
Total	**$12,435,534**

3. *Capital Leases*

The County entered into a lease agreement in 2002 as lessee for financing energy, plumbing and lighting savings improvements in various county buildings, with an interest rate 4.34%. The leased assets and related obligations are accounted for in the statement of net assets. The net capital lease amount shown below reflects the assets continuing to be financed through the capital lease. This lease agreement qualifies as a capital lease for accounting purposes, and has been recorded at the present value of the future minimum lease payments as of the inception date. The minimum capital lease payments reflect the remaining capital obligations on these assets.

	Capital Assets Governmental Activities	Capital Lease Payable Governmental Activities
Building Improvements	$ 1,318,500	$ 742,716
Less Accumulated Depreciation	(321,491)	
	$ 997,009	$ 742,716
Minimum Capital Lease Payments:		
2009		141,928
2010		141,928
2011		141,928
2012		141,928
2013		141,928
2014		141,930
Total Minimum Lease Payments		851,570
Less Interest		(108,854)
Present Value of Minimum Lease Payments		$ 742,716

The County entered into a lease agreement in 2008 as lessee for financing energy, plumbing and lighting savings improvements in various county buildings, with an interest rate 4.19%. The leased assets that will be capitalized and related obligations are accounted for in the statement of net assets. The net capital lease amount shown below reflects the assets to be financed through the capital lease. This lease agreement qualifies as a capital lease for accounting purposes, and has been recorded at the present value of the future minimum lease payments as of the inception date. The minimum capital lease payments reflect the remaining capital obligations on these assets.

	Governmental Activities	Governmental Activities
Building Improvements	$ 7,987,411	$ 7,987,411
Less Accumulated Depreciation	0	
	$ 7,987,411	$ 7,987,411
Minimum Capital Lease Payments:		
2009		754,623
2010		495,815
2011		492,233
2012		521,487
2013		430,529
2014-2028		9,334,245
Total Minimum Lease Payments		12,028,932
Less Interest		(4,041,521)
Present Value of Minimum Lease Payments		$ 7,987,411

NOTE 11 – LONG-TERM DEBT

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The beginning balance of outstanding general obligation bonds issued in prior years was $136,970,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Description	**Amount Outstanding**
$6,400,000 1999 Limited Tax General Obligation Bonds due in annual installments of $250,000 to $285,000 through 2009; interest from 4.0% to 4.45%. This issue is being serviced by the Real Estate Excise Tax Capital Fund (89%), Tri-Mountain Golf O & M Special Revenue Fund (4%), and the General Fund (7%). This issue was partially refunded in January 2006.	$285,000
$3,000,000 1999 Limited Tax General Obligation Bonds due in annual installments of $90,000 to $135,000 through 2009; interest from 5.0% to 5.6%. The General Fund services this issue. This issue was partially refunded in April 2005.	135,000
$37,090,000 2001 Limited Tax General Obligation Bonds due in annual installments of $50,000 to $3,065,000 through 2011; interest from 4.125% to 4.5%. This issue is being serviced by the Real Estate Excise Tax Capital Fund. This issue was partially refunded in January 2006.	2,135,000

$2,780,000 2002 Limited General Obligation Refunding Bonds due in annual installments of $70,000 to $665,000 through 2013; interest from 3.0% to 4.3%. This issue is being serviced by the General Fund.	385,000
$11,835,000 2003 Limited Tax General Obligation and General Obligation Refunding Bonds due in annual installments of $210,000 to $2,040,000 through 2023; interest from 2.0% to 4.75%. The $7,440,000 new issue is being serviced by the General Fund, Tri-Mountain Golf O & M Special Revenue Fund, Central Support Services Fund, and CAD 800 MHz System Replacement Fund. The $4,395,000 1994 LTGO refunding issue is being serviced by Conservation Futures Capital Project Fund and "911" CRESA Special Revenue Fund.	5,405,000
$5,395,000 2003 Limited Tax General Obligation Refunding Bonds due in annual installments of $60,000 to $615,000 through 2016; interest from 2.0% to 4.1%. This issue is being serviced by the Capital Project Real Estate Excise Tax Fund and the "911" CRESA Special Revenue Fund. This issue refunded portions of the 1996A and 1996B LTGO issues.	4,145,000
$55,620,000 2004 Limited Tax General Obligation bonds due in installments of $500,000 to $3,845,000 through 2034; interest from 3.0% to 5.25%. This issue is being serviced by the General Fund, the Campus Health District Facility Capital Projects Fund, the Exhibition Hall Dedicated Special Revenue Fund, and the Conservation Futures Capital Project Fund.	51,875,000
$1,810,000 2004 Limited Tax General Obligation bonds due in installments of $165,000 to $235,000 through 2013; interest from 4.0% to 4.63%. This issue is being serviced by the Community Services Grants Special Revenue Fund.	1,085,000
$24,985,000 2005 Limited Tax General Obligation Refunding bonds due in annual installments of $80,000 to $2,225,000 through 2027; interest from 3.0% to 5.0%. The Conservation Futures II Capital Fund, Real Estate Excise Tax Capital Fund, General Fund, Building Construction Capital Fund, and Tri-Mountain Golf O & M Special Revenue Fund service this issue. This issue refunded portions of the 1997, 1998, and 1999B LTGO issues.	24,085,000
$5,715,000 2005B Limited Tax General Obligation bonds due in annual installments of $80,000 to $345,000 through 2035; interest from 3.7% to 6%. The Campus Health District Facility Capital Fund services this issue.	5,545,000
$36,285,000 2006 Limited Tax General Obligation Refunding bonds due in annual installments of $290,000 to $3,025,000 through 2026; interest from 4.0% to 5.0%. This issue is being serviced by the Real Estate Excise Tax Capital Fund, Tri-Mountain Golf O & M Special Revenue Fund, and the General Fund. This issue refunded portions of the 1999A and 2001 LTGO issues.	36,285,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities Principal	Interest
2009	$ 5,790,000	$ 6,068,655
2010	5,625,000	5,865,151
2011	5,835,000	5,666,879
2012	6,055,000	5,425,089
2013	6,160,000	5,189,216
2014-2018	33,875,000	21,359,628
2019-2023	29,655,000	13,443,653
2024-2028	28,265,000	5,515,949
2029-2033	7,975,000	1,641,238
2034-2036	2,130,000	115,013
Totals	$ 131,365,000	$ 70,290,471

B. Special Assessment Bonds

The government also issues special assessment bonds for the construction of roads and like improvements in certain areas. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the County must provide the resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. At December 31, 2008, special assessment receivables of $121 were considered delinquent. The special assessment bonds outstanding are as follows:

Description	**Amount Outstanding**
$73,954 R.I.D. No. 18 Special Assessment Bonds due in 2019; interest at 6.35%. These bonds are serviced by R.I.D. No.18 Debt Service Fund from special assessments.	18,954

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31	Principal	Interest
2009	$ 0	$ 2,474
2010	0	2,474
2011	0	2,474
2012	0	2,473
2013	0	2,474
2014-2018	0	12,368
2019	18,954	2,474
Totals	$ 18,954	$ 27,211

C. Revenue Bonds

The County also issues bonds where income derived from the acquired or constructed assets is pledged to pay debt service. The beginning balance of outstanding bonds issued in prior years was

$22,900,000.   These bonds are serviced by the Sanitary Sewer enterprise fund as follows:

Description	Amount Outstanding
$5,425,000 2001 Refunding Sewer Revenue bonds due in annual installments of $80,000 to $640,000 through 2015; interest from 3.2% to 4.75%.	3,255,000
$25,765,000 2001 Refunding Sewer Revenue bonds due in annual installments of $245,000 to $3,155,000 through 2016; interest from 3.2 % to 5.25%.	17,495,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31		Principal		Interest
2009	$	2,250,000	$	1,020,400
2010		2,360,000		911,487
2011		2,465,000		811,188
2012		2,570,000		705,193
2013		2,700,000		573,988
2014-2016		8,405,000		860,909
Totals	$	20,750,000	$	4,883,165

In Proprietary funds, unamortized debt issuance costs are recorded as deferred charges and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt issue costs and discounts.

D. Advance Due to Other Governments

The County also receives loans from other governments.   The County has 15 low-interest (.05% and 2%) loans from the State Department of Community Development Public Works Trust Fund that will be repaid within 20 years in annual installments on each loan, which range from $12,632 to $152,632 per loan. The funds from these loans were used for sewer improvement projects or county road projects. These loans will be paid back by the Sanitary Sewer Fund and the County Road Fund.

There was a loan from the State Department of Transportation for Chelatchie Railroad improvements. This loan is interest free with annual payments of $13,397, ending in 2008.   Advances Due to Other Governments for debt service requirements to maturity are as follows:

Year Ending December 31		Governmental Activities				Business-type Activities		
		Principal		Interest		Principal		Interest
2009	$	1,092,990	$	74,676	$	240,058	$	7,292
2010		1,198,254		68,101		153,216		4,891
2011		927,420		62,108		153,216		3,359
2012		927,420		57,471		153,215		1,827
2013		927,421		52,834		29,478		295
2014-2018		4,637,099		194,614		0		0
2019-2023		4,184,058		78,687		0		0
2024-2028		818,245		9,354		0		0
Totals	$	14,712,907	$	597,845	$	729,183	$	17,664

E. Prior Year Defeasance of Debt

In prior years, the County defeased certain sewer revenue and general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the County's financial statements. At December 31, 2008, $43,250,000 of bonds outstanding is considered to be defeased.

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	$ 136,970,000	$ 0	$ 5,605,000	$ 131,365,000	$ 5,790,000
Special assessment bonds	18,954	0	0	18,954	0
Less deferred amounts					
For issuance discounts/premiums	4,952,190	0	277,492	4,674,698	277,492
On refunding	(3,081,140)	0	(298,393)	(2,782,747)	(298,393)
Total bonds payable	138,860,004	0	5,584,099	133,275,905	5,769,099
Capital lease	848,949	7,987,411	106,232	8,730,128	597,668
Claims and judgements	3,485,000	141,538		3,626,538	274,787
Advances due to other governments	11,619,294	4,200,000	1,106,387	14,712,907	1,092,990
Other post employee benefits (restated)	151,574	233,007	83,302	301,279	0
Compensated absences	10,660,100	15,454,255	14,558,540	11,555,815	670,109
Governmental activity long term liabilities	$ 165,624,921	$ 28,016,211	$ 21,438,560	$ 172,202,572	$ 8,404,653

Business-type activities	Beginning Balance	New Issues	Retirements	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 22,900,000	$ 0	$ 2,150,000	$ 20,750,000	$ 2,250,000
Less deferred amounts					
For issuance discounts/premiums	293,580	0	32,619	260,961	32,620
Total bonds payable	23,193,580	0	2,182,619	21,010,961	2,282,620
Advance due to other governments	1,016,068	0	286,885	729,183	240,058
Compensated absences	237,697	353,117	282,882	307,932	584
Business-type activity long term liabilities	$ 24,447,345	$ 353,117	$ 2,752,386	$ 22,048,076	$ 2,523,262

Internal Service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year end $614,874 of internal service fund compensated absences are included in the amounts above. Internal service funds also reported a capital lease payable for $7,987,411 and general obligation bonds payable of $845,000. Claims and judgments are generally liquidated by the General Liability Internal Service Fund and compensated absences are liquidated by the funds incurring the liability.

The County is limited to a non-voted debt capacity of 1½% and a voted debt capacity of 2½% of the assessed valuation. At December 31 2008 the remaining non-voted capacity was $582,241,110 and the remaining voted and non-voted capacity was $1,187,402,802.

NOTE 13 – SHORT-TERM DEBT

During the year, the County obtained a tax anticipation note authorized at $5,000,000 for the purpose of paying expenditures of the County's current expense fund and other funds pending the receipt of taxes and other revenues. This note is drawn down as needed, similar to a line of credit. The schedule below lists the funds accessed the line of credit during 2008: General Fund, Planning and Code, Camp Bonneville, MPD Operations Weed Management, Community Services Grants, Mental Health Funds Equipment Rental & Revolving, and Central Support Services. The County also obtained a $10,000,000 tax anticipation note for the purpose of paying expenditures of the County's Road Fund, pending the receipt of taxes and grants.

Additionally, several funds issued registered warrants to provide resources in advance of property tax collections and grant receipts. Short term debt activities for the year ended December 31, 2008 was as follows:

	Beginning Balance	Proceeds	Repayment	Ending Balance
Tax Anticipation Note (line of credit)	$ 1,272,927	$ 15,428,919	13,639,165	$ 3,062,681
Road Fund Line of Credit	0	6,585,654	6,585,654	0
Registered Warrants				
Community Service Grants	0	178,705	178,705	0
Planning and Code Fund	0	1,042,477	1,042,477	0
Total Short-Term Debt	$ 1,272,927	$ 23,235,755	$ 21,446,001	$ 3,062,681

NOTE 14 – PENSION PLANS

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

1. *Public Employees' Retirement System (PERS) Plans 1, 2 and 3*

Plan Description

PERS is a cost-sharing multiple employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a combination of defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or

PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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

PERS Plan 1 members are vested after the completion five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.

Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by 3 percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after an employee completes five years of eligible service and attains the age of 65. Plan 2 members may retire at the age of 65 with five years of service, with an allowance of 2 percent of the AFC per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

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

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

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Non-vested	52,575
Total	**255,849**

Funding Policy

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

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

Members Not Participating in JBM:

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

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

** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 5.45% for Plan

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	10.81%	10.81%	10.81%**
Employer-Local Gov't Units*	8.31%	8.31%	8.31%**
Employee-State Agency	9.76%	11.13%	7.50%***
Employee-Local Gov't Units	12.26%	13.63%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** Plan 3 defined benefit portion only.
***Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	$ 313,214	$ 5,450,544	$ 825,291
2007	$ 283,682	$ 4,252,185	$ 580,528
2006	$ 170,109	$ 2,121,640	$ 260,187

2. *Law Enforcement Officers' & Fire Fighters' Retirement System (LEOFF) Plans 1 and 2*

<u>Plan Description</u>
LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 25, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted based on the Consumer Price Index.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

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

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Non-vested	3,708
Total	**26,330**

Funding Policy

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

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

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

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for ports and universities is 8.99%.

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

	LEOFF Plan 1		LEOFF Plan 2
2008	$ 435		$ 626,534
2007	$ 451		$ 563,170
2006	$ 484		$ 492,220

3. *Public Safety Employees' Retirement System (PSERS) Plan 2*

Plan Description

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

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

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

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

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

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

PSERS Plan 2 members are vested after the completion five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non vested	2,755
Total	**2,755**

Funding Policy

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

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

	PSERS Plan 2
Employer*	9.43%
Employee	6.57%

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

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

	PSERS Plan 2
2008	$297,976
2007	$ 223,711
2006	$ 49,449

NOTE 15 – DEFERRED COMPENSATION PLAN

The County maintains a deferred compensation plan for all full-time employees in accordance with the provisions of Internal Revenue Code (IRC) Section 457. Section 457 requires that the assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries. Monthly contributions to the plan are deducted from the wages of employees who choose to participate as prescribed by federal law and regulations. The contributions are deposited with a third party in the County's name and in trust on behalf of the County's employees.

The County has adopted Governmental Accounting Standard Board Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The County has little administrative involvement and does not perform the investing functions for this plan, therefore, this plan is not shown in the County's financial statements.

As of December 31, 2008, the County had 940 employees participating in one or more section 457 plans, having accumulated deposits with a fair value of $33,212,505.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The County has adopted implementation of GASB Statement No. 45 (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

A. Plan Description (other than LEOFF 1)

The County has elected to provide certain public employee groups with a single-employer defined benefit retiree healthcare plan. The healthcare plan provides post-retirement medical and vision coverage for eligible retirees, their spouses, domestic partners, and dependents on a self-pay basis. The County establishes the benefit provisions and the premium rates are set by the health insurance carrier, plus a 2% administration fee. Eligible participants may select from one of the County's two healthcare plans: the Aetna PPO plan or the Kaiser HMO plan. The level of benefits provided by the retiree plans are significantly less than those afforded to active employees. Coverage under these plans is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 19 (age 23 if a full-time student). Each health insurance carrier offers a health plan for retirees who are eligible for Medicare.

The premium rates for eligible retirees and their dependents (other than Kaiser's Senior Advantage) are based on the experience of all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the County's implicit employer contribution. The premium rates for the Kaiser Senior Advantage are based on a "community rated" Medicare supplemental healthcare program and are assumed to generate no implicit employer contribution.

The County did not establish an irrevocable trust (or equivalent arrangement) to account for either plan. Instead, the activities of the plans are reported in the County's Employee Benefits Service Account. Neither plan issues a separate report.

Funding Policy

The County has the authority to establish and amend contribution requirements. The required contribution is based on the projected pay-as-you-go financing requirements. Since the County's healthcare plan is experience rated, the annual required contributions can fluctuate. For the fiscal year ending December 31, 2008, the County's combined plan contributions were $83,302.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2008, the amount actually contributed to the plans, and changes in the County's net OPEB obligation:

Annual required contribution	$233,007
Interest on net OPEB obligation	0
Adjustments to the annual required contribution	(0)
Annual OPEB cost (expense)	$233,007
Contributions made	83,302
Increase in the net OPEB obligation	149,705
Net OPEB obligation, beginning of year	151,574
Net OPEB obligation, end of year	$ 301,279

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

Fiscal year Ending December 31	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	$229,000	$ 77,426	34%	$151,574
2008	$233,007	$ 83,302	36%	$301,279

Funding Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $2,292,000. The covered payroll (annual payroll of active employees covered by the plan) was $102,489,000 and the ratio of the UAAL to the covered payroll was 2.2 percent.

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

Actuarial Methods and Assumptions

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

The December 31, 2007 actuarial valuation for the retiree healthcare plan was based on the entry age normal method. The actuarial assumption for the valuation included an investment return of 5.0%. The healthcare plan actuarial valuation included healthcare cost inflation trend rates of 8.5% to 11.0% (depending on plan option) in 2008, decreasing by 50 basis points per year until the ultimate rate (5%) is reached. The unfunded actuarially accrued liability and the gains or losses for the plan are amortized as a level dollar amount over a period of 30 years.

B. LEOFF I OPEB

Plan Description

The County provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All County LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County.

There are 54 participants eligible to receive these benefits. There are currently five LEOFF I members employed at the County who have not yet retired and two who have retired but return to work at the County in a different capacity. These seven participants do not receive LEOFF I medical benefits. The benefits are 100 percent provided by the County in order to meet State statutory requirements under the LEOFF I system, whereby the County pays their medical and dental premiums and out-of-pocket medical costs for life.

Funding Policy

The County has the authority to establish and amend contribution requirements. The required contribution is based on the projected pay-as-you-go financing requirements. Since the County's healthcare plan is experience rated, the annual required contributions can fluctuate. For the fiscal year ending December 31, 2008, the County's combined plan contributions were $373,586.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance within the parameters of GASB 45 using the alternative method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of twenty two years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2008, the amount actually contributed to the plans, and changes in the County's net OPEB obligation:

Annual required contribution	$ 322,110
Interest on net OPEB obligation	0
Adjustments to the annual required contribution	(0)
Annual OPEB cost (expense)	322,110
Contributions made	(373,586)
Decrease in the net OPEB obligation	(51,476)
Net OPEB obligation, beginning of year	(65,306)
Net OPEB obligation, end of year	$ (116,782)

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2008 and 2007 were as follows:

Fiscal year Ending December 31	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	$307,011	$ 372,317	121.3%	$(65,306)
2008	$322,110	$ 373,586	116 %	$(116,782)

Funding Status and Funding Progress
As of December 31, 2008, the most recent valuation date, the liability for benefits was $6,764,312. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions
Due to the size of the plan (less than 100 participants) the County elected to use the alternative method for valuation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2008 valuation for LEOFF I retiree healthcare plan was based on the entry age normal method. The assumption for the valuation included an investment return of 4.0%. The healthcare plan actuarial valuation included a healthcare cost inflation trend rates of 8.0% in 2009 to 2012 and decreasing to 4.0% for the remainder of the plan. The unfunded accrued liability and the gains or losses for the plan are amortized as a level dollar amount over a period of 21 years.

NOTE 17 – TRANSPORTATION IMPACT FEES

In 1990, Clark County adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is levied on developers as a condition of issuance of a building permit or development approval. In addition, the developer may be entitled to a non-refundable credit against the applicable impact fee component for the fair value of appropriate dedications of land, improvements, or construction of system improvements provided by the developer. In the event that the amount of the credit is calculated to be greater than the amount of the impact fee due, the developer may apply the excess credit toward impact fees imposed on other developments within the same service area. There were no dedications resulting in credits during 2008. The amount of credits and adjustments applied toward impact fees in 2008 was $833,528. The amount of credits that may be applied against future impact fees is $4,936,246 at December 31, 2008.

NOTE 18 –RISK MANAGEMENT

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

Risk Pool

Clark County is one of twenty-eight members of the Washington Counties Risk Pool ("Pool") during 2008. The Pool was formed August 18, 1988 when several Washington counties signed an Interlocal (Cooperative) Agreement. It was established to provide its member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The Pool operates under the state of Washington's "pooling" laws, more specifically Chapter 48.62 RCW implemented via Chapter 39.34 RCW. It is overseen by the State Risk Manager and is subject to fiscal audits performed annually by the State Auditor.

The enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support the best management of the Pool and its resources. The Compact established obligations to support these goals through three major elements: membership involvement, risk control practices, and a targeted risk management program.

The Pool's mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims.

The Pool is governed by a board of directors consisting of one director (and at least one alternate director) designated by each member county. The Pool's board of directors, made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Annual Meeting. The board of directors is responsible for determining the 3rd-party liability coverage to be offered (approving the insuring agreement or coverage document), the reinsurance program to acquire, the excess insurances to be jointly purchased or offered for optional purchase, and approving the Pool's annual operating budgets and work programs, and the member deposit assessment formulas.

New members are required to pay the Pool modest admittance fees to cover the members' share of organizational expenses and the costs to analyze their loss data and risk profile. Members contract initially to remain in the Pool for at least five years. Counties may terminate their memberships at the conclusion of any Pool fiscal year following the initial term if the county timely files its required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, a former member remains responsible for reassessments from the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

Regular oversight of the Pool's operations is furnished by an 11-person executive committee. The committeepersons are elected by the Pool's board of directors from its membership to staggered 3-year terms during each Annual Meeting. The committee meets several times throughout the year to approve all Pool disbursements and examine the Pool's financial health; to approve case settlements exceeding the members' deductibles by at least $50,000 and to review all claims with incurred loss estimates exceeding $100,000; to evaluate the Executive Director and the Pool's operations and program deliverables; and to participate in the board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

The following constitute the highlights from the Pool's most recently completed Policy (Fiscal) Year

(October 2007 through September 2008):

- *Total Assets* grew by $3.3 million (12%) to nearly $31.1 million. More specifically, current assets increased $2.9 million while non-current assets increased $0.4 million.
- $800,000 of *Operating Income* was experienced, which represented a $1 million turn-around from the $200,000 *Operating Loss* experienced the prior year. A 7% reduction in the estimates for claims reserves ($8.2 vs. $8.8 million) by the independent actuary substantially contributed to this positive change.
- 15,506 3rd-party liability claims and lawsuits had been reported during the Pool's first twenty years (October 1988 – September 2008). Of those, only 457 remained classified as "open" at year's end. Estimates by the independent actuary project another 578 claims will be filed for occurrences from all Pool years through September 2008.
- *Interest Income* slipped $130,000 (17%) even with larger surpluses (funds not needed for current operations) for investing. This reduction is believed to have resulted from the lowering of interest rates to address the declining economy.
- *Net Assets* (sometimes referred to as *Members' Equity*) rose nearly $900,000 to nearly $6.8 million at September 30, 2008. $5.7 million is listed as being 'Restricted' to satisfy, in large part, the Section D provisions of the Pool's Underwriting Policy that were enhanced by the board of directors in March 2007. The remaining $1.1 million is invested in *Capital Assets* (net of debt). (NOTE: The Pool's board of directors retains the authority to determine if, how much, and when distributions of *Net Assets* are to be made.)

Pool member counties presently acquire $20 million (with another $5 million optional) of joint liability coverage on a "per occurrence" basis for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, and includes public officials' errors and omissions. Annually, members select a per occurrence deductible amount of $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. Clark County has $500,000 deductible. The initial $10 million of coverage, less the retention (the greater of the member's deductible or $100,000), is fully reinsured. The remaining insurance, up to $15 million, is acquired as "following form" excess insurance. There are no aggregate limits to the payments made for any one member county or all member counties combined.

Property insurance, with composite limits of $500 million for normal ("All Other Perils") coverage and $250 million for catastrophe coverage and participant deductibles between $5,000 and $50,000, was added to the Pool coverage lines a few years ago as an individual county option. Coverage is for structures, vehicles, mobile equipment, EDP equipment, and equipment breakdown, etc. Participants are responsible for their claims' deductibles. The insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. Twenty-seven counties purchased this program during some or all of 2008.

Additionally, many members use the Pool's producer (broker) services for other insurance placements, e.g. public officials bonds, and crime & fidelity, special events/concessionaires, and environmental hazards coverage.

The Washington Counties Risk Pool is a cooperative program, so there is joint liability amongst its participating members. Contingent liabilities are established when assets are not sufficient to cover liabilities. Pool member counties are required to timely submit their 3rd-party liability claims which are handled by the Pool's staff. This includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year's membership. The Pool's reassessments receivable balance at December 31, 2008 was zero.

1. General Liability Insurance

The claims and judgment liability of the fund is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Non-incremental claims adjustment expenses have not been included in the calculation for claims and judgments. The following schedule reconciles the current year and the prior year claim liability:

	2008	2007
Beginning claims liability	$3,485,000	$2,520,000
Claims incurred during the year and changes in estimates for claims of prior periods (including IBNRs)	896,387	1,339,542
Payments made on claims	(754,849)	(374,542)
Ending claims liability	$3,626,538	$3,485,000

As of December 31, 2008, the County had current assets in the General Liability Insurance Fund of $3.2 million.

2. Other Self-Insurance Funds

The County is self-insured for unemployment insurance claims and for worker's compensation claims which are administered by a 3rd party, except as noted below. Current assets set aside at December 31, 2008 for these claims are $2.1 million and $632,000 respectively. There were no significant claims outstanding against these assets at December 31, 2008. The County maintains a $1 million commercial policy for excess worker's compensation claims, with a $750,000 deductible. There were no settlements that exceeded the insurance coverage in either 2008 or in 2007.

NOTE 19 – RESTRICTED NET ASSETS

Clark County's government-wide statement of net assets reports $130 million of restricted net assets, of which $67.5 million is restricted by enabling legislation; $31 million by various federal and state laws; $25 million by grantors; and $6.5 million by bond covenants.

NOTE 20 - CONTINGENCIES AND LITIGATIONS

The County participates in several Federal, State, and local grant programs. The grants are subject to an annual audit examination that includes compliance with granting agency terms and provisions, and with Federal and State regulations. Failure to adequately comply with the provisions could result in a requirement to repay funds to the granting agency. Disallowed expenditures cannot be determined at this time, although it is expected that such amounts would be immaterial.

The County has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the County is of the opinion that present reserves are available to adequately cover potential settlements without adversely affecting the financial condition of the County.

NOTE 21- JOINT VENTURE

The County has entered into one joint venture with the City of Vancouver and other local governments in the establishment and operation of the Clark Regional Emergency Services Agency (CRESA). CRESA was created by agreement under the Inter-local Cooperation Act (RCW 39.34). The purpose of CRESA is to equip and operate a consolidated public safety communications service. CRESA is a separate reporting entity and each participant's share of authority is defined by the terms of the enabling charter of the venture. Clark County has a 45% interest in the equity and operations of CRESA. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental fund joint venture. As such, the County's share of ownership is reported in the governmental activities column of the Statement of Net Assets, as equity interest in a joint venture. This equity interest is accounted for using the equity method that reflects the County's investment in operations and net worth on the basis of contribution and participation. The equity interest primarily represents interest in capital assets and is reported in the Governmental Fund column of the Statement of Net Assets. The County's share of 2008 net loss and prior year adjustment was $38,787 for a total equity interest of $934,709 at the end of 2008. Separate financial statements for the joint venture can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

NOTE 22 - ACCOUNTING FOR SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE COSTS

GASB 18 establishes the standards for accounting and financial reporting for municipal solid waste landfill closure and post closure care costs. This statement applies to the owners and operators of landfills. The County does not own or operate a landfill, but rather, in 1988 entered into a Solid Waste Reduction and Disposal Agreement with the private owner of the landfill to direct the flow of solid waste and establish a landfill reserve fund. The Solid Waste Closure Fund was established by the County for the sole purpose of accumulating disposal fees collected by the landfill operator and other resources designated to pay for environmental compliance, closure, and self-insurance of the solid waste landfill. The likelihood of the County incurring costs associated with ongoing monitoring of the landfill is remote; accordingly no liability is reflected in the County's financial statements.

NOTE 23 - PRIOR PERIOD ADJUSTMENTS

Major Fund Statement Prior Period Adjustments

The **County Road Fund** reports a net prior year adjustment increase of $1,524,424. The Road Fund received an additional $1,340,799 from the State Transportation Improvement Board for 2007 expenses relating to a road project for changes in the percentage amount allocated to the County by the TIB. Also, a prior year adjustment of 183,625 was made to correct transfer funds in 2007 to the Equipment Rental & Revolving Fund.

Non-major Fund Statement Prior Period Adjustments

In 2007 the **Parks Dedicated ¼% REET** capital project fund recorded $1,020,920 for a State Office of Interagency Committee (IAC) Parks Grant. In 2008, it was determined that these grants funds should be recorded in the **Parks Conservation Futures** capital projects fund, therefore a prior period adjustment of $1,020,920 relating to the IAC parks grants is recorded as a prior year adjustment decrease in Parks Dedicated ¼% REET and prior year adjustment increase Parks Conservation Futures accordingly.

The **Clark County Public Facilities District** special revenue fund reports a prior year adjustment of ($2,077,542) for a correction of revenue from a long-term note receivable reported as revenue in 2007 but should have been deferred revenue.

The **Development Impact Fee** capital project funds reports a prior year adjustment of ($484,174) for expenditures in an impact fee district that were not recorded in 2007 when there was not sufficient budget in that district.

The **Equipment Rental & Repair** internal service fund reports a ($183,625) prior year decrease adjustment to correct a transfer from the Road Fund in 2007 determined to be incorrect.