



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 21, 2010

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Clark County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Clark County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Roads, Community Services Grants and Mental Health funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 21, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the County's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 27, infrastructure modified approach on pages 92 through 94 and information on postemployment benefits other than pensions on pages 91 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining financial statements on pages 95 through 188 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clark County's discussion and analysis provides a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements which follow this discussion.

FINANCIAL HIGHLIGHTS

- During 2009, the County's financial condition began to stabilize after experiencing a significant downturn in 2008, but recovery is expected to be slow as unemployment remains high and the building industry activity is still weak.
- Clark County's total assets exceeded its total liabilities at December 31, 2009 by \$1.32 billion compared to \$1.29 billion at December 31, 2008 (2 percent increase). Details of factors contributing to this increase are discussed later within this management's discussion and analysis.
- Total net assets of the County (governmental and business-type, combined) are comprised of the following:
 - 1) Capital assets, net of related debt, of \$1.1 billion include property, infrastructure, and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Restricted net assets of \$118 million represent the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 - 3) Unrestricted net assets of \$64 million represent the portion available to maintain the County's continuing obligations to citizens and creditors.
- As of December 31, 2009, Clark County reported a change in net assets (before prior year adjustments) of \$26 million, compared to \$63 million in 2008 (59 percent decrease). Details of factors contributing to this decrease are discussed later within this management's discussion and analysis.
- General Fund unreserved/undesignated fund balance was \$7.4 million at December 31, 2009, compared to \$6.1 million at December 31, 2008. The change in General Fund designated fund balance in 2009 (\$1.9 million) from 2008 (\$4.7 million) is due to \$2.8 million designated for development services in 2008, which was not designated in 2009.
- Clark County's total long term debt at December 31, 2009 was \$186 million, down from \$194 million in 2008, the result of payments of debt service. Remaining capacity for non-voted debt was \$496 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of Clark County's finances in a manner similar to a private-sector business. The

statements distinguish functions of Clark County that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). Governmental activities include services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; community planning and development; parks and open space preservation; public health; and care and welfare of the disadvantaged and mentally ill. Other general government services provided include elections, property assessment, tax collection, and the issuance of permits and licenses. Business-type activities of Clark County include solid waste, sanitary sewer, and storm water management.

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

The **statement of activities** presents information on how the County's net assets changed during 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes, unpaid vendor invoices, and earned but not used vacation and sick leave. This statement separates program income (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users can identify the extent to which each program relies on taxes for funding. Certain administrative costs or indirect costs are allocated to the various programs, but are eliminated from the direct program costs for comparative purposes.

Both of the government-wide financial statements have separate columns for two different types of County activities, plus a separate column for a discretely presented component unit:

Governmental activities - Activities in this section are primarily supported by taxes and intergovernmental revenues. Most of the County's basic services fall into this category, including general government; public safety; judicial; physical environment; transportation; economic environment; health and human services; culture and recreation; and debt service. Also included within the governmental activities are the operations of four blended component units: Industrial Revenue Bond Corporation, Fairgrounds Site Management Group (Clark County Fair Fund), Emergency Medical Services District, and the Metropolitan Parks District. Although legally separate from the County, these component units are blended with the primary government (Clark County) because of their governance relationship with the County and fiscal dependency. These four entities are reflected in the non-major combining special revenue fund statements. Further information regarding these blended component units is found in the *Summary of Significant Accounting Policies* beginning on the first page of the notes to the financial statements. The County has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA). A description of this joint venture is found in note 21 of the notes to the financial statements.

Business-type activities - The total assets and total liabilities between the government-wide statements and fund statements will differ slightly because the "internal balances" are combined into a single line in the asset section on the government-wide statement.

Discretely presented component unit - The government-wide financial statements include not only Clark County (known as the primary government) but also a legally separate Clark County Public Facilities District for which the County is financially accountable. Financial information for

this discretely presented component unit is reported separately from the financial information presented for the County. A definition of component unit can be found in note 1 of the notes to the financial statements.

Fund Financial Statements

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

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

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund, County Roads Fund, Community Services Grants Fund and Mental Health Fund, which are considered major funds for financial reporting purposes. The governmental fund financial statements can be found immediately following the government-wide financial statements. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements, outside of the basic financial statements (following the required supplementary information section of this report).

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

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds account for the County's solid waste, storm water, and sewer operations. The Sanitary Sewer and Clean Water funds are both considered major funds for financial reporting purposes. The County reports one nonmajor enterprise fund, the Solid Waste Fund.

Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its vehicle fleet, election services, insurance reserves, radio and computer equipment replacement reserves, and various other administrative services. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements. Individual fund data can be found in the combining statements.

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net Assets may serve over time as a useful indicator of a government's financial position. As indicated in the condensed financial information below, which was derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$1.3 billion at the end of 2009. This is an increase of 2 percent or \$27.5 million over year-end 2008. Capital assets, net of depreciation, increased by \$27.2 million, accounting for virtually all of the 2009 net asset increase.

Capital asset increases are primarily for road construction and parks acquisitions. Contributed assets totaled \$8.1 million, with developers contributing \$4.1 million in roads, land and storm water facilities and other government entities contributing \$4 million in park land, park improvements and expansion of the sewer treatment plant. Capital asset disposals consisted mostly of fleet vehicles and technology assets, as well as annexed land and infrastructure which was transferred to cities within Clark County. Also, land parcels (associated with donated storm water facilities) that were previously recorded in capital assets were removed from the County's capital asset records in the amount of \$975,100, when it was determined that the land was not donated to the County.

Current assets decreased \$20 million, as cash and investments decreased \$30 million, mainly in the parks project related capital funds. Accounts receivable increased by \$12 million (including an increase in court receivables of \$6.5 million), while other current assets decreased by \$2 million. Total liabilities decreased \$20.5 million. Long term liabilities decreased by \$8.4 million, resulting from debt service payments, and other liabilities (mainly payments due to vendors) decreased by \$12.1 million.

Of the County's total net assets, 86 percent are invested in capital assets less outstanding debt used to acquire those assets (compared to 85 percent in 2008), 9 percent are subject to external restrictions by outside parties, and the remaining 5 percent (4 percent in 2008), represents the amount that may be used to meet the County's ongoing general purpose obligations.

Total long term liabilities were \$186 million (down \$8 million from 2008 as explained above), with \$11 million coming due within a year. Refer to the notes to the financial statements for a more in-depth discussion of long term debt (note 12).

The condensed financial information that follows is derived from the government-wide Statement of Net Assets and reflects how the County's net assets in 2009 compared with 2008.

Clark County Net Assets

	Governmental Activities		Business-type Activities		Total		% Change
	2009	2008	2009	2008	2009	2008	
Current & other assets	\$ 226,219,280	\$ 240,460,773	\$ 33,346,011	\$ 39,358,596	\$ 259,565,291	\$ 279,819,369	(7.2%)
Capital assets (net of depreciation)	1,081,933,180	1,055,586,709	222,444,429	221,581,036	1,304,377,609	1,277,167,745	2.1%
Total assets	1,308,152,460	1,296,047,482	255,790,440	260,939,632	1,563,942,900	1,556,987,114	0.4%
Long term liabilities	166,146,804	172,202,572	19,662,756	22,048,076	185,809,560	194,250,648	(4.3%)
Other liabilities	36,575,005	45,243,209	23,615,988	27,031,970	60,190,993	72,275,179	(16.7%)
Total liabilities	202,721,809	217,445,781	43,278,744	49,080,046	246,000,553	266,525,827	(7.7%)
Net assets:							
Invested in capital assets, net of related debt	932,497,959	903,453,419	203,226,963	199,840,892	1,135,724,922	1,103,294,311	2.9%
Restricted	114,886,981	130,564,829	3,119,000	0	118,005,981	130,564,829	(9.6%)
Unrestricted	58,045,711	44,583,453	6,165,733	12,018,694	64,211,444	56,602,147	13.4%
Total net assets	\$ 1,105,430,651	\$ 1,078,601,701	\$ 212,511,696	\$ 211,859,586	\$ 1,317,942,347	\$ 1,290,461,287	2.1%

Governmental net asset - Although net assets of the County's governmental activities increased 2 percent to \$1.1 billion in 2009, \$1.05 billion are either subject to external restrictions as to how they may be used, or are invested in capital assets less any related outstanding debt used to acquire those assets. Unrestricted net assets for governmental activities of \$58 million (up from \$45 million in 2008) are available for future spending.

Business-type net asset - Business-type net assets remained about the same as in 2008. Of total net assets, \$203 million is invested in capital assets, net of related debt, while \$6 million (down \$6 million from 2008) is unrestricted and available for future spending. \$3 million is restricted for debt service. Business-type activities use their capital assets to provide services to customers. Consequently, these assets are not available for future spending.

Analysis of Changes in Net Assets

The County's total change in net assets (not including prior period adjustments) in 2009 was \$26.3 million, compared to a \$62.8 million increase in 2008. The change in net assets for governmental activities is a \$24.4 million increase, with \$24.28 million coming from developer and intergovernmental contributed capital assets. The change in net assets for business-type activities

is \$1.8 million. With \$3 million in capital contributions, that leaves an operating loss for the year of \$1.2 million. Each of the three programs (sewer, clean water, and solid waste) had small operating losses in 2009.

The condensed financial information that follows is derived from the Government-Wide Statement of Activities and reflects how the County's 2009 changes in net assets compare with 2008.

	<i>Clark County Changes in Net Assets</i>					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Program Revenues						
Charges for services	\$ 73,290,620	\$ 82,330,205	\$ 13,256,212	\$ 13,696,417	\$ 86,546,832	\$ 96,026,622
Operating grants and contributions	87,784,345	84,641,516	1,008,504	1,064,334	88,792,849	85,705,850
Capital grants and contributions	24,272,308	40,964,884	3,029,974	23,738,953	27,302,282	64,703,837
General Revenues						
Taxes	132,342,801	137,450,783		0	132,342,801	137,450,783
Gain on sale of assets	-	823		0	-	823
Interest earnings	2,011,197	9,340,375	129,216	738,115	2,140,413	10,078,490
Total revenues	319,701,271	354,728,586	17,423,906	39,237,819	337,125,177	393,966,405
Program Expenses:						
General government	53,855,943	56,402,079	0	0	53,855,943	56,402,079
Public safety	69,710,985	71,584,643	0	0	69,710,985	71,584,643
Judicial	17,141,169	16,064,813	0	0	17,141,169	16,064,813
Physical environment	2,875,734	2,980,212	0	0	2,875,734	2,980,212
Transportation	30,378,012	47,040,649	0	0	30,378,012	47,040,649
Economic environment	20,937,113	22,226,879	0	0	20,937,113	22,226,879
Health & human services	63,333,292	62,961,810	0	0	63,333,292	62,961,810
Culture & recreation	30,603,795	28,122,802	0	0	30,603,795	28,122,802
Solid Waste	0	0	2,479,511	5,995,861	2,479,511	5,995,861
Water	0	0	6,113,442	5,445,506	6,113,442	5,445,506
Sewer	0	0	7,052,406	5,819,062	7,052,406	5,819,062
Interest on long term debt	6,349,962	6,560,168	0	0	6,349,962	6,560,168
Total expenses	295,186,005	313,944,055	15,645,359	17,260,429	310,831,364	331,204,484
Excess (deficiency) of revenues over (under) expenses	24,515,266	40,784,531	1,778,547	21,977,390	26,293,813	62,761,921
Transfers	(66,997)	98,990	66,997	(98,990)	0	0
Change in Net Assets	24,448,269	40,883,521	1,845,544	21,878,400	26,293,813	62,761,921
Net assets as of January 1	1,078,601,701	1,038,939,097	211,859,586	189,981,186	1,290,461,287	1,228,920,283
Prior period adjustments	2,380,681	(1,220,917)	(1,193,434)	0	1,187,247	(1,220,917)
Net Assets as of December 31	\$ 1,105,430,651	\$ 1,078,601,701	\$ 212,511,696	\$ 211,859,586	\$ 1,317,942,347	\$ 1,290,461,287

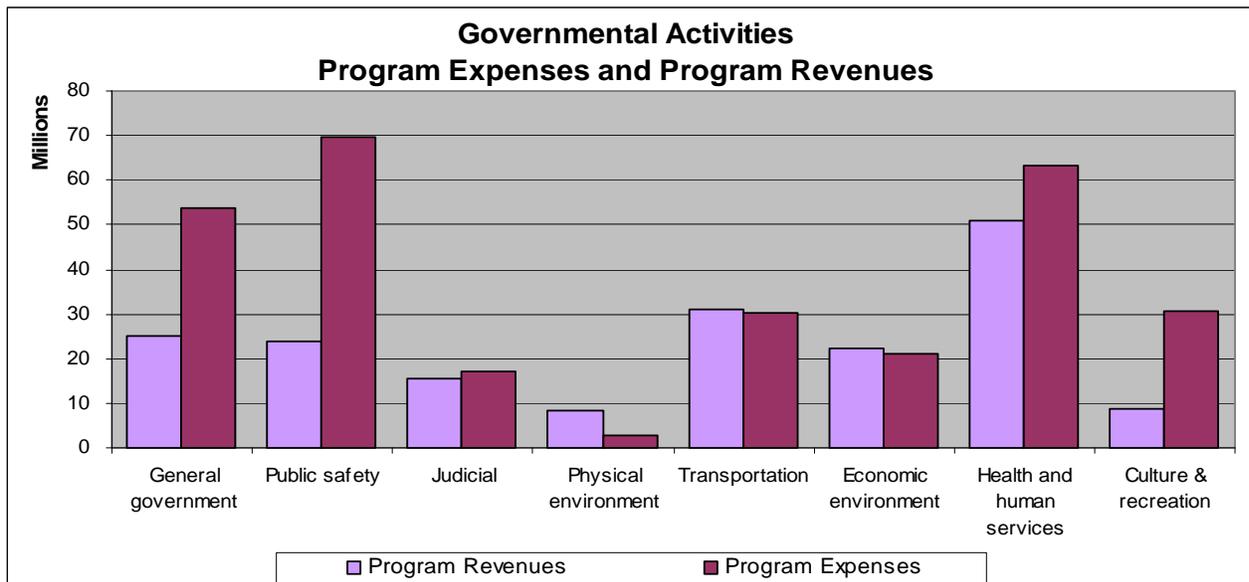
Approximately 39 percent of total revenues came from property, sales and excise taxes. Grants and contributions amount to 34 percent and charges for services account for 26 percent of total revenues. In 2009, total revenues (\$337 million) decreased from 2008 by \$56.8 million, with governmental activities decreasing \$35 million and business activities decreasing by \$21.8 million. Governmental activities provided \$319.7 million in revenues (95%), while business-type activities provided \$17.4 million. Total interest earnings decreased in 2009 by \$7.9 million from 2008 as the result of lower interest rates and lower cash balances.

The County's expenses cover a range of services, the largest of which were for public safety, health and human services, and general government, accounting for 60 percent, combined, of total expenses. Culture and recreation (mainly parks) and transportation expenses, combined, account for an additional 20% of total expenses. County total expenses for the year were \$311 million, down from \$331 million in 2008. Governmental activities accounted for \$295 million (95%) of total County expenses. Business activity expenses decreased \$1.6 million from 2008 (by 9%).

Governmental activities - Governmental activity revenue decreased \$35 million from 2008, while expenses decreased \$18.8 million. Capital grants and contributions decreased by \$16.7 million, largely due to the lack of building activity which generates right of way land and road infrastructure contributions. Reimbursable park improvements billed to the City of Vancouver by transportation services (roughly \$6 million in both 2008 and 2009) are included in cultural and recreational operating grant revenues in 2009, but had been classified as transportation charges for services prior to 2009. Had these revenues been classified as grant revenues in 2008, both operating grant revenues and charges for services would show a decrease of \$3 million in 2009. In 2009 transportation charges for services billed to other governments were down \$3 million, park improvements billed by the Metropolitan Parks District Fund were down \$5 million and charges benefiting low income housing and weatherization were down \$1.4 million. Also in 2009, information on court charges receivable became available from the state, enabling the County to accrue both the revenue and the receivables, which added an additional \$6.5 million in charges for services revenues. With the downturn in the national and local economy, tax revenue decreased by \$5.1 million in 2009.

Transportation accounted for the major portion (\$16.7 million) of the \$18.8 million decrease in expenses. The decrease of services provided to other governments accounts for approximately \$2.5 million in expense decreases, and in 2008 there was an \$8 million loss on the disposal of assets (roads) which were annexed by cities. The remainder of the decrease in transportation expenses were due to less money spent on overlays, roadside vegetation and road preservation, as cost cutting measures.

The following graph illustrates the governmental activities program revenues and expenses by function.



Business-type activities – For the year ending December 31, 2009, excess of revenues over expenses was \$1.8 million, compared to \$22 million in 2008. In 2008, the Sanitary Sewer Fund received a \$21 million contribution from the Clark Regional Waste Water District for the treatment plant expansion, which accounts for the bulk of the difference from 2008. The clean water program reports a prior year adjustment decrease of \$1.2 million for storm water land removed from capital assets when it was subsequently determined that land was not contributed by developers along with contributed stormwater facilities.

Operating revenues and expenses were both down slightly from 2008 (\$0.4 million and \$2.2 million respectively). Business-type activities had a net loss of \$1.3 million before contributions and transfers. The solid waste program had decreases in expenses of \$3.5 million, mainly due to

one-time expenses for a new recycling program in 2008. Expenses in the sewer program increased about \$1.2 million in 2009 as operations of the expanded sewer treatment plant increased. Refer to the *Proprietary Fund Analysis* section which appears later in this management's discussion and analysis for more information.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Clark County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a discussion of the financial highlights of the County's governmental and proprietary funds.

Governmental Funds Analysis

The focus of Clark County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Unreserved/undesignated fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year. The General Fund, County Roads Fund, Community Services Grants Fund and Mental Health Fund are the only major governmental funds in 2009.

As of December 31, 2009, the County's governmental funds reported combined ending fund balances of \$140 million, down \$15.5 million in comparison with the prior year. Most of the decrease was in non-major capital project funds (down \$22.5 million), while the County Roads Fund saw an increase of \$4.1 million (as expenditures for the metropolitan park district projects decreased from the previous year), other major funds had a combined increase of \$1.2 million and non-major special revenue funds had a combined \$1.5 million increase. Capital project funds revenues fell \$5.5 million below 2009 levels (mainly in real estate excise tax, grants and interest earnings), expenditures increased by \$7.8 million (mainly for park improvement projects and increased debt service payments) and transfers in from other funds decreased in 2009.

Approximately 95 percent of the governmental fund balance (\$133 million) constitutes unreserved, undesignated fund balance which is available for spending in the coming year at the County's discretion. The remainder of the fund balance is reserved or designated for debt service, prepayments, technology improvements, housing, and compensated absences.

Total governmental assets decreased by \$13.6 million (\$11 million after eliminating interfund transactions). The non-major governmental fund's assets decreased by \$51 million, of which \$21 million was due to the Mental Health Fund being classified as a major fund in 2009 (it was included with non-major funds in 2008). The Mental Health Fund's assets increased by \$1.5 million in 2009. The General Fund's assets increased by \$6.6 million, the result of the state publishing court charges receivable for the first time, enabling the County to record \$6.6 million in court receivables in 2009. The County Road Fund had a \$4.8 million increase in assets (\$2.8 million increase in cash/investments and \$1.6 million in due from State transportation board for road grants), while the Community Services Grant Fund reported a \$5.2 million increase in assets, mainly in housing loan note receivable as ARRA grants provided monies for low income housing and weatherization projects.

Total governmental liabilities increased by \$4.7 million after eliminating interfund transactions. This increase occurred as deferred revenue increased by \$11.3 (\$6.6 million General Fund court receivable and \$5 million increase in the Community Services Grants Fund low-interest housing loans note receivable), while vendor payments decreased by \$4 million and line-of-credit payable amounts decreased by \$2.8 million.

Overall governmental fund operating revenues total \$304 million for 2009, a decrease of 7 percent, or \$21.8 million less than the year ended December 31, 2008. County Roads revenue decreased by \$7 million, mainly in taxes (property taxes diversion to general fund increased) and

intergovernmental revenue for reimbursements from the City of Vancouver for metropolitan parks projects, as funding for these projects shifted to the County. Revenues were down in the non-major funds by \$21 million, after discounting 2008 revenues for the Mental Health Fund revenues, which show as major fund revenues in 2009. In the non-major funds sales and excise taxes dropped by \$4 million, grants by \$6 million, charges for services by \$7 million and interest by \$4 million. Community Services Grants revenues increased \$3.7 million and Mental Health revenues increased \$2 million, as intergovernmental grant revenues (ARRA) increased in both funds.

Overall governmental fund operating expenditures total \$313 million, down 7 percent or \$23 million from 2008. Most all the program areas saw decreases in their current expenditures, the result of the County's costing cutting measures, by reducing positions and holding down other costs. Capital expenditures decreased a net \$4 million, mainly for roads (\$10 million down) and parks (\$5.6 million increase).

The **General Fund** is the chief operating fund for the County. At the end of 2009, total fund balance for the General Fund equaled \$9.3 million, compared to \$10.8 million at the end of 2008. Unreserved, undesignated fund balance, the amount considered available to spend, totaled \$7.4 million at the end of 2009, an increase of \$1.3 million from 2008, mainly due to the elimination of designated fund balance for development services in 2009. At the end of 2009, \$1.9 million has been designated for compensated absences in the General Fund.

General Fund operating revenues increased slightly from 2008 to 2009 (1 percent, or \$0.78 million) while expenditures decreased 4 percent or \$5.4 million from the previous year as staffing reductions and cost containment measures were put into place in 2009. All programs in the General Fund saw a decrease in expenditures except for a slight increase in health and human services and a \$0.5 million increase in the judicial program, which increased slightly as indigent defense and court costs increased in conjunction with the expanded therapeutic court program which is supported by sales taxes.

Both transfers in and out decreased by \$3.9 million and \$3.2 million respectively as sales tax revenues transfers were down and General Fund support to other funds decreased in 2009.

County Roads Fund, a special revenue fund, is used to account for the maintenance and operations of the public roads and bridges of the County. At the end of the current fiscal year, total fund balance increased to \$17 million (a \$4 million increase). Operating revenues were down by \$7 million from 2008, mainly because of diverted property taxes (\$2.3M), decreases in federal road grants (\$3.4) and decreases in fees for water and sewer line replacements billed to other jurisdictions (\$1.5M). Reimbursable park improvements billed to other governments remained closely the same as in 2008 (roughly \$6 million), however in 2009 those revenues were reclassified from the charges for services category to intergovernmental revenues. The operating expenditures of the Road Fund were down \$15 million as capital road projects, overlays, roadside vegetation and road preservation costs were down in 2009.

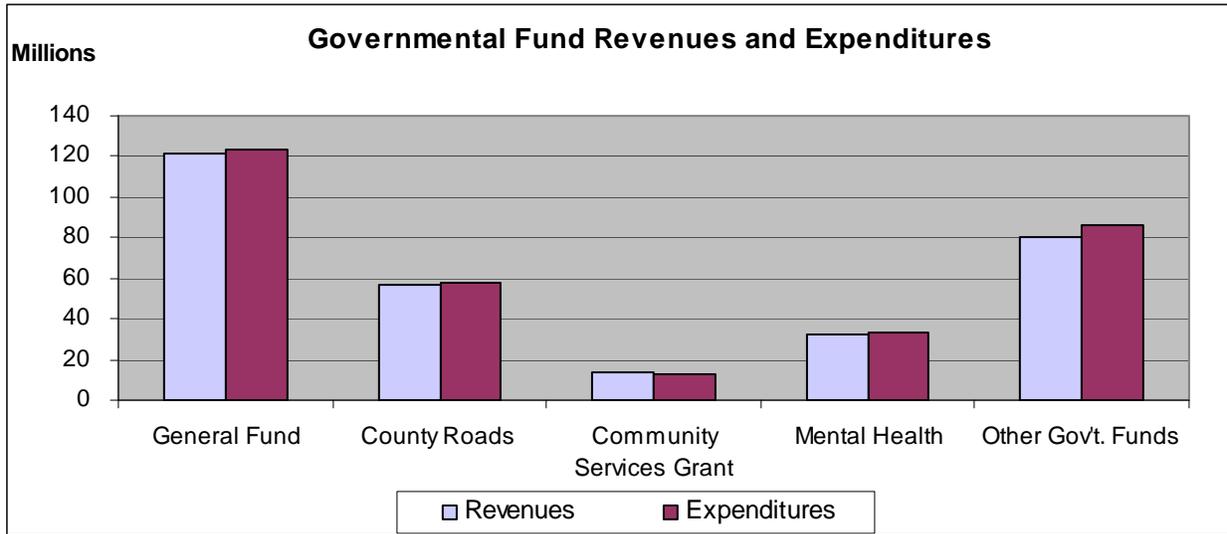
Community Services Grants Fund is a special revenue fund that receives the majority of its funding through state and federal grants for various housing, weatherization, and youth programs. In 2009, the fund balance increased from \$4.3 million in 2008 to \$5.9 million. Revenues increased by \$3.7 million as grant revenues increased under the ARRA program. Corresponding expenditures increased by \$2.2 million from 2008 to 2009. Most of the 2009 increase in fund balance was due to \$1.3 million in General Fund transfer, to subsidize youth, housing and other human services programs.

Mental Health Fund is a special revenue fund that receives the majority of its funding through state and federal grants for mental health services, including treatment, consultation, and education. In 2009, the fund balance increased from \$16.2 million in 2008 to \$17.4 million.

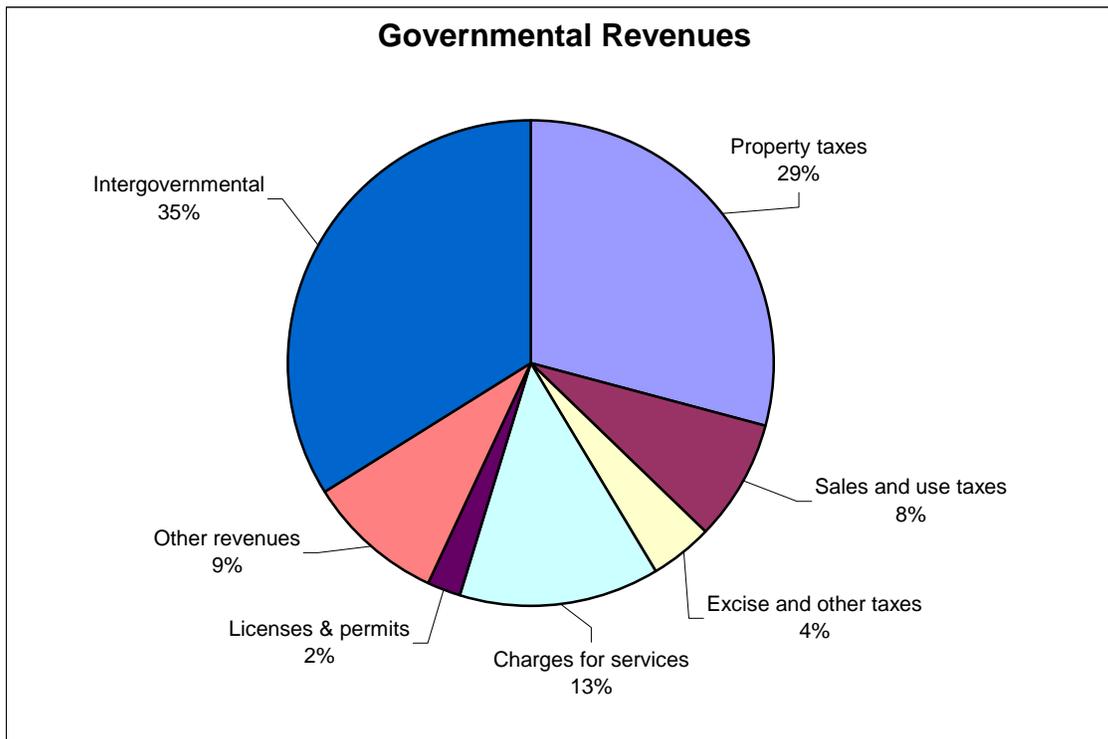
Revenues increased by \$2 million as grant revenues increased under the ARRA program. Corresponding expenditures increased by \$2.5 million from 2008 to 2009. The 2009 increase in fund balance was due to interfund transfers of \$2 million from the Mental Health Sales Tax Fund, to subsidize mental health services.

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the year ended December 31, 2009 for the three major governmental funds and for all other governmental funds, combined. Revenues don't include interfund transfers, proceeds from debt or the sale of assets.



The following chart shows total governmental revenues and the percentage total for each type of revenue for the year ended December 31, 2009.



Proprietary Funds Analysis

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

Clark County has three enterprise funds, two of which (Sanitary Sewer and Clean Water) are considered major funds. Enterprise funds net assets increased slightly (\$652,000) as the sewer program recorded a net asset increase of \$2 million (the result of contributed capital assets), while the clean water program saw net assets decrease by \$1 million, as a prior year adjustment decrease of \$1.2 million was recorded for adjustments to capital assets. The non-major solid waste program's net assets only decreased by \$.3 million, compared to \$3 million decrease in 2008 when one-time expenses for new curb side recycling carts were recorded.

The table that follows reflects the Enterprise Funds Statement of Net Assets for the year ending December 31, 2009, compared to the prior year.

<i>Clark County Washington</i>								
Enterprise Funds - Statement of Net Assets								
	Major				Non-Major		Total	
	Sanitary Sewer		Clean Water		Solid Waste			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
Total current assets	\$ 1,872,393	\$ 3,704,274	\$ 7,876,157	\$ 9,502,014	\$ 1,500,026	\$ 4,681,598	\$ 11,248,576	\$ 17,887,886
Total noncurrent assets	156,970,194	155,777,465	86,954,937	86,618,976	627,423	663,778	244,552,554	243,060,219
Total assets	158,842,587	159,481,739	94,831,094	96,120,990	2,127,449	5,345,376	255,801,130	260,948,105
Total current liabilities	2,839,059	3,564,980	996,501	1,379,894	228,829	3,139,648	4,064,389	8,084,522
Total noncurrent liabilities	38,906,366	40,828,234	243,528	106,063	75,151	69,700	39,225,045	41,003,997
Total liabilities	41,745,425	44,393,214	1,240,029	1,485,957	303,980	3,209,348	43,289,434	49,088,519
Total net assets	\$ 117,097,162	\$ 115,088,525	\$ 93,591,065	\$ 94,635,033	\$ 1,823,469	\$ 2,136,028	\$ 212,511,696	\$ 211,859,586

The **Sanitary Sewer** Fund accounts for operations, maintenance, capital improvements and expansions of the County's waste water facility and sewer lines. Total net assets of the sewer fund were \$117 million, with \$115 million of net assets invested in capital assets, net of related debt, \$3 million restricted for debt service, and (\$1.7) unrestricted. The sewer fund completed a \$77 million facilities expansion and upgrade of the treatment plant in 2009.

The **Clean Water** Fund accounts for the operations, maintenance, and capital improvements of the County's storm water pollution control facilities. Total net assets in the Clean Water Fund were \$93.6 million at the end of 2009, down \$1 million from 2008 mainly due to a prior year adjustment of storm water land. Of this amount, 93 percent (\$87 million) was invested in capital assets, net of related debt, with the remaining 7 percent (\$6.6 million) unrestricted and available for spending.

The following table reflects the Enterprise Funds revenues and expenses for the year ending December 31, 2009, compared to the prior year. The combined enterprise funds change in net assets decreased by \$20 million from 2008 when contributions for capital assets were record for construction of the expanded sewer treatment plant (\$21 million) and new storm water land and facilities (\$2 million).

Clark County Washington
Enterprise Funds - Revenues and Expenses

	Major				Non-Major		Total	
	Sanitary Sewer		Clean Water		Solid Waste			
	2009	2008	2009	2008	2009	2008	2009	2008
Total operating revenues	\$ 6,789,225	\$ 6,899,461	\$ 4,824,360	\$ 4,921,938	\$ 1,638,602	\$ 1,872,969	\$ 13,252,187	\$ 13,694,368
Total operating expenses	6,059,687	4,720,372	5,452,036	5,445,506	2,479,511	5,995,861	13,991,234	16,161,739
Operating income (loss)	729,538	2,179,089	(627,676)	(523,568)	(840,909)	(4,122,892)	(739,047)	(2,467,371)
Total non-operating revenues(expenses)	(921,172)	(939,719)	(223,406)	527,715	632,198	1,117,812	(512,380)	705,808
Income (loss) before								
contributions and transfers	(191,634)	1,239,370	(851,082)	4,147	(208,711)	(3,005,080)	(1,251,427)	(1,761,563)
Capital contribution	2,200,271	21,320,211	829,703	2,418,742	0	0	3,029,974	23,738,953
Transfers, net	0	0	170,845	(95,000)	(103,848)	(3,990)	66,997	(98,990)
Change in net assets	2,008,637	22,559,581	149,466	2,327,889	(312,559)	(3,009,070)	1,845,544	21,878,400
Net Asset, January 1	115,088,525	92,528,944	94,635,033	92,307,144	2,136,028	5,145,098	211,859,586	189,981,186
Prior year adjustments	0	0	(1,193,434)	0	0	0	(1,193,434)	0
Net assets, December 31	\$ 117,097,162	\$ 115,088,525	\$ 93,591,065	\$ 94,635,033	\$ 1,823,469	\$ 2,136,028	\$ 212,511,696	\$ 211,859,586

Enterprise Funds Revenue and Expense Analysis

The **Sanitary Sewer** Fund total operating revenues for 2009 were \$6.8 million (compared to \$6.9 million in 2008), while operating expenses were \$6.1 million (compared to \$4.7 million in 2008) as operational expenses for the expanded treatment plant increase. The changes in net assets decreased by \$20.6 million from 2008 when \$21.3 million in intergovernmental contributions were recorded for construction of the expanded sewer treatment plant, versus \$2.2 million contributions recorded in 2009.

The **Clean Water** Fund total operating revenues for 2009 were \$4.8 million (compared to \$4.9 million in 2008), while operating expenses were \$5.4 million (about the same as in 2008). Capital contributions from developers (storm water facilities and land) were down \$1.6 million, as a consequence of a continuing decline in construction activity. In addition, a prior year adjustment decrease of \$1.2 million was recorded for adjustments to capital assets in 2009.

Total Enterprise funds operating revenues decreased slightly (\$442,181) in 2009, while total operating expenses decreased by \$2.2 million. In 2008, there was a one-time purchase of recycling bins and carts amounting to \$2.8 million for a new curb-side recycling program in the Solid Waste Fund, which makes up the bulk of the decreased expenses in 2009.

GENERAL FUND BUDGETARY HIGHLIGHTS

Analysis of Original versus Final 2009/2010 Budget

The County adopts a biennial budget which is amended during the budget years by supplemental appropriation resolutions. General Fund budgeted revenues and expenditures both decreased by 3% from the original budget.

Budgeted revenues decreased by \$8.4 million, mainly the result of lower than expected tax and interest earning revenues. The only budgeted revenue increase in 2009 was in the intergovernmental category (\$3.1 million) for additional grants, including \$1.6 million for two state railroad improvements grants, \$0.9 million for the new American Recovery and Reinvestment Act (ARRA) grants, \$0.5 million for several public safety grants for boating safety and sex offender address verification and \$0.1 million for a weed eradication grant for the newly created department of environmental services (DES).

Final budgeted expenditures decreased in total by \$8.4 million from the original budget. The reduction of budgeted expenditures was necessary given that revenues were projected to be

down. All expenditure categories had budget reductions from the original budget as 270 full time budgeted positions are expected to be eliminated in 2009/2010. The only increase in the final budget was in the physical environment category where the newly created DES department (Department of Environmental Services) was added to the General Fund with a budget of \$2.9 million. The DES department integrated activities from several existing departments and funds, and budgets were transferred here from other funds.

Net interfund transfers changed by 28 percent (\$580,180). This is a result of the following: \$2.8 million increase to County Building, \$1.4 million increase to the Unemployment Fund, a \$0.8 million increase to the General Liability Fund, a \$4 million decrease in transfers mainly for debt service payments to other funds, a \$1 million decrease in the transfer to Health Department, and \$0.58 million reduction in General fund support to other funds.

General Fund Budget to Actual Comparison

The following table shows the changes between the original and the final biennial General Fund budget, and the variances between the final budget and the actual revenues and expenditures, as of December 31, 2009.

Clark County Washington

**General Fund Budgeted and Actual Revenues and Expenditures
For the Year Ended December 31, 2009**

	Original 2009/2010 Budget	Final 2009/2010 Budget	Change Positive / (Negative)	Actual Biennium- To-Date	Variance Positive / (Negative)	Percentage of Actual to Final Budget
<u>Revenues:</u>						
Taxes	\$ 149,293,978	\$ 145,107,377	\$ (4,186,601)	\$ 72,414,675	\$ (72,692,702)	50%
Intergovernmental	44,313,260	47,376,325	3,063,065	23,361,869	(24,014,456)	49%
Charges for services	39,679,158	38,027,308	(1,651,850)	18,714,139	(19,313,169)	49%
Other revenues	20,619,138	14,967,943	(5,651,195)	6,879,762	(8,088,181)	46%
Total revenues	<u>253,905,534</u>	<u>245,478,953</u>	<u>(8,426,581)</u>	121,370,445	(124,108,508)	49%
<u>Expenditures</u>						
General government	77,999,470	74,307,921	3,691,549	36,050,052	38,257,869	49%
Public safety	128,244,104	123,018,373	5,225,731	62,748,764	60,269,609	51%
Judicial	32,415,783	31,208,023	1,207,760	16,443,048	14,764,975	53%
All other expenditures	17,875,756	19,587,554	(1,711,798)	7,944,898	11,642,656	41%
Total expenditures	<u>256,535,113</u>	<u>248,121,871</u>	<u>8,413,242</u>	123,186,762	124,935,109	50%
Excess (deficiency) of revenues over expenditures	(2,629,579)	(2,642,918)	(13,339)	(1,816,317)	826,601	69%
Other financing sources	1,821,888	1,821,888	0	329,194	(1,492,694)	18%
Net Interfund transfers	<u>2,074,150</u>	<u>2,654,330</u>	<u>580,180</u>	<u>(53,196)</u>	<u>(2,707,526)</u>	-2%
Net change in fund balance	1,266,459	1,833,300	566,841	(1,540,319)	(3,373,619)	-84%
Fund Balance - January 1	11,294,000	11,294,000	0	10,810,494	(483,506)	96%
Fund balance-December 31	<u>\$ 12,560,459</u>	<u>\$ 13,127,300</u>	<u>\$ 566,841</u>	<u>\$ 9,270,175</u>	<u>\$ (3,857,125)</u>	71%

Total actual revenues and expenditures are 49% and 50% of the final budget respectively at the end of the first year of the biennium. The budget anticipates increasing fund balance by \$1.7 million by the end of the biennium. It is anticipated that expenditures will be further reduced in 2010 as FTE positions cuts are realized. At the end of 2009, fund balance decreased by \$1.5 million, with an undesignated fund balance of \$7.4 million.

Most revenues ended the year at about 49 to 50 percent of budget except for the other revenue category which was at 46 percent of budget mainly due to lower investment earnings. Total

expenditures were 50 percent of budget end of the first year of the biennium. Judicial and public safety are slightly ahead with 53 and 51 percent, respectively. The all other expenditure category was only at 41 percent at the end of 2009, mainly because the new DES department will not start operating until 2010 and the railroad rehabilitation work associated with the new grants received will begin in 2010.

CAPITAL ASSET, INFRASTRUCTURE, AND DEBT ADMINISTRATION

Capital Assets

Clark County's total investment in capital assets for its governmental and business type activities as of December 31, 2009, is \$1.3 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, road and bridge infrastructure, storm water facilities, trails, and construction in progress. Of this amount, 49 percent is from infrastructure such as roads, bridges, sewer lines, and storm water facilities, and land makes up 22 percent of the County's capital assets. Major capital asset events during the current fiscal year included the following:

- A variety of projects for new road construction and expansion of existing roads were ongoing during the year. The County spent \$24.2 million in 2009 on road projects, of which \$20 million was added as capital assets, with the remainder categorized as preservation expenditures.
- Vehicles, road equipment, and trailers were added to the fleet as either new equipment or replacements, at a cost of \$745,940 (\$135,812 was contributed by other governments). Fleet equipment with an original cost of \$1.9 million and a net depreciated value of \$224,432 was disposed of in 2009.
- Park acquisitions and improvements amounting to \$15.7 million were added in 2009.
- The Salmon Creek Treatment Plant phase four expansion was completed in 2009. Project costs in 2009 were \$2.6 million. The project included plant upgrades, new transmission lines and upgrades, a new pump station and upgrades to existing pump stations, and planning and engineering costs. The total project cost was \$76 million.
- Residential and commercial roads and right of way contributed by developers in 2009, at a value of \$1.8 million, were added to capital assets. In addition, roads contributed in prior years, valued at \$1.2 million, were added to the County's asset base in 2009. In 2009, road annexations and right of way parcel sales valued at \$1.7 million were removed from County capital assets.
- Storm water land and infrastructure contributed by developers, at a value of \$1.2 million, were added to capital assets in 2009. In 2009, stormwater land and infrastructure valued at \$1.6 million was retired.

Infrastructure

The County has elected to use the modified approach in reporting roads, bridges and storm water facilities. Under the modified approach, asset condition is reported rather than recording depreciation. The rating scales for roads, bridges, and storm water facilities are further explained in the required supplementary information which follows the notes to the basic financial statements.

The County performs condition assessments on its network of roads using the County's pavement management system, which generates a pavement condition index (PCI) for each segment of road. The PCI is a numerical index on a 100-point scale that represents the pavement's functional condition based on the quantity, severity, and type of visual distress. Condition assessments are

undertaken every three years. Maintenance and preservation activities have been budgeted at sufficient levels to maintain the road condition to a level at or above the established standard. The County spent \$14.3 million for road system preservation and maintenance in 2009, or 91% of the annual budget of \$15.8 million.

Most of the County's bridges were built prior to 1980, and are not included in the listing of capital asset infrastructure, in accordance with reporting requirements. However, all County bridges are monitored and assessed every twenty four months, at a minimum. The County has employed detailed State mandated evaluation methodologies for several years in managing the bridge network, and the ratings are sent to the State of Washington and are incorporated in a state-wide bridge inspection database. Maintenance activities are budgeted at sufficient levels to maintain the bridge condition to a level at or above the established standard. In 2009 the County spent 76% of its 2009-2010 biennial budget (\$247,536 out of \$327,588) for bridge maintenance, or what would appear to be 151% of the annual allocated budget. In 2009 there was a change made to reclassify bridge guardrail and barrier maintenance from roads maintenance to bridge maintenance. The County has a biennial budget and in 2010 budget adjustments between the two programs will be adjusted to address this reclassification of workload.

Storm water facilities consist of both treatment and storage structures. Treatment structures range from simple vegetated swales to sophisticated underground water quality vaults. Both are installed to filter excess contaminants from storm runoff. Storage structures may be ponds or underground systems, such as interconnected pipes. These systems are designed to detain and slowly release water flow. Maintenance of above-ground storm water facilities generally consists of vegetation control and removal of excess sediment. Subterranean systems require specialized processes for sediment control, as well as filter replacement. The County spent \$245,214 for storm water maintenance in 2009, or 68% of the annual budget of \$358,428.

The following is a table which shows the value of infrastructure assets being reported using the modified approach and how their most recent three condition assessments compare with the condition level established by the County:

**Infrastructure Assets Using the Modified Approach
Condition Assessment as of December 31, 2009**

	<i>Historical Cost</i>	<i>Accum. Depreciation as of 12/31/02</i>	<i>Net Cost</i>	<i>Average Assessment Value</i>			<i>Established Condition Level</i>
				<i>2005</i>	<i>2006</i>	<i>2009</i>	
Road Subsystem	554,652,886	16,553,296	538,099,590	87	89	80	70
				<u>2003</u>	<u>2006</u>	<u>2008</u>	
Storm water Subsystem	53,251,582	4,260,384	48,991,198	87	86	86	70
				<u>2007</u>	<u>2008</u>	<u>2009</u>	
Bridges Subsystem	10,434,962	288,802	10,146,160	73	76	75	50
Total	618,339,430	21,102,482	597,236,948				

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

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

Additional information on Clark County's capital assets can be found in note #6 of the notes to the financial statements.

Debt Administration

At December 31, 2009, Clark County had total bonded debt outstanding of \$146 million (compared to \$154 million at December 31, 2008). Governmental activities had general obligation bonds payable of \$127.5 million (down \$5.7 million from 2008) which is backed by the full faith and credit of the County. Business-type activities had \$18.7 million in revenue bonds payable (a decrease of \$2.3 million from 2008) which are secured solely by specified revenue sources. The decrease in bonded debt outstanding was due to \$5.7 million and \$2.3 million debt service payments in governmental and business-type activities, respectively. The County maintains a Moody's Aa3 rating for its limited tax general obligation debt. The County's revenue bonds maintain a Moody's A1 rating. Additional information on the County's long-term debt can be found in notes 11 and 12 of the notes to the financial statements.

ECONOMIC OUTLOOK

Economic factors have a direct impact on County revenues and the demand for services. During 2009, the County's financial condition began to stabilize, after experiencing a significant downturn in 2008. Due to the lingering effects of the recession, primarily low construction and high unemployment, the subsequent recovery is expected to be slow.

Clark County continues to budget for a 2009/2010 General Fund balance surplus of \$1.7 million. The 2009/2010 County-wide expense budget is down five percent at the end of 2009 from the original 2009/2010 budget, with expenditure reductions in most General Fund departments and General Fund supported funds. The 2009/2010 expenditure budgets were reduced in 2009 mainly by elimination of approximately 245 budgeted positions county-wide, 125 of which were in the General Fund.

General fund revenue sources, as a whole, are up slightly (1 percent) compared to 2008. In June 2009, revenue budgets were revised to reflect current economic conditions. The major revision was a \$10 million reduction in sales tax revenues. Since June 2009, actual revenue received is tracking consistent with the revised budget. Going into 2010, General Fund revenue growth is budgeted to be minimal.

Real estate excise tax (REET) is generated from the sale of real property. These funds primarily support debt service. As the result of fewer home sales and declining home prices, REET revenue dropped \$.9 million (19 percent) from 2008, following a \$3.8 million (42 percent) decline from 2007. In 2009, the County increased reliance on REET funds which has created an unsustainable drain on these funds and will need to be addressed in the 2011/2012 budget.

The County's main revenue sources include taxes, charges for service and intergovernmental (grant) revenues. Property taxes make-up 30 percent of total government-wide revenues. Even though property taxes tend to be stable, State and voter approved limitations to property taxes have kept the property tax increases to 1 percent each year, plus any new construction. Sales tax revenues are another significant revenue source for the County (9 percent). Sales tax revenue is impacted by construction activity. Sales tax revenues decreased \$5.4 million (17 percent) from 2008, as the effects of the weak economy were felt.

The County experienced unprecedented growth in building construction activities and population growth in 2004-2005. Since then, indicators have declined. For the quarter ending December 2009, building permits continued to show slow improvement, however, based on historical averages, 2009 permit activity remains weak. Revenues associated with construction activity have declined accordingly. The Department of Community Development (DCD) has undergone a significant reorganization to improve efficiency and reduce costs in 2009. The Engineering Services section of DCD was transferred to Public Works, to be funded by a combination of fees

and General Fund support. Staffing in the DCD departments has been reduced by 37 FTE's. The DCD fund balance at the end of 2009 is \$0.2M, after the 2009 transfer of \$2.7M and 2008 transfer of \$2.3M from the General Fund to support continued ongoing operational losses and improve the deficit fund balance.

Home sales are also an indicator of the economic activity in the County. Over the past year, home sales have increased 7.2 percent, while the median home prices decreased 9 percent. The slow increase in building permits and home sales are optimistic signs that the home construction industry has reached bottom and will improve. Continued low home prices, interest rates, and federal home buyer programs will help the industry improve. However, these positive factors will be offset by high unemployment and tight credit markets.

Other factors impacting the economic condition are: The inflation rate was unchanged for most of 2009. The year ended with an annual increase of 2.7 percent, primarily due to energy costs which had a steep decline in 2008. The Clark County unemployment rate climbed steadily through 2009, in conjunction with the worsening economy. The year ended with a rate of 14.3 percent, the highest rate of any county in the state.

Requests for Information

This financial report is designed to provide a general overview of Clark County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's Office, Clark County, 1300 Franklin Street, P.O. Box 5000, Vancouver, WA, 98666-5000.

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