Financial Trends Monitoring Report

Clark County, Washington
2016

Prepared by
Clark County Auditor's Office
Financial Services Division

proud past, promising future

CLARK COUNTY
WASHINGTON

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2016 Financial Trends Monitoring Report

Table of Contents

CLARK COUNTY
WASHINGTON
proud past, promising future

AUDITOR
GREG KIMSEY

July 26, 2017

Honorable Marc Boldt, Chair
Clark County Board of Councilors
PO Box 5000
Vancouver, Washington

RE: Clark County Financial Trends Monitoring Report

Dear Councilor Boldt,

The following represents our report of financial trends for Clark County for the ten year period ended December 31, 2016.

INTRODUCTION

This report has been compiled in accordance with the provisions of the Clark County Fiscal Policy Plan, and includes trends of key financial and economic indicators for the government and community of Clark County, Washington.

Information for the report is derived from various County financial records and reports, including the Comprehensive Annual Financial Report (CAFR), and from various other local and state governments and agencies.

FISCAL POLICIES

The report presents the 17 fiscal policies included in the Clark County Fiscal Policy Plan. These policies provide guidelines for the prudent management of the County's finances. These guidelines are not absolute rules, but variation from them should be carefully considered and of limited duration only. We have provided a brief narrative following each policy statement that represents our opinion of the degree to which the County is in compliance with the policy.

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FINANCIAL INDICATORS

The report presents a combination of 29 financial measures and demographic indicators that can help highlight issues and trends. The analysis of each indicator gives guidance on what trends may mean in terms of Clark County's fiscal health.

It is important to understand the data behind the indicators to be able to recognize the meaning of any particular trend and if the current result is cause for concern. Therefore, formulas used in calculations and data sources are identified for each of the indicators. The indicators are divided into five categories: Revenues, Expenditures, Operating Position, Debt Structure, and Economic Base.

Regular analysis can highlight potential fiscal problems and provide the necessary information required for timely corrective action. By taking action to address weaknesses and to strengthen fiscal health, the county can help ensure that resources are available to fund the level of services required by the taxpayers.

RATING STRUCTURE

There is considerable variation in the way that local governments manage their finances. The variations make development of benchmarks difficult for many indicators. Ratings for these indicators were influenced by the model for evaluating financial condition that was developed by the International City/County Management Association in 2003.

The analysis of these indicators includes a "Warning Trend," which helps to focus on conditions that currently exist or that should be avoided. Staff has evaluated each indicator and assigned a rating according to the following rating scheme of "positive," "negative," or "mixed", based on the following:

Green – the trend is positive and favorable.

Yellow – the trend is mixed and uncertain. The indicator should be watched carefully because it may move in a direction that could have a negative impact on the county's financial health.

Red – the warning trend is negative and has been observed. More information should be gathered and if possible, corrective action should be taken.

A summary of the 29 indicators reveals the following:

- Comparing the 29 indicators in 2016 to 2015 all either maintained or improved their 2015 rating. For 2016 there are no negative ratings.
- There were no changes in indicators in the Operating position category in 2016.
- There were no changes in indicators in the Debt category in 2016.
- In the Economic Base category, most of the indicators remained at the level reported in 2015, as a result of the stable economy. The Median Household Income improved from mixed to positive in 2016.

The eighteen indicators receiving “positive” ratings in 2016 are discussed by category below:

- **Revenue:**
  - <u>Elastic Revenue as a Percent of Total Revenue</u> – The increase in elastic revenues as a percentage of total operating revenues beginning in 2010 follows the recovering economy compared to more stable operating revenues for the County.

- **Expenditures:**
  - <u>Total Governmental Fund Expenditures Per Capita</u> – Adjusting for CPI, governmental fund expenditures per capita decreased from $850 in 2007 to $666 in 2016. The $666 rate is higher than 2014, mostly due to revenue bond payoff and refunding, and a more aggressive approach on capital road projects.
  - <u>Capital Projects Expenditures per Capita</u> – Capital projects expenditures per capita decreased from $86 in 2007 to $84 in 2016. In 2015 there was a spike up to $111, due to a decision to spend down available fund balance in the Road Fund on capital road projects that had been pushed back for several years.
  - <u>General Fund Expenditures per Capita</u> – Per capita expenditures, adjusted for inflation, have decreased slightly each year from 2009 through 2016, with the exception of a slight increase in 2014. The increase in 2014 is affected by moving operational activities of the Juvenile and Jail Commissary Funds into the General Fund, as these two funds no longer qualified as Special Revenue Funds under Government Accounting Standards Board Statement # 54.
  - <u>Employees Per Capita</u> – There has been a consistent decrease of FTEs per capita each year since 2007.
  - <u>Repair and Maintenance Costs</u> – Costs as a percentage of non-road assets were 7.0% in 2016 and have decreased annually, with the exception of 2011, since peaking in 2008 at 8.9%.

- **Operating Position:**
  - <u>Annual General Fund Surplus or Deficit</u> – the General Fund has had an annual surplus (of revenues and other sources over expenditures and other uses) since 2010, except for 2014, where the deficit was due to conscious decisions to transfer subsidies to other funds and to fund specific projects.
  - <u>Fund Balance - General Fund and Permanent Reserve</u> – Between 2009 and 2015, the General Fund balance increased each year. In 2016, fund balance slightly decreased from the 2015 level but was comparable and remained a positive position.

- Fund Liquidity General Fund and Road Fund – Liquid assets in the General Fund increased from $24.8 million in 2014 to $31.5 million in 2016. General Fund liquid assets were up since the beginning of the 10 year period, when they were $18.2 million. Liquid assets in the Road fund decreased from $29.9 million in 2014 to $18.8 million in 2016, as previously delayed projects in the 6 year Transportation Improvement Plan got underway.

- **Debt:**
  - Long-Term Debt –The amount of long-term debt has decreased by $34.1 million since 2007, while the long-term debt per capita decreased by $111 over the same period.
  - Debt Service Costs – Costs increased by $0.7 million in 2016 due to refunding callable bonds. Costs have averaged 4.8% of net operating revenues since 2007, which is below the 10% guideline in the County Fiscal Policies.
  - Overlapping Debt Per Capita – Overlapping debt per capita is substantially below the 10 year average of $2,140 at $1,693 in 2016.

- **Economic Base:**
  - Population of Cities and County – Population in unincorporated areas of Clark County has grown 8.7% since 2007 while the total county population has grown 11.1%.
  - Median Household Income – The adjusted median household income had been increasing since 2011 to 2016 for a total increase per household of $6,000.
  - Assessed Property Values – After a five year decrease in assessed property values, from 2007 ($48,350 million) to 2012 ($35,673 million), values increased steadily from that point until 2016. At $52,292 million, in 2016, values are above the highest point reached in 2007.
  - Residential and Commercial Development – The value of residential development has increased every year since 2011, and at $505.4 million in 2016, is at the highest it has been in the ten year period. At $190.7 million, commercial development is the highest it has been within this ten year range.
  - Community Employment – Although slightly higher than the unemployment rate for Washington State and the Portland Metro area, Clark County's unemployment rate is the lowest it has been since 2008. The unemployment rate for the county has decreased each year since 2009 and is at 6.3% as of 2016.
  - Taxable Sales of Goods and Services – Taxable sales in unincorporated Clark County have shown increases each year since 2010 and have grown $775 million since the bottom of the recession in 2009.

SUMMARY

This report reflects the continuing trend of economic growth since the Great Recession. Most trends have returned to the same level as pre-recession, with 18 positive indicators, the County is once again showing some financial strength. With no negative indicators, there has been significant progress since 2012 when there were seven trends rated negative. In 2016, County management has continued to show good judgement in the use of resources. As the economy continues to improve, the County will also improve, tempered by memories of the recent financial crisis.

The year 2008 was the first time that combined mixed and negative ratings exceeded favorable ratings. This decline was stabilized in 2009 and 2010. In 2011, there was a slight decline in ratings due to the continued lack of jobs added as the economy recovered. In 2012, there was a net improvement in 7 of the rated indicators. 2016 continues to show improvements in positive indicators.

Sincerely,

Greg Kimsey
Clark County Auditor

CLARK COUNTY FISCAL POLICIES

As of December 31, 2016

Background

The Fiscal Policy Plan was first adopted by the Board of County Commissioners in 1982 and amended on August 2, 1994. Its purpose is to assist decision-makers by providing information and guidelines that cumulatively should ensure that Clark County continues to pursue a financially prudent course.

In this document we quote the fiscal policies (in italics) and give a brief description of County practices that relate to that policy.

Policies

Policy 1

The County shall calculate and compile financial indicators, consistent with this report, for each year. Any indicator showing a negative trend shall be analyzed to determine why the change has occurred. The County Manager is authorized to add or delete financial indicators to reflect the needs of the County and the availability of relevant information.

The Financial Trends Monitoring Report has been updated for the current year.

Policy 2

Clark County shall annually forecast revenues and expenditures for the next three to five years for the General Fund and Road Fund. Forecasts should reflect the County's multi-year capital improvement plans. Other funds should be forecast to the extent that they are material and can be reasonably predicted.

As part of the biennial budget process, the Budget Office forecasts the General Fund in detail and major changes to the baseline budget for an additional four years. Public Works staff includes expenditure forecasts for the Road Fund as part of the Six-Year Transportation Improvement Plan.

Policy 3

Clark County shall proactively seek citizen involvement in evaluations of services and service levels.

Clark County's budget process furnishes opportunities for citizen involvement in the evaluation of programs and the allocation of resources. Budget meeting notices are published in local newspapers and public hearings are held, at which time the Board of County Councilors (BOCC) seeks input from staff and citizens, as it considers and ultimately adopts the budget. The County also has numerous advisory boards that provide citizen evaluation and advice on a continuous basis over many program areas.

Policy 4

Clark County will accept State and Federal money to fund programs mandated by law; or to fund programs established as a local priority after taking local contributions into account.

The BOCC approves grant-funded contracts. Most local matching for grant-funded programs relate to infrastructure needs that are included in the County's Comprehensive Plan and the Six-Year Transportation Improvement Plan.

Policy 5

Clark County will set charges for each enterprise fund (sewer, solid waste, etc.) at a level which supports the direct and overhead costs of the enterprise, primarily by fees, grants, or other sources consistent with the direction of the Board of County Councilors.

Net position for enterprise funds was positive at the end of 2016. The unrestricted net position also was positive for each enterprise funds at the end of 2016.

Policy 6

Clark County will pursue a fair and equitable process for the collection of property tax and all other revenues, with the goal of minimizing delinquencies.

At December 31, 2016, uncollected delinquent property tax amounted to $3.2 million ($1.5 million from 2016 and the remainder from levies for all prior years). By year-end, 98.6% of the 2016 tax levy was collected. During the last 10 years, the percent collected has never been less than 98.0%.

Policy 7

Clark County management is required to comply with budgetary restrictions. A reporting system will be provided to help managers monitor and adhere to financial constraints.

The Auditor's Office monitors compliance with budgetary restrictions and departments have access to a variety of monthly reports to assist managers in monitoring their budgets and controlling expenditures.

Policy 8

Clark County will provide for adequate maintenance of capital facilities and equipment, and for their orderly replacement, if necessary.

The County maintains two revolving funds that provide for maintenance, repair, and replacement of heavy equipment, vehicles, and personal computers. In addition, the County has adopted long-term major maintenance programs for facilities and parks, but has not yet established a program to fund significant system replacement or major facilities maintenance. The County's financial system had a significant upgrade completed in 2012. The latest building upgrades include energy conservation and alternative energy technology, along with the implementation of a new custody management system.

Policy 9

Clark County shall establish reserve funds to pay for needs caused by unforeseen events. Reserves shall be held to address the following circumstances: 1) Catastrophic reserves, to provide limited emergency funds in the event of natural or manmade disasters; 2) Operational reserves, to provide additional funds for limited, unexpected service needs; 3) Liquidity reserves, to provide funds sufficient to insure smooth running of the County and pay current obligations; and 4) Capital reserves to facilitate the orderly replacement or acquisition of capital facilities and equipment. An amount equivalent to between 6% and 10% of the General Fund operating budget shall be held in a separate reserve. Individual fund managers shall maintain reserves to address operational and liquidity needs for the funds under their control.

The County has a Permanent Reserve Fund to provide for operational and catastrophic needs. At December 31, 2016, the balance in the fund amounted to $6.6 million or 2.3% of the General Fund operating budget. The County failed to maintain the minimum 6.0% standard from 2004 to 2010. However, following the application of GASB 54, in 2011, the County reports the General Fund and Permanent Reserve as one fiscal entity. Combined, the unassigned fund balance of the two is $29.4 million, which exceeds the risk-based fund balance policy target for General Fund fund balance. Liquidity reserves are established in each fund. The County has established capital reserves in the internal service funds for vehicle and computer equipment replacements financed by charges to user departments.

<u>Policy 10</u>
Capital improvements must be designed to provide sufficient benefits for the expected cost. Benefits can be economic or social values expressed in the capital improvement plan, or can be based on a cost benefit analysis.

Most capital expenditures are reflected in the County's Comprehensive Plan and the Six-Year Transportation Improvement Plan. The economic and social values of these projects are expressed in these plans. Additional evaluation of capital improvements is performed at the departmental level and examined by the Finance Team. Formal cost/benefit analysis is not performed in all cases.

<u>Policy 11</u>
Clark County shall develop and adopt multi-year capital improvement plans to guide current and future major capital facility and equipment expenditures.

The capital facilities element of the Comprehensive Plan addresses infrastructure and utility needs and is augmented by more detailed plans such as the Six-Year Transportation Improvement Plan. The County also has open space acquisition programs supporting the expenditure of Conservation Futures funds.

The County has formed a Finance Team made up of senior managers to review capital spending plans. Capital spending plans should comply with the Board of County Councilors' priorities: 1. Honor existing obligations (debt service), 2. Preserve existing assets, 3. Acquire new assets based on greatest need and the ability to maintain them.

<u>Policy 12</u>
Clark County will develop investment strategies to maximize return on investments while protecting the public's assets.

The County Treasurer's Office performs various cash flow analyses to determine size and duration of investments. The Treasurer's Office established and implemented a local government investment pool to maximize buying power and flexibility. Investment policies and standards have been developed pursuant to State and County guidance and policies to manage the County's portfolio.

<u>Policy 13</u>
The County shall restrict direct debt to the limit identified in Article 8, Section 6 of the Washington State Constitution. In addition, the County will be prudent when considering appropriate levels of debt, limiting debt service to the County's current and future ability to finance that service without diminishing core services. In recognition of the value of the County's ability to raise money at competitive rates, the County will also consider the impact of any new debt on future bond ratings. Biennial budget appropriations shall include debt service payments and reserve requirements identified in bond covenants for all outstanding debt.

At the end of 2016, the County's non-voted debt limit was $699.6 million. Outstanding General Obligation Bond Debt subject to this limit at the end of 2016 was $91.1 million, or 13.1% of the debt limit. Additional governmental debt subject to the non-voted debt limit includes public works trust fund loans, special assessment debt, and capital leases. Total net debt applicable to the limit was $110.9 million at December 31, 2016.

Policy 14
Clark County recognizes that net direct debt service should be no more than ten percent (10%) of the operating revenues of the issuing fund and the General Fund combined.

Debt service in 2016, excluding enterprise funds, was $14.5 million. In 2016, total debt service for governmental funds as a percentage of total revenues generated in all governmental funds was 4.6%.

Policy 15
Where possible, Clark County will use revenue or other self-supporting bonds instead of general obligation bonds except where significant interest differences become a primary consideration.

The County had $91.1 million in total outstanding general obligation bonds at December 31, 2016. At this time, the County has no outstanding Revenue Bond Debt.

Policy 16
Clark County will not use long-term debt to finance current operations. Long-term borrowing will be confined to capital improvements or similar projects with an extended life which cannot be financed from current revenues.

Long-term debt has been used only to finance capital improvements or acquisitions.

Policy 17
Clark County will keep the maturity of general obligation bonds consistent with or less than the expected lifetime of the project, with a goal of amortizing at least an average of 5.0% of project costs per year. All future long-term debt will have prepayment options unless alternative debt structures are judged more advantageous to the County.

At the end of 2016, the general obligation bonds issued by the County have an outstanding life of 20 years or less. The County took advantage of a low interest environment in 2004, 2005, 2012, and 2014, refunding earlier bonds with lower interest rates.

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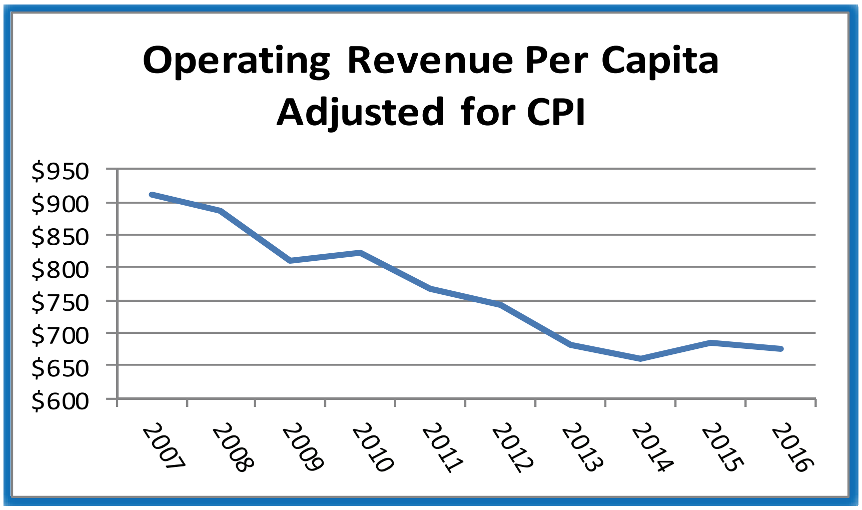
Operating Revenue Per Capita

Description

Per capita revenue illustrates revenue changes relative to populations size. As population increases, it may be expected that the volume of services provided may increase proportionately. For a variety of reasons including legal limits and the cyclical nature of certain revenues, the level of per capita revenue may not directly correlate to population changes. Operating revenue per capita includes taxes, licenses & permits, fines & forfeitures, grants, and other miscellaneous sources of funds. It does not include revenue from proprietary activities.



Warning Trend: Decreasing Per Capita Operating Revenue in Adjusted Dollars

Clark County Trend: **Mixed**

Formula:

$$\frac{\text{Operating revenues (adjusted dollars)}}{\text{Population}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Operating Revenue (in $1,000s)	316,458	324,671	302,329	305,475	295,801	295,010	280,413	282,292	302,640	312,097
Per Capita Revenue	763	765	701	718	691	684	644	638	670	677
Total Operating Revenue (in $1,000s)-Adjusted	378,800	376,294	350,096	349,464	328,931	320,676	297,238	292,173	309,298	312,097
Per Capita Revenue-Adjusted	913	887	812	822	769	744	683	660	685	677

Highlights:

Per Capita revenue was $677 in 2016, after a general downward trend from 2007 to 2014. 2016 shows a 0.9% increase in adjusted total operating revenue, with a change in the Consumer Price Index (CPI) of 2.2% and a 2% increase in population. Operating revenue in nominal terms increased 3.1%.

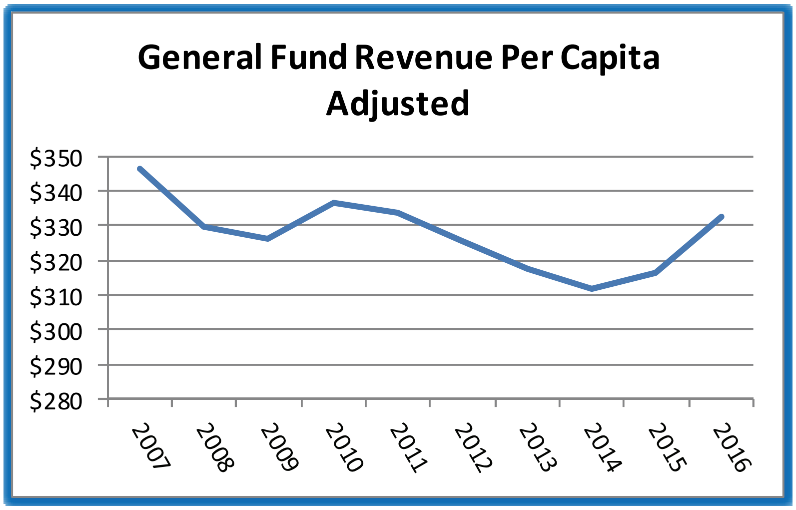
Total operating revenue was $312.1 million in 2016, which is a 1.3% decrease from 2007, prior to the Great Recession. Operating revenue peaked in 2008. Tax revenue is the largest share of total revenues for the county. Tax revenue increased 4.8% over 2015.

Per capita revenue adjusted for inflation has trended down since 2007. This is a result of a steadily growing population compared to generally flat revenue in terms of nominal dollars.

General Fund Revenue Per Capita

Description

Per capita revenue illustrates revenue changes relative to populations size. As population increases, it may be expected that the need for services would increase proportionately and, therefore, the level of per capita revenue should remain at least constant in real terms. General Fund revenue per capita includes taxes, licenses & permits, fines & forfeitures, grants, and other miscellaneous sources of funds. General Fund revenues are used primarily to fund Public Safety, Law & Justice, and General Government. General Fund revenues are also used to support other funds that may be experiencing financial difficulty.



Warning Trend: Decreasing Per Capita General Fund Revenue in Adjusted Dollars

Clark County Trend: **Mixed**

Formula:

$$\frac{\text{General Fund revenues (adjusted dollars)}}{\text{Population}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund Revenue (in $1,000s)	120,074	120,590	121,370	125,128	128,555	129,128	130,432	133,274	139,911	153,369
Per Capita Revenue	289	284	281	294	300	299	299	301	310	333
General Fund Revenue (in $1,000s)-Adjusted	143,729	139,764	140,547	143,146	142,953	140,362	138,258	137,938	142,990	153,369
Per Capital Revenue-Adjusted	346	329	326	337	334	325	317	312	316	333

Highlights:

General Fund (GF) revenue per capita, adjusted for inflation, increased 5.1% from $316 in 2015 to $333 in 2016. GF adjusted revenue per capita peaked in 2007 at $346, and decreased every year, with the exception of 2010, until 2015.

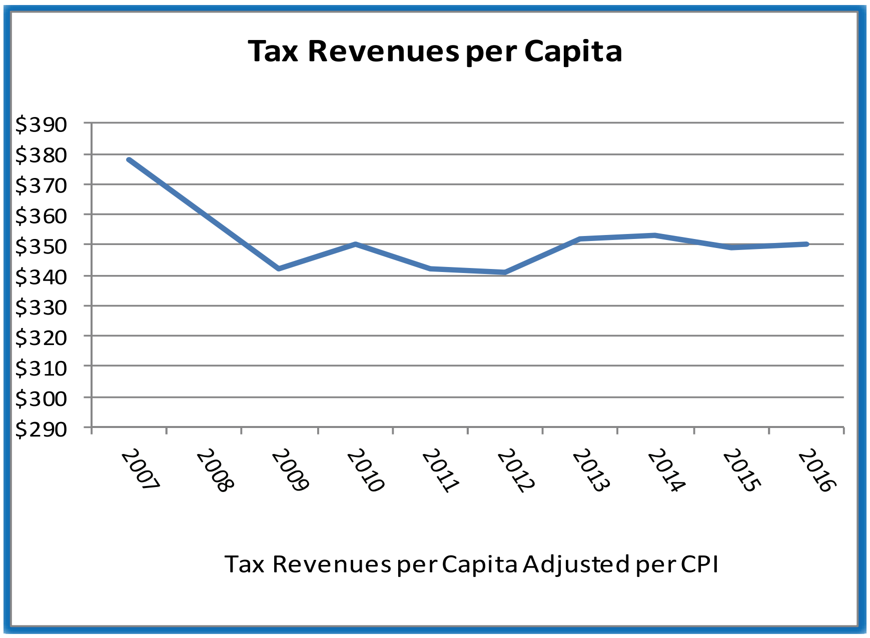
The average annual increase in General Fund revenue in nominal dollars from 2007 to 2016 has been a modest 2.8%, and adjusted for inflation was 5.1%. Over this same period, population grew by 10.0%, resulting in a 3.9 % drop in the General Fund Revenue Per Capita Adjusted Dollars.

The level of General Fund revenue growth impacts GF ability to provide services and financial support to other funds.

Tax Revenue Per Capita

Description

Tax revenue includes current and delinquent real and personal property tax, as well as sales and use tax and various excise taxes. Tax revenue represents the largest revenue source for the County. A decline or diminished growth rate in tax revenue may indicate potential problems in the County's revenue structure. Tax revenue per capita is impacted by changes tax revenue and changes in population.



Warning Trend: Decreasing Per Capita Tax Revenue in Adjusted Dollars

Clark County Trend: **Mixed**

Formula:

$$\frac{\text{Tax revenues (adjusted dollars)}}{\text{Population}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tax Revenue (in $1,000s)	131,064	132,060	127,009	129,973	131,752	135,456	144,566	150,932	153,886	161,251
Tax Rev Per Capita	316	311	295	306	308	314	332	341	341	350
Tax Rev Per Capita - Adjusted	378	360	342	350	342	341	352	353	349	350

Highlights:

Tax revenue per capita, adjusted for inflation and the change in population increased just 0.3% in 2016 compared to 2015. The trend is mixed because per capita tax revenue since the recession has been relatively stable.

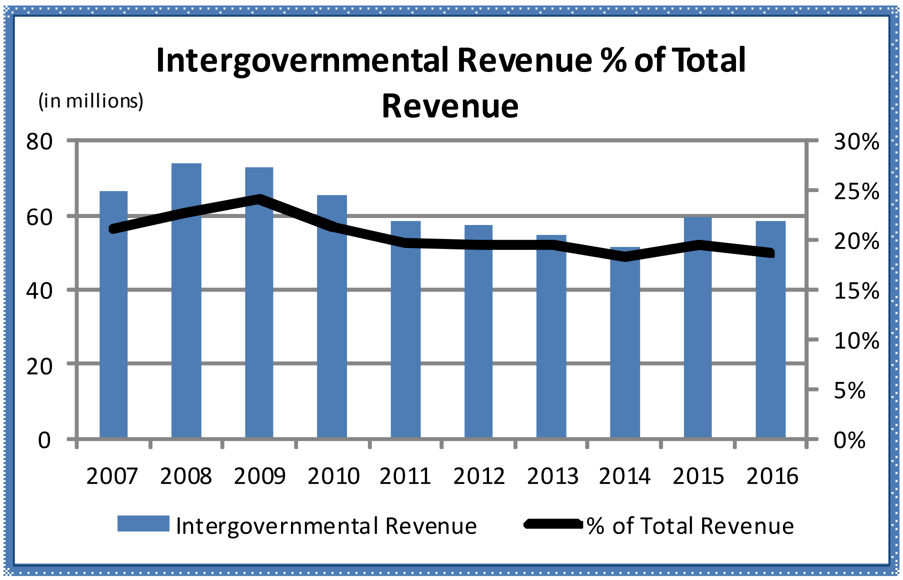
Property tax revenue makes up the largest portion of tax revenue at $103.0 million or 63.9% of tax revenue in 2016. Sales and use taxes were $46.7 million or 29.0% and excise and other taxes were $11.5 million or 7.1% of total tax revenue in 2015.

Adjusted for inflation, total tax revenue has increased 2.8% since 2007. In nominal dollars, tax revenue increased during the reporting period. Property tax revenue grew 17.6%, sales and use tax increased 55.4% and excise and other taxes decreased 13.9% during the last 10 years.

Intergovernmental Revenue[1]

Description

Intergovernmental revenue is received from other governmental entities in the form of grants, and are generally restricted to certain programs or have other stipulations in how they may be spent. They are a measure of the County's ability to attract funding from outside sources, including the state and federal governments. A concern with intergovernmental revenues is that they are dependent on the financial condition of the government transferring the revenue.



Warning Trend: Changing amount of intergovernmental revenues as a percentage of total revenue

Clark County Trend: Mixed

Formula:

$$\frac{\text{Intergovernmental revenues}}{\text{Total governmental revenues}}$$

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Intergovernmental Revenue (in $ millions)	67	74	73	65	58	57	55	52	59	58
As % of Total Operating Revenue	21.1%	22.7%	24.1%	21.4%	19.7%	19.4%	19.5%	18.3%	19.6%	18.7%
Per Capita Revenue	161	174	169	154	136	133	126	116	131	127
Per Capita Revenue (Adj)	193	202	196	176	151	145	134	120	134	127

Highlights:

Unadjusted intergovernmental revenues were down 1.6% in 2016 compared to 2015. Intergovernmental revenues dropped significantly in 2010 and 2011, partly due to decreases in Medicaid fee revenue.

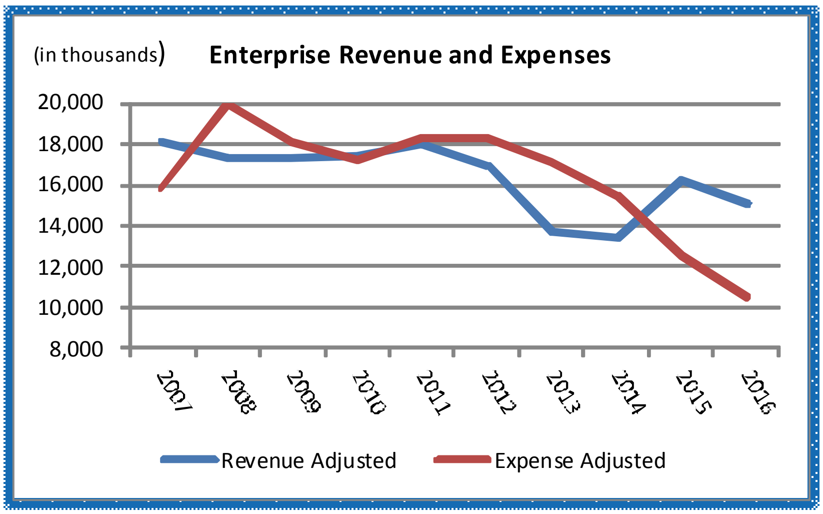
Intergovernmental revenue, as a percentage of total revenue has been relatively stable since 2011, averaging around 21.3%.

[1] In 2013, the accounting for intergovernmental revenues changed as a result of structural changes in the Washington State Budgeting, Accounting and Reporting System. The changes have been carried back to prior years on this chart and graph to allow for comparison.

Enterprise Operating Revenue and Expenses

Description

Enterprise activities generate revenues by providing services to citizens, either directly or through another agency. Charges for services are set to cover most costs including equipment repair and replacement and debt service. Enterprise revenues do not include interest income, grant revenue, capital contributions or transfers from other funds. Enterprise
activities include Sanitary Sewer, Solid Waste, a municipal golf course and Clean Water.



Warning Trend: Expenses in excess of revenues

Clark County Trend: Mixed

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Adjusted Operating Revenues (in $1,000s)	18,093	17,299	17,369	17,410	18,027	16,967	13,741	13,401	16,273	15,092
Adjusted Operating Expenses (in $1,000s)	15,899	19,947	18,163	17,235	18,299	18,308	17,132	15,476	12,512	10,502

Highlights:

Total revenue for all Enterprise Funds declined in 2016, with a 7.3% decrease over 2015. Adjusted for inflation, revenue decreased by 16.1%.

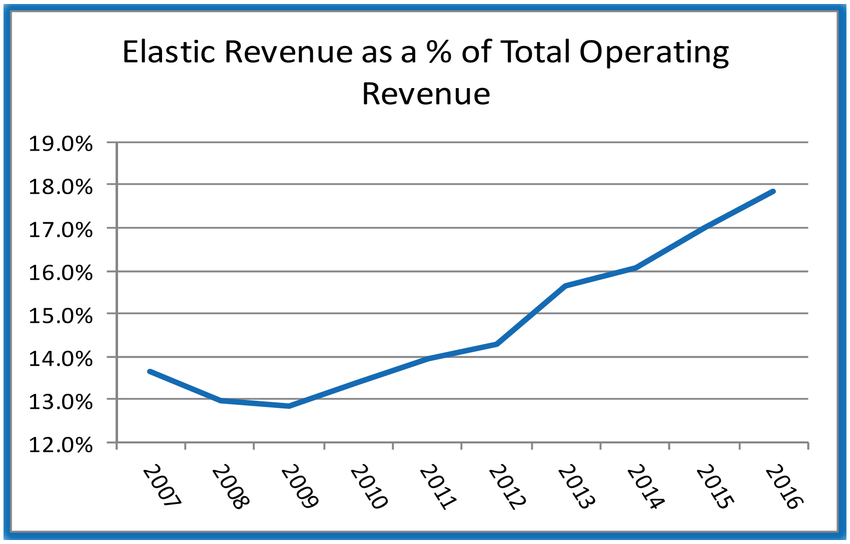
Enterprise adjusted expenses have increased, on average, 1.8% annually since 2007, but have consistently trended down since 2012. In 2016 nominal expenses decreased 14.2%, with a $6.2 million decrease in Clean Water as a result of the completion of improvements in 2015 and as a result of less resources available (due to a $3.6 million judgement in 2013 for violating the Clean Water Act). Solid Waste had a 36.4% reduction in operating expenses as a direct result of a credit to pension expense. The County implemented GASB 68 in 2015, which requires certain reporting for pension expenses. In 2016 these changes resulted in a large credit to several enterprise funds, offsetting operating expenses in Solid Waste in particular.

In 2012, Enterprise revenues reflected here have been reduced for a one-time $12.4 million payment from Clark Regional Wastewater District , which was used to retire revenue bonds. The Sanitary Sewer fund received $3.5 million annually from CRWWD prior to 2012 for debt service, which also contributed to the downward trend in Revenue in 2013.

Elastic Revenue as a Percent of Total Revenue

Description

Elastic revenues are highly responsive to changes in the economic base and inflation. As the economic base expands or inflation goes up elastic revenues rise roughly in proportion. A good example is sales tax revenue that increases during good economic periods with increases in retail business and declines during poor times, even though the tax rate remains the same. Other examples of elastic revenue include permit and inspection fees, recording and licensing fees, and penalties and interest on delinquent taxes.



Warning Trend: Decreasing elastic operating revenues as a percentage of total operating revenues

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Elastic operating revenues}}{\text{Total operating revenues}}$$

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elastic operating revenue (in $1,000s)	43,139	42,101	38,759	40,865	41,307	42,153	43,857	45,405	51,481	55,728
Total operating revenue (in $1,000s)	316,458	324,671	302,329	305,475	295,801	295,010	280,413	282,292	302,640	312,097
Elastic % of Total	13.6%	13.0%	12.8%	13.4%	14.0%	14.3%	15.6%	16.1%	17.0%	17.9%

Highlights:

Elastic revenues have averaged 14.8% of total operating revenues over the last 10 years. In 2016, 55.1% of revenues identified as elastic come from sales and use tax. Another 16.0% came from building permits and 11.9% came from motor vehicle fuel taxes.

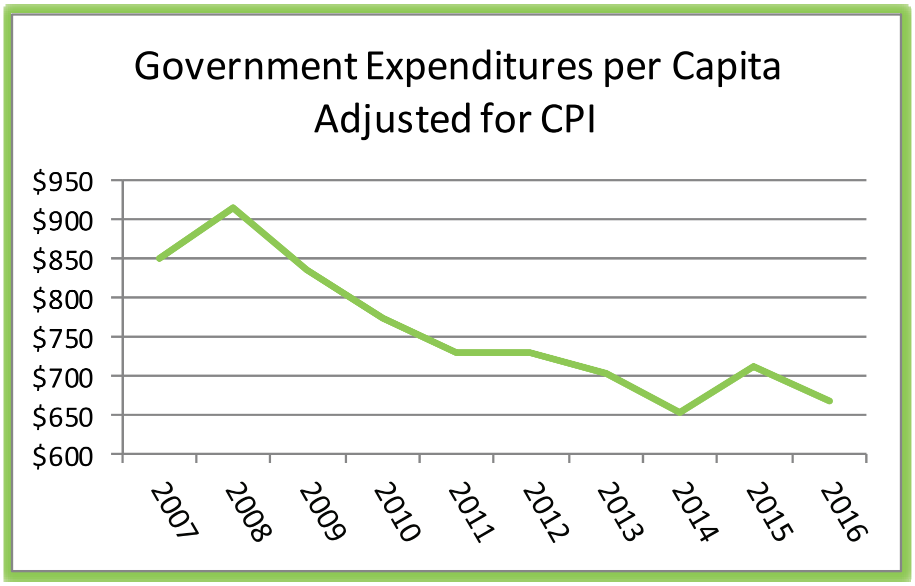
Building permit revenues, including commercial and residential permits, dropped below 5% in 2008 but reached a new peak as a percentage of all elastic revenues in 2016.

The increase in elastic revenues as a percentage of total operating revenues beginning in 2010 follows the recovering economy.

Total Governmental Fund Expenditures Per Capita

Description

Per capita expenditures reflect changes in expenditures relative to changes in population. As population increases, and the related expenses of providing services to a larger population increase, per capita expenditures should remain relatively level in constant dollars. If the indicator is trending differently, it may indicate that the cost of providing services is increasing in an unsustainable manner or that service levels are declining.



Warning Trend: Increasing or Decreasing Per Capita Expenditures in Adjusted Dollars

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Total expenditures (adjusted dollars)}}{\text{Population}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Expenditures (in $1,000s)	295,156	335,258	311,545	287,715	281,197	290,224	288,422	279,824	315,110	307,165
Per Capita Expenditures (in $1,000s)	711	790	723	676	657	673	662	632	697	666
Total Expenditures (in $1,000s) Adjusted	352,712	387,893	360,146	328,570	312,129	314,893	305,439	289,338	321,727	307,165
Per Capita Expenditures Adjusted (in $1,000s)	850	914	835	772	729	730	701	653	712	666

Highlights:

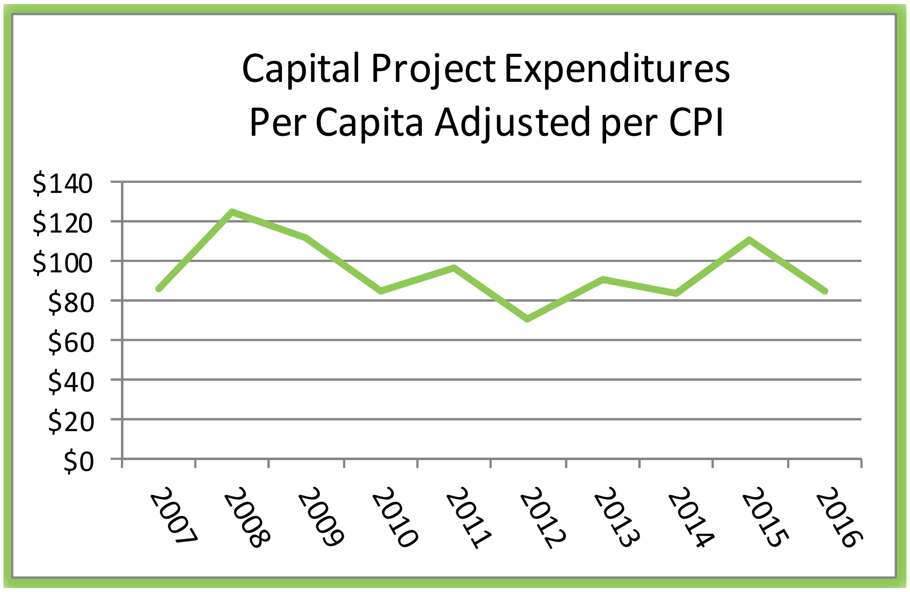
Recovering from the impact of the recent recession, government expenditures per capita, in adjusted dollars, made an upward turn in 2015 from a 6 year 2.8% average annual decline, however decreased 2.5% in 2016 compared to 2015. Included in 2015 expenditures is a $7.7 million bond payoff and an increase in capital outlay (from 2014) for roads of $16.2 million. With the exclusion of these expenditures for debt and transportation capital, the above Adjusted Per Capita Expenditures would have increased 2.9% from an adjusted $647 in 2015 to $666 for 2016.

In 2016, Public Safety expenditures represented 25.4% of the total expenditures, Transportation 19.9%, Health and Human Services 7.2%, and General Government 17.6% of the total expenditures.

Capital Project Expenditures Per Capita

Description

Per capita capital expenditures reflect changes in capital expenditures (land, buildings, infrastructure and capital improvements assets) in governmental funds relative to changes in population. Capital Expenditures includes equipment that will last longer than one year. These assets may remain constant or even decline in the short run. If the decline persists over 3 years, it can be an indicator that capital outlay needs are being deferred, resulting in the use of obsolete equipment and forgoing needed maintenance on infrastructure.



Warning Trend: Increasing Capital Expenditures Per Capita in Adjusted Dollars

Clark County Trend: **Positive**

Formula:

Capital expenditures (adjusted dollars)
―――――――――――――――
Population

Source:
Clark County General Ledger
and Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Expenditures (in $1,000s)	30,021	45,490	41,893	31,666	37,034	27,649	37,447	35,560	49,232	38,755
Capital Expenditures per Capita (in $1,000s)	72	107	97	74	87	64	86	80	109	84
Capital Expenditures (in $1,000s) Adjusted	35,875	52,632	48,429	36,163	41,108	29,999	39,656	36,769	50,266	38,755
Capital Expenditures Per Capita Adjusted (in $1,000s)	86	124	112	85	96	70	91	83	111	84

Highlights:

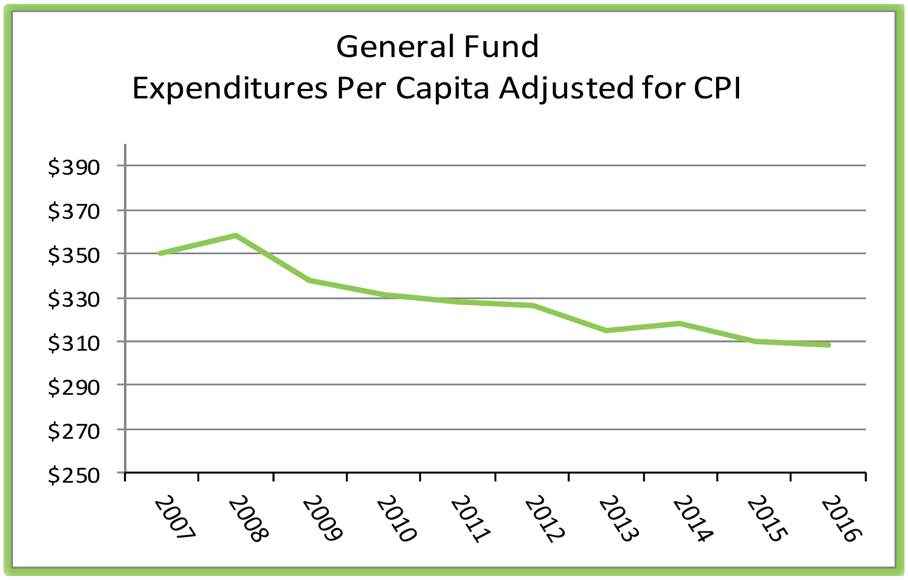
Capital expenditures per capita, adjusted for inflation, averaged $94.2 over the last 10 years. The annual average amount of capital expenditures, adjusted for inflation, is $37.5 million over the last 10 years. 2016 capital expenditures per capita and total capital expenditures both are below the 10 year averages.

In 2016 the largest annual decrease in capital expenditures was $14.1 million in the Road Fund, as a result of completing projects in 2015 included in the 6 Year Capital Transportation plan. Spending in the General Fund also decreased $0.5 million from 2015. The other special revenue funds capital spending increase by $4.1 million from 2015.

General Fund Expenditures Per Capita

Description

General Fund accounts for all financial resources and expenditures except those required to be accounted for in another fund, and includes functional areas such as Public Safety and the Courts. As such, it is a barometer of general county government viability. Consistent levels of expenditures per capita may mean that the county is managing resources to match the growing population.



Warning Trend: Increasing or Decreasing Per Capita General Fund Expenditures in Adjusted Dollars

Clark County Trend: **Positive**

Formula:

$$\frac{\text{General Fund expenditures (adjusted)}}{\text{Population}}$$

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund Expenditures (in $1,000s)	121,557	131,332	126,120	123,144	126,387	129,756	129,594	136,122	137,236	142,126
Per Capita Expenditures (in $)	293	310	292	290	295	301	298	307	304	308
General Fund Expenditures (in $1,000s) Adjusted	145,260	151,951	145,795	140,631	140,290	140,785	137,240	140,750	140,118	142,126
Per Capita Expenditures Adjusted (in $)	350	358	338	331	328	326	315	318	310	308

Highlights:

General Fund Expenditures Per Capita, adjusted for inflation, decreased in 2016 from 2015, and remained under the ten year average of $328. A one-time $10.0 million settlement paid from the General Fund in 2013 has been removed from expenditures for the purpose of this trend data.

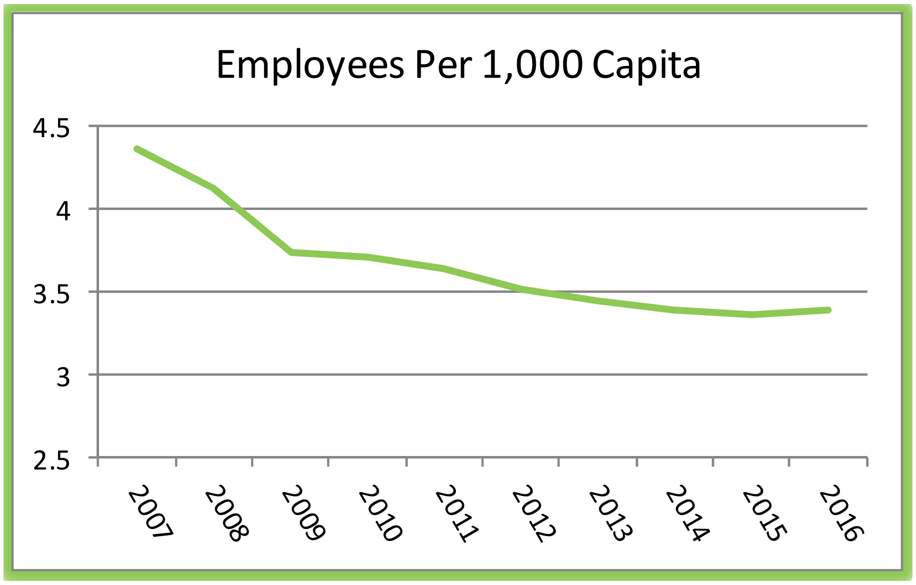
Public Safety accounts for 50.7% of total General Fund expenditures in 2015 . General Government makes up 34.5% and Judicial expenditures were 8.5% of the total.

General Fund expenditures have increased over the course of ten years, but accounting for inflation and for population increases drives the expenditures per capita down significantly over the ten year period. Adjusted expenditures have been mostly consistent since 2010.

Employees Per Capita

Description

Personnel costs are a major portion of the County's operating budget. Tracking changes in the number of employees to population is a means to measure changes in expenditures. An increase in employees to population may indicate that expenditures are rising faster than revenues. An increase in employee per capita is not negative if a direct correlation can be shown to increased services.



Warning Trend: Significantly changing number of employees per

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Number of Employees}}{\text{Population}}$$

Source:

Financial Report of Revenues and Expenses, 4th Quarter

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of FTE's	1,809	1,748	1,608	1,576	1,560	1,514	1,500	1,499	1,519	1,562
FTEs per 1,000 Capita	4.36	4.12	3.73	3.70	3.64	3.51	3.44	3.38	3.36	3.39

Highlights:

The number of employees per capita has declined 22.3% between 2007 and 2016. The decline is the result of population growth and budgetary constraints on the County. This may appear to be a significant decline, however, service levels are being maintained through strategic workforce planning and technological gains.

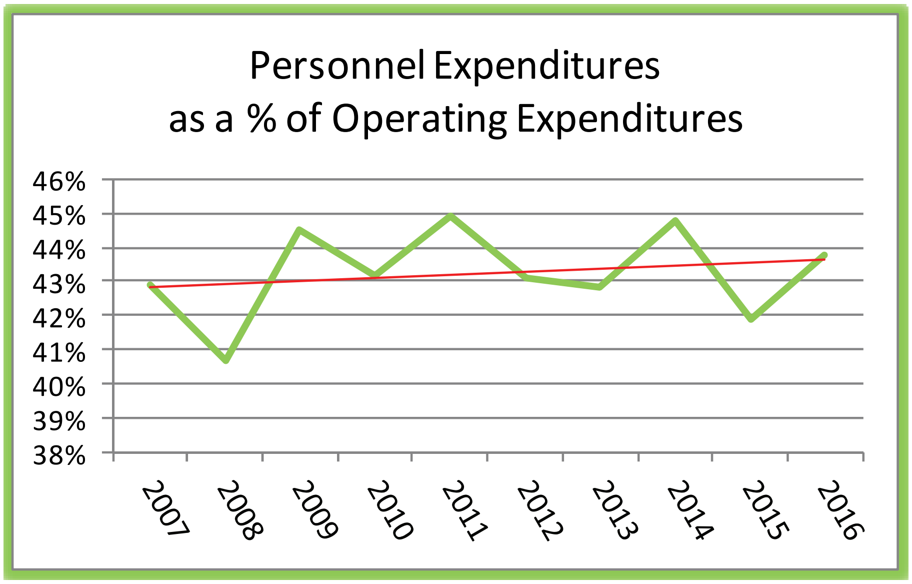
Actual FTE's as of the end of 2015 totaled 1,562, or about 92.4% of those budgeted. There are a variety of reasons for the variance, including matching skillsets to position requirements, time taken to fill positions, and workforce planning changes.

The number of budgeted full time employees increased to 1,690 in 2016 compared 1,631 in 2015. The number of budgeted employees has decreased 11.8% over the decade from 1,917 in 2007.

Personnel Expenditures

Description

Personnel costs include salaries, wages and employee benefits (including clothing allowance, vehicle allowance, and the employer portion of payroll taxes and retirement contributions). Some government functions are labor intensive such as General Government. Others are more capital intensive, such as Public Works. Personnel costs are related to total County operating expenditures, excluding depreciation.



Warning Trend: Increasing personnel expenditures as a % of Operating Expenditures

Clark County Trend: Mixed

Formula:

Personnel Expenditures / Total Operating Expenditures (excluding depreciation)

Source:

Clark County General Ledger

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Personnel Costs (in $1,000s)	141,171	149,600	147,550	138,821	140,482	143,143	143,700	147,677	154,495	156,975
As % of Operating Expenditures	42.9%	40.7%	44.5%	43.2%	44.9%	43.1%	42.8%	44.8%	41.9%	43.8%
Average Salary and Wage Costs per FTE (in $)	60,203	64,395	68,299	66,023	66,782	70,260	70,713	72,437	74,091	75,219

Highlights:

Personnel costs as a percentage of operating expenditures have remained fairly flat over the 10 years covered by this report. The increase in 2016 was a result of the 1.6% increase in personnel costs compared to a 2.9% decrease in total operating cost.

The low point in 2008 (40.7%) is a result of a 6.0% increase in personnel costs, compared to a 11.6% increase in operating costs, with most of the operating cost increase being in mental health/substance abuse expenditures and parks development costs. The high point was the following year, when total operating expenditures decreased 9.7%, nearly back to the 2007 level.

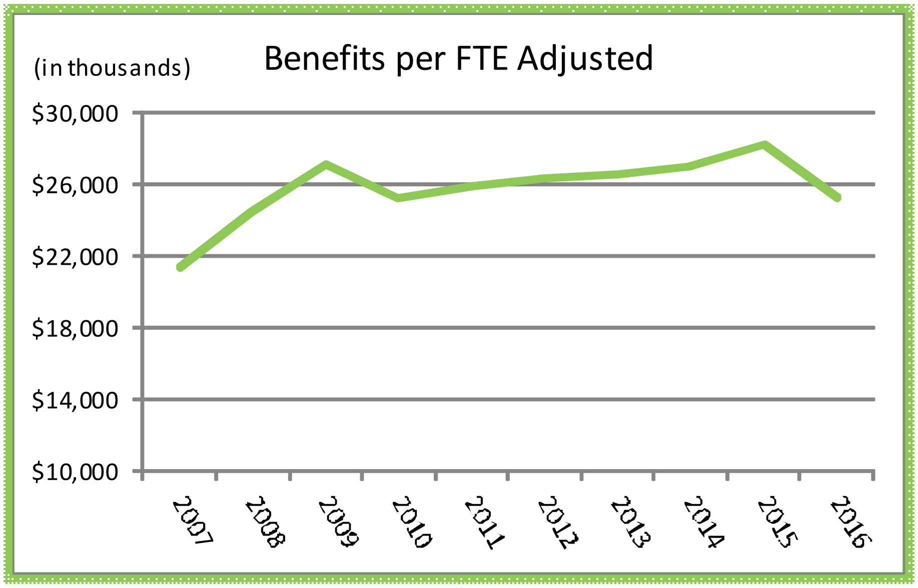
Salaries and wages as a percentage of total personnel costs decreased from 77.2% in 2007 to 74.9% in 2016 and wages have averaged 74.5% of total personnel costs over the last 10 years.

The average annual increase in total salaries and wages has been 1.3% over the last 10 years.

Employee Benefit Costs

Description

Employee benefits include health insurance, clothing allowance, vehicle allowance and the employer portion of payroll taxes and retirement contributions. Increases in benefit costs may be a reflection of the economy in general, such as the burgeoning cost of health care or attempts to manage an unfunded gap in pension liability.



Warning Trend: Increasing benefit costs as a % of Personnel Costs

Clark County Trend: **Mixed**

Formula:

$$\frac{\text{Benefit Costs}}{\text{Total Personnel Costs}}$$

Source:
Clark County Financial Management System

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Benefit Costs (in $1,000s)	32,257	37,011	37,720	34,782	36,316	36,754	37,637	39,108	41,934	39,474
Benefits per FTE Adjusted	21,307	24,493	27,116	25,207	25,844	26,336	26,573	26,979	28,182	25,269
Benefit Costs as % of Total Personnel Expenditures	22.9%	24.7%	25.6%	25.1%	25.9%	25.7%	26.2%	26.5%	27.1%	25.2%

Highlights:

Employee benefit costs as a percentage of total personnel costs have increased 25.5% over the 10 years covered by this report.

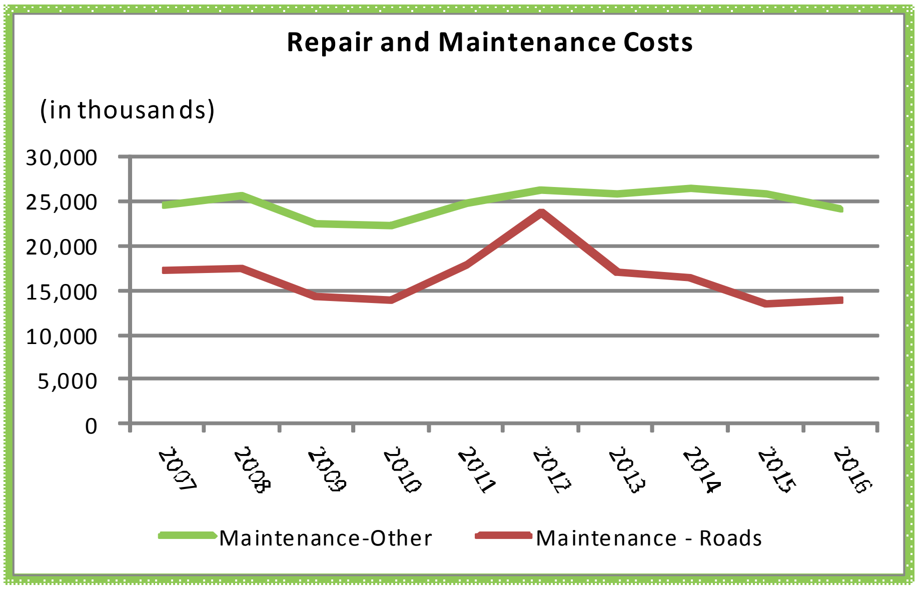
Total benefit dollars decreased from 2015 to 2016. The increase of total benefit adjusted for inflation is 2.4% since 2007. During the same period, benefits per FTE have risen 18.6%.

Most of the increase during this ten year period is due to rising healthcare (42% increase) and retirement system (159% increase) costs.

Repair and Maintenance Costs

Description

Repair and maintenance costs include repair and maintenance expenditures for buildings, fleet and data processing equipment and parks and road maintenance. This does not include major capital projects, acquisitions, or activity in enterprise funds.



Warning Trend: Increasing maintenance costs as a % of Depreciable Capital Assets

Clark County Trend: **Positive**

Formula:
Maintenance Costs Over Time

Source:
Clark County CAFR

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Maintenance Costs-Roads including Overlays (in $1,000s)	17,171	17,438	14,333	13,858	17,819	23,753	17,131	16,332	13,557	13,817
Road Miles Maintained	1,109	1,116	1,104	1,105	1,096	1,109	1,110	1,101	1,107	1,110
Maintenance Costs-Roads, per road mile maintained (in $'s)	15,483	15,626	12,983	12,541	16,258	21,418	15,434	14,834	12,246	12,448
Maintenance Costs-Other (in $1,000s)	24,610	25,691	22,583	22,297	24,745	26,270	25,896	26,571	25,775	24,258
Maint. Cost-other as a % of Depreciable Non-Road Assets	8.8%	8.9%	7.5%	7.1%	7.8%	7.7%	7.6%	7.5%	7.5%	7.0%

Highlights:

Maintenance Costs as a percentage of Depreciable Capital Assets (not including roads) has remained fairly consistent throughout this ten year period, ranging from a high of 8.9% in 2008 to a low of 7.0% in 2016. Depreciable assets slightly increased from last year ($345.7 million in 2015 and $348.5 million in 2016).

Maintenance costs per road mile had a small increase in 2016. Focus returned to new projects after making progress on the maintenance backlog in 2012.

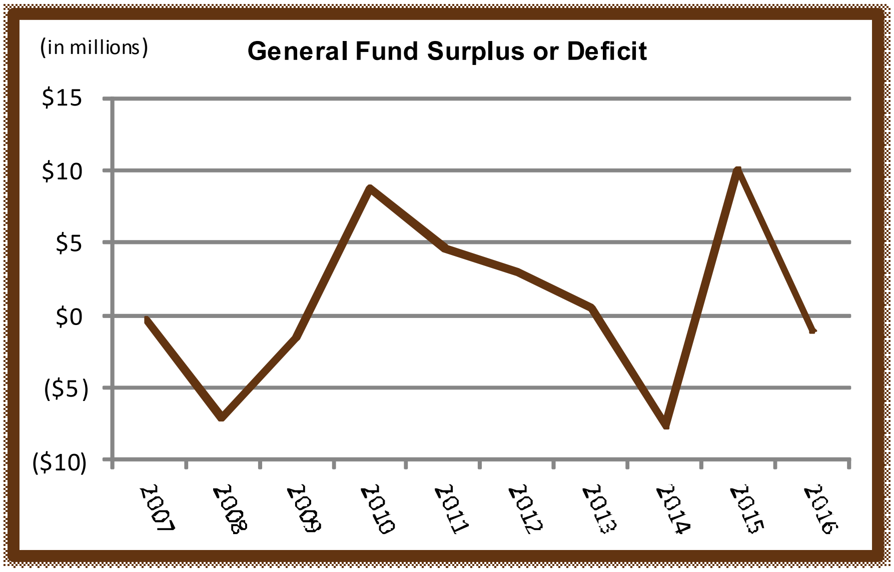
Other maintenance costs increased annually between 2007 and 2008, however in 2009 they dropped below the 2007 level. Between 2010 to 2016, the average annual maintenance cost is $25.1 million.

The combined total maintenance costs declined 3.2% in 2016 from 2015, or to $38.1 million from $39.3 million.

Annual General Fund Surplus or Deficit

Description

Consists of the annual change in fund balance for General Fund revenues and other resources minus General Fund expenditures and other uses.



Warning Trend: Repeated operating deficits might indicate an inability to sustain services in the long term.

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Surplus or (Deficit)}}{\text{General Fund Revenue}}$$

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Outlay (in 1,000s)	1,316	1,932	677	1,769	1,185	840	573	1,986	730	207
Surplus (Deficit) from Ops (In $1,000s)	952	(5,148)	(864)	10,503	5,780	3,836	1,117	(5,604)	10,763	(828)
Fund Surplus (Deficit) (In $1,000s)	(364)	(7,080)	(1,540)	8,734	4,595	2,996	544	(7,590)	10,034	(1,035)
Surplus as % of Revenues	(0.3)%	(5.9)%	(1.3)%	7.0%	3.6%	2.3%	0.4%	(5.7)%	7.2%	(0.7)%

Highlights:

The General Fund surplus has fluctuated over the course of the last ten years. The decline in 2008 was caused by the general economic downturn.

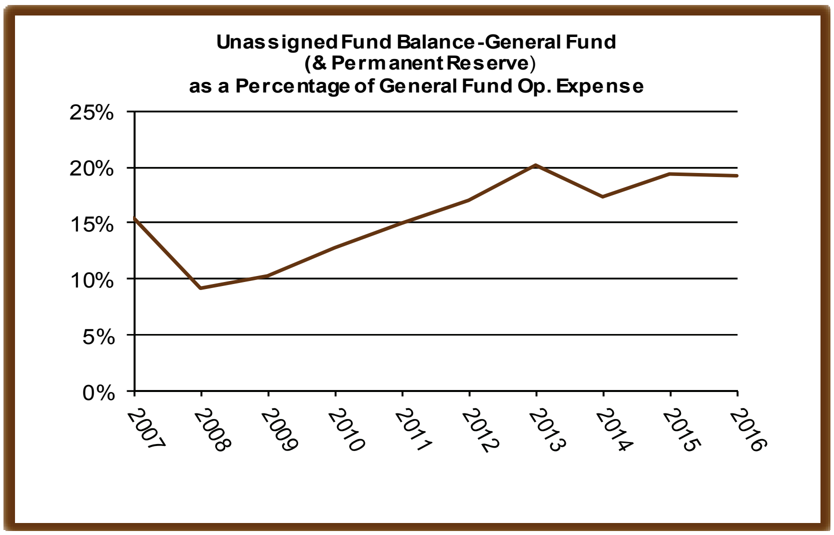
The 2008 operating deficit of $7.1 million was caused by the weakening economy which affected real estate and housing construction related revenues. In contrast, the decrease of $7.6 million in fund balance experienced in 2014 was the result of conscious management decisions, including transfers to other funds and project expenses.

In 2016, the General Fund's net change in fund balance was an decrease of $1.0 million. This was largely due to a $3.9 million increase in transfers out and a $14.3 million decrease of transfers in, for 2016 as compared to 2015. There was also a timing delay with certain projects which resulted in some spending scheduled for 2015 actually happening in 2016.

Fund Balance—General Fund (& Permanent Reserve)

Description

The level of unassigned fund balance for the General Fund (which includes Permanent Reserve Fund Balance) may determine the County's ability to withstand unexpected financial emergencies that may result from natural disasters, revenue shortfalls, unexpected maintenance costs or steep rises in inflation. Fund balances may also determine the County's ability to manage monthly cash flows or accumulate funds for large-scale purchases without having to borrow.



Warning Trend: Declining unassigned fund balance as a percentage of net operating revenues.

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Combined General \& Permanent Funds- Unassigned Fund Balances}}{\text{General Fund Operating Exp. \& Transfers Out}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund Unassigned Fund Balance & Permanent Reserve (In $1,000s)	20,433	12,699	14,024	17,527	21,149	24,235	28,772	25,221	30,086	29,491
General Fund Designated Fund Balance (in $1,000s)	4,086	4,740	1,886	7,117	8,090	8,000	3,463	2,956	7,377	7,093
Unassigned Fund Balance as % of General Fund Expenses & Transfers	15.4%	9.2%	10.3%	12.7%	15.0%	17.0%	20.2%	17.3%	19.5%	19.2%

Highlights:

The total unassigned General Fund balance decreased and at the end of 2016 was approximately 19.2% of annual expenditures and transfers.

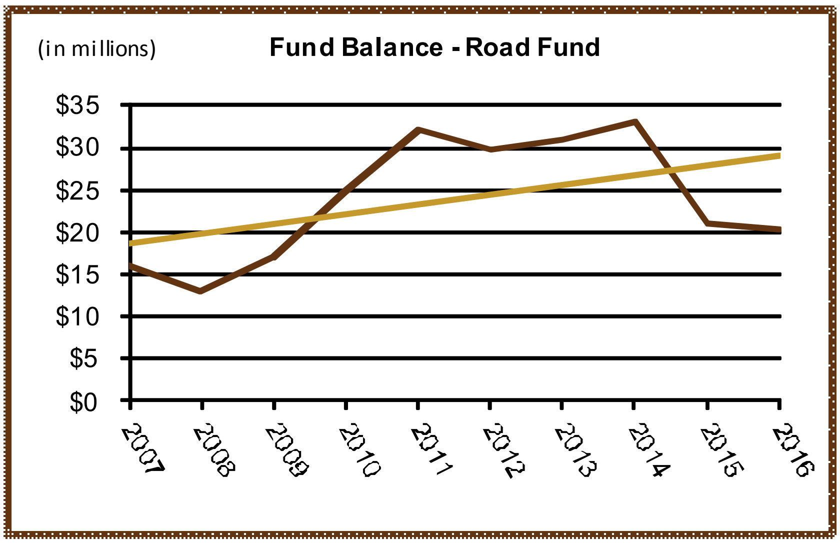
In 2013 the County began accruing prior year tax revenue collected in January and February of the proceeding year, which resulted in a $2.9 million increase in unassigned fund balance. In 2015, three special revenue tax funds that had previously collected taxes and transferred all cash to the General Fund were dissolved and the taxes were collected directly in the General Fund.

The Government Finance Officers Association best practices recommends a risk based fund balance approach. This approach accepts uncertainty, assesses the impact of the uncertainty and augments the balance based on historical information. In 2013, Clark County adopted this methodology.

Fund Balance—Road Fund

Description

The level of fund balances in the Road Fund may determine the County's ability to withstand unexpected financial emergencies in this partially tax supported fund that may result from natural disasters, revenue shortfalls, unexpected maintenance costs or steep rises in inflation. Fund balances may also determine the County's ability to manage monthly cash flows or accumulate funds for large-scale purchase without having to borrow.



Warning Trend: Declining fund balance.

Clark County Trend: Mixed

Formula:

$$\frac{\text{Road Fund Balances}}{\text{Operating Expenses}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Road Fund Balance (In $1,000s)	15,964	12,953	17,078	24,748	32,029	29,806	30,988	33,090	21,096	20,184
As % of Operating Expenses	30.3%	17.7%	29.5%	51.2%	61.0%	50.1%	46.4%	55.8%	27.6%	32.1%

Highlights:

Fund balance for the Road Fund was $20.2 million in 2016, down from $21.1 million in 2015.

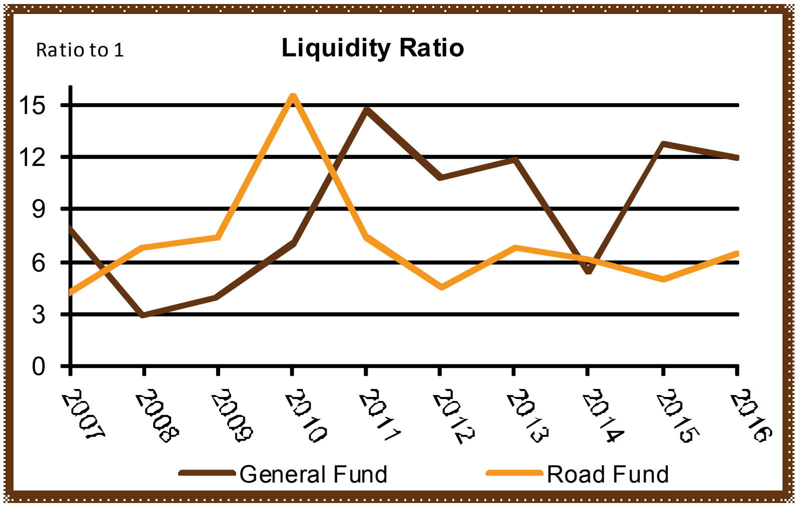
Management continues to move forward with necessary capital road projects and improvements that have been delayed over the last several years. Total assets decreased $3.0 million in 2016 compared to 2015, while cash increased by $5.7 million. In 2015 saw the first significant decline of the fund balance for several years as a result of management's decision.

It is anticipated that the decline in fund balance will continue into 2017 and beyond due to capital road projects that are in planning stages and set to begin in the next couple of years, as well as road projects currently in process. Public works is developing a fund balance policy to help determine the proper fund balance level.

Fund Liquidity General Fund and Road Fund

Description

A measure of the County's short term financial condition is its cash position and liquidity. Cash position includes cash and investments. Liquidity measures the County's ability to pay its short-term obligations. Low or declining liquidity can indicate that the County has overextended itself.



Warning Trend: A liquidity ratio below 1 or a persistently declining trend, may foretell a cash flow problem.

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Cash \& Investments}}{\text{Liabilities}}$$

Source:

Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Liquid Assets-General Fund (In $1,000s)	18,228	11,921	10,039	17,784	28,969	30,995	32,291	24,809	27,426	31,481
Liquid Assets-Road Fund (In $1,000s)	12,496	10,278	14,623	20,127	31,579	29,050	28,602	29,939	20,243	18,886
Ratio (to 1)- Cash & Investments to Liabilities-Gen. Fund	7.9	2.9	4.0	7.0	14.7	10.9	11.9	5.5	12.7	11.9
Ratio (to 1) - Cash & Investments to Liabilities-Road Fund	4.2	6.8	7.4	15.5	7.4	4.5	6.8	6.1	5.0	6.4

Highlights:

The General Fund's liquidity ratio was 11.9 to 1 in 2016, down from 12.7 to 1 in 2015. The ratio has recovered from the lowest point since the economic crisis in 2008. The liquidity ratio has a 10 year average of 9.5 to 1.

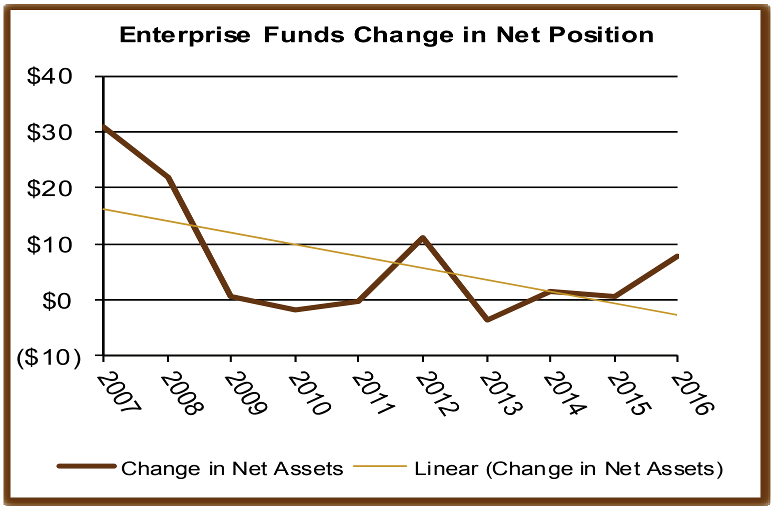
The Road Fund has $18.9 million in liquid assets at the end of 2016, down from $20.2 million in 2015. This was driven by a reduction in cash used for capital road projects.

The Road Fund's liquidity ratio has fluctuated from a low of 4.2 to 1 in 2007 to a high of 15.5 to 1 in 2010. The Road Fund liquidity is largely determined by the timing of revenues and expenditures for road projects and at 6.4 to 1 for 2016 was below the 10 year average of 7.3 to 1.

Enterprise Funds Change in Net Position

Description

Enterprise funds are supported by user fees and are intended to operate more like a business than a public entity supported by taxes. User fees and charges are established in enterprise funds to promote efficiency by shifting payment of costs to specific users of services and to avoid general taxation. The increase/decrease in net position (revenue less expenses) is helpful in showing the health of the funds.



Warning Trend: Continuous year to year decreases in net position

Clark County Trend: **Mixed**

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Increase/(Decrease) in Net Position (n $1,000s)	30,738	21,878	652	(1,833)	(381)	11,187	(3,700)	1,406	470	7,809
Operating Income-Adjusted for CPI (in $1,000s)	5,014	(793)	(890)	4,006	3,078	15,565	(189)	1,049	4,109	4,688
Operating Income (In Actual $1,000s)*	4,031	(658)	(739)	3,370	2,695	14,345	(178)	1,014	4,024	4,688

Expenditures do not include depreciation expense

*2015 Change in Net Position does not include transfer out of $119.7 million of assets to the Discovery Clean Water Alliance

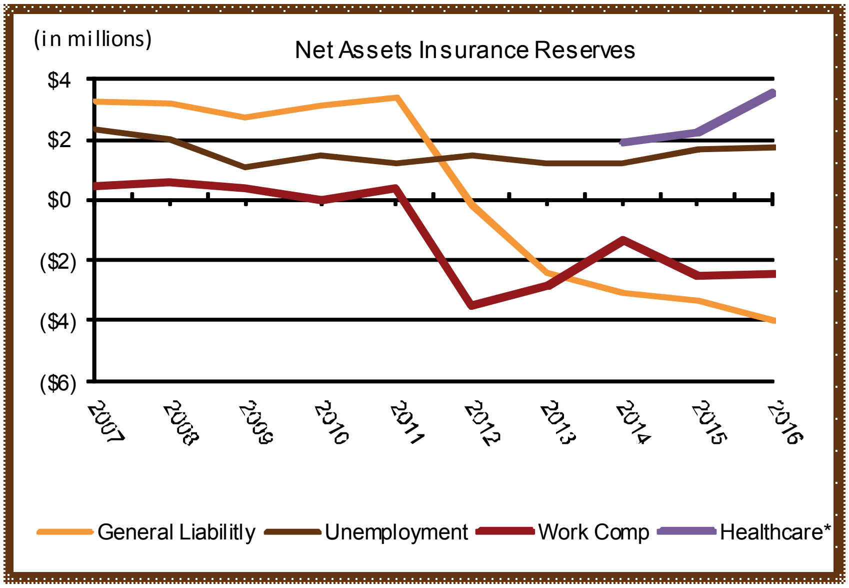
Highlights:

Net position for enterprise funds grew by $30.7 million in 2007 and by $21.9 million in 2008, most of which was from contributed sewer treatment plant and clean water assets. In 2015, the County transferred the sewer plant and the associated infrastructure worth $119.7 million to the Discovery Clean Water Alliance from the Sanitary Sewer Fund. That transfer has been omitted from the chart and graph above to better reflect that actual trend of enterprise operations in the County.

The Clean Water Fund had a net position increase of $6.9 million in 2016, while the County's Non-Major enterprise funds had a increase of $0.9 million compared to 2015. Cash in Clean Water increased $1.7 million as a result of the collection of fee increases. Construction in progress assets increased by $0.9 million in 2016. Amounts owed to Clean Water also increased by $0.8 million.

Net Assets Insurance Reserves

Description Includes year-end net assets for the County's insurance reserve funds (General Liability, Work Comp, Unemployment and Healthcare Self-Insurance). Adequate reserves or insurance coverage are necessary to meet claims as they may occur.



Warning Trend: Deficit net assets.

Clark County Trend: Mixed

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Liability (In $1,000s)	(209)	(489)	(655)	(1,928)	(240)	(164)	(2,413)	(3,077)	(3,344)	(4,011)
Unemployment (In $1,000s)	2,314	2,025	1,107	1,473	1,208	1,504	1,240	1,224	1,671	1,745
Work Comp (In $1,000s)	484	598	418	5	372	(3,498)	(2,863)	(1,300)	(2,545)	(2,422)
Healthcare* (in $1,000s)								1,897	2,244	3,577

* The Healthcare Self-Insurance fund was created in 2014

Highlights:

General liability net assets have fluctuated for a ten year span from a low of negative $4.0 million in 2016 to a high of $0.1 million in 2012 . The drop beginning in 2013 General Liability net assets is the result of a change in policy to pay claims as settled, rather than fund the liability through reserves.

Unemployment insurance reserves decreased annually from 2007 to 2009 when they dropped to $1.1 million as unemployment claims increased from layoffs. In 2016, reserves are approximately $1.7 million.

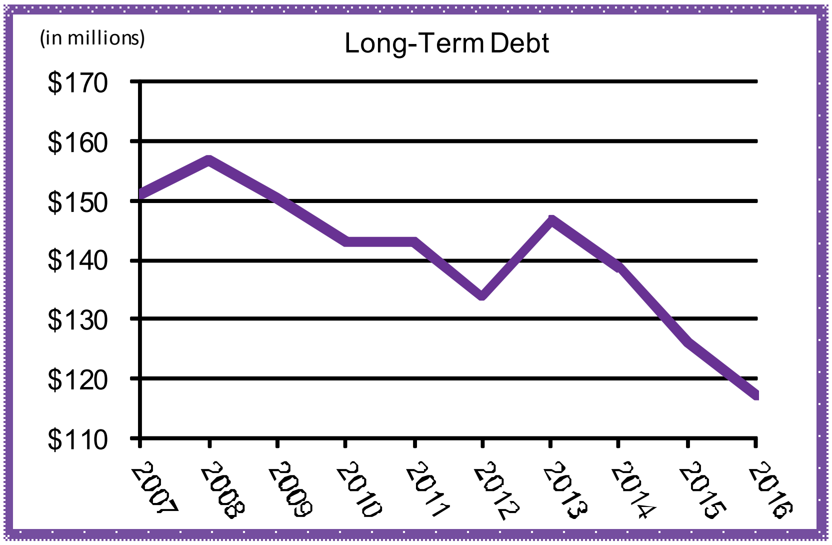
In 2010, work comp costs exceeded contributions by about $212,000 and reserves dropped to $5,215. Increased rates in 2011 rebuilt the current reserves. The County maintains a $1.0 million commercial policy for excess worker's compensation claims, with a $750,000 deductible. From 2012 forward, the fund began experiencing large deficits due to accruing estimated long term claims liabilities.

Beginning in 2014, the County established a fund to self-insure for some employee healthcare costs. The fund balance for Healthcare has a regulatory minimum fund balance threshold, which the fund has exceeded. At the end of 2016 the fund had a balance of $3.6 million.

Long-Term Debt

Description

Long term debt includes general obligation bonds, special assessment bonds, capital lease agreements, and advances (loans) due to other governments. Special revenue bonds and other enterprise fund debt is not included.



Warning Trend: High and increasing levels of debt could eventually strain repayment options, affect future interest rates, and hinder future ability to borrow funds for capital repairs and improvements.

Clark County Trend: **Positive**

Formula:

$$\frac{\text{Long-Term Debt}}{\text{Population}}$$

Source:
Clark County Comprehensive Annual Financial Report (CAFR): Notes to the Financial Statements.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Long-Term debt (in $ millions)	151.3	156.7	150.3	143.1	143.0	134.0	146.8	138.6	126.1	117.2
Long-Term debt per capita (in $)	365	369	349	336	334	311	337	313	279	254
G.O. Bond Debt subject to non-voted debt limit (in $ millions)	138.8	133.3	127.5	121.8	115.9	108.9	118.9	111.2	99.8	91.1
G.O. Bond Debt as % of non-voted debt limit	19.3%	18.7%	20.5%	21.4%	20.7%	19.4%	26.2%	22.0%	17.5%	14.5%

Highlights:

Long term debt amounts decreased by $8.8 million from 2015 to 2016, largely due to refunding of debt in 2015.

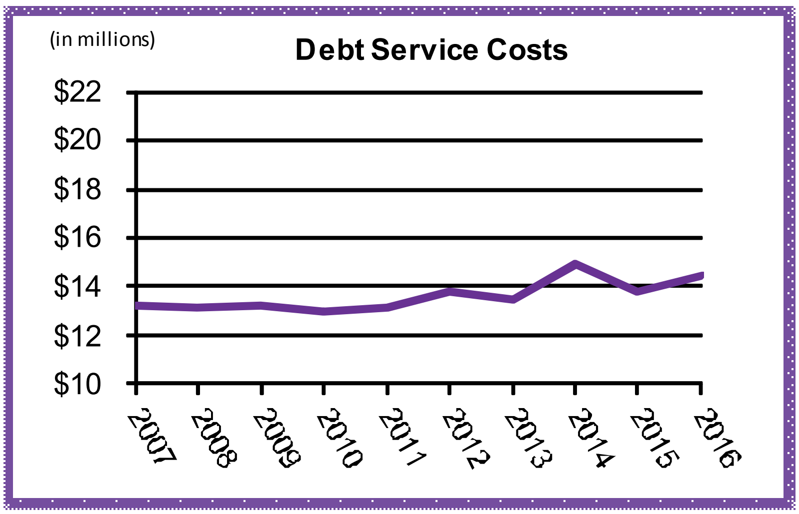
Long-Term Long Debt per capita decreased $25 in 2016 to $254, much less than the ten year average of $325.

Total bonded debt outstanding decreased to $91.1 million in 2016, compared to $99.8 million in 2015. In 2015, general obligation refunding bonds totaling $3.7 million (2015A) were issued to refund portions of the 2005A Limited Tax General Obligation Bonds.

Debt Service Costs

Description

This includes expenditures for retirement of long term debt from the governmental funds. This does not include retirements of special assessment bonds, short term debt, or proprietary fund debt. High or increasing amounts of debt service can become a factor in bond ratings and can also encumber cash available for ongoing operating expenditures.



Warning Trend: High or increasing amounts of debt service.

Clark County Trend: **Positive**

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Service (in $1,000s)	13,214	13,141	13,215	12,979	13,146	13,789	13,429	14,902	13,771	14,443

Highlights:

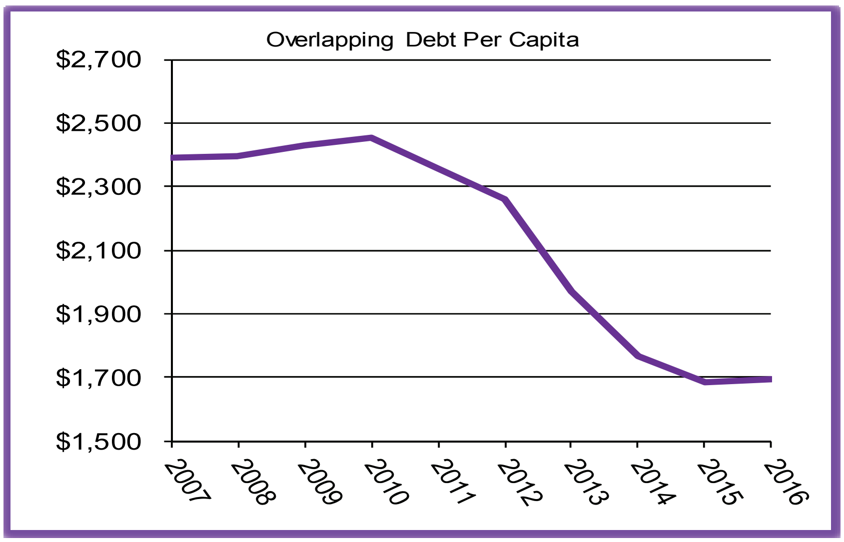
Debt service cost decreased from $13.2 million in 2007 to $13.0 million in 2010 and gradually increased to $14.9 million by 2014. In 2015 Debt service costs decreased to $13.8 million and in 2016 Debt service costs increased to $14.5 million.

For comparison purpose, 2015 debt service costs do not include a $7.8 million refunding cost.

Overlapping Debt Per Capita

Description

This includes general obligation bonds for all taxing districts in Clark County. It does not include the County's proprietary fund debt or any other long term liability. At some point, high levels of overlapping debt will strain taxpayers ability and willingness to pay more. This will make future levies and bonds requiring voter approval difficult to pass.



Warning Trend:
Increasing overlapping debt.

Clark County Trend: **Positive**

Formula:

Overlapping Debt / Population

Source:
Clark County Comprehensive Annual Financial Report (CAFR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Overlapping Debt (in $ millions)	991.8	1,016.1	1,048.5	1,043.3	1,008.7	974.2	858.8	782.8	761.2	780.4
Overlapping Debt Per Capita (in $)	2,390	2,395	2,432	2,453	2,357	2,259	1,972	1,768	1,685	1,693
County Debt as % of Total Debt	15.2%	15.5%	14.2%	13.6%	14.1%	13.7%	12.9%	14.2%	13.1%	15.0%

Highlights:

Over the ten years, overlapping debt per capita ranged from $1,685 to $2,453, with the lowest overlapping debt per capita occurring in 2015. Total overlapping debt has been decreasing each year since 2009 until 2016 when there was a small increase.

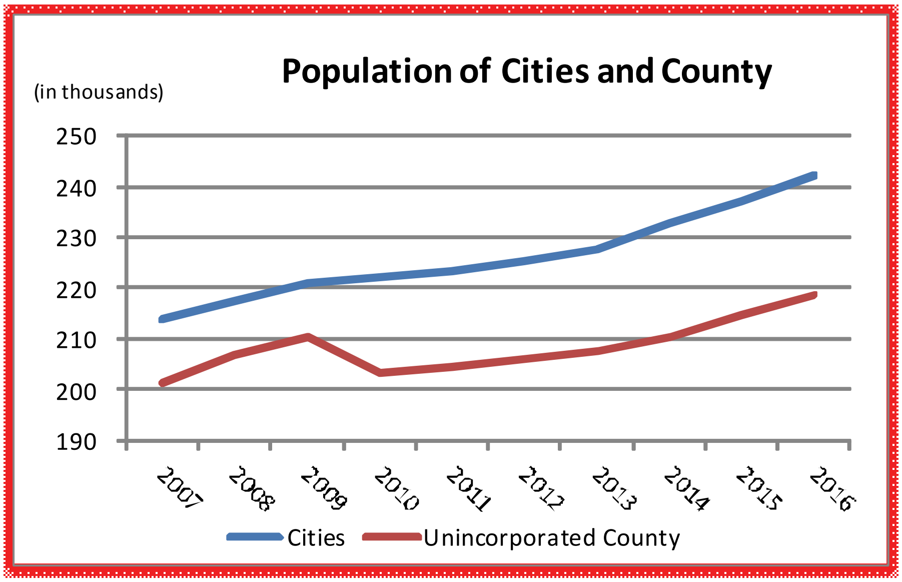
At December 31, 2016, school districts account for 59.4% of total overlapping debt, cities for 14.1%, and the County for 15.0%. The remaining debt belongs to fire districts, port districts, and libraries.

County debt as a percentage of total overlapping debt has decreased by 0.2% from 2007, with highest level at 15.5% in 2008 and the lowest 12.9% in 2013.

Population of Cities and County

Description:

Changes in population can directly affect the County's revenues, such as property tax collections and cost of services. Population level indirectly relates to such issues as employment, income, and property value. An increasing population is generally considered positive. Fiscal hardship can occur as a result of rapid increases or decreases in population. It may be fiscally difficult to react to service level changes as a result of a sudden change in



Warning Trend:

Rapid Change in population

Clark County Trend: **Positive**

Formula:

Population of the unincorporated areas in Clark County and the population of incorporated cities including Battle Ground, Camas, La Center, Ridgefield, Vancouver, Washougal, part of Woodland and Yacolt.

Source:

Based on census, if available, or as estimated by the Washington Office of Financial management as of April 1 of the year reported

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cities	213,865	217,370	220,785	222,024	223,390	225,365	227,790	232,660	237,235	242,260
Unincorporated County	201,135	206,830	210,415	203,339	204,610	205,885	207,710	210,140	214,585	218,750
County as a % of Total	48.5%	48.8%	48.8%	47.8%	47.8%	47.7%	47.7%	47.5%	47.5%	47.5%
% Change in Unincorp Population		2.83%	1.73%	-3.36%	0.63%	0.62%	0.89%	1.17%	2.12%	1.94%

Highlights:

Population in unincorporated areas of Clark County has grown by 1.1% annually, on average, over the last 10 years. Total County population has average annual growth of 1.2% in the same period.

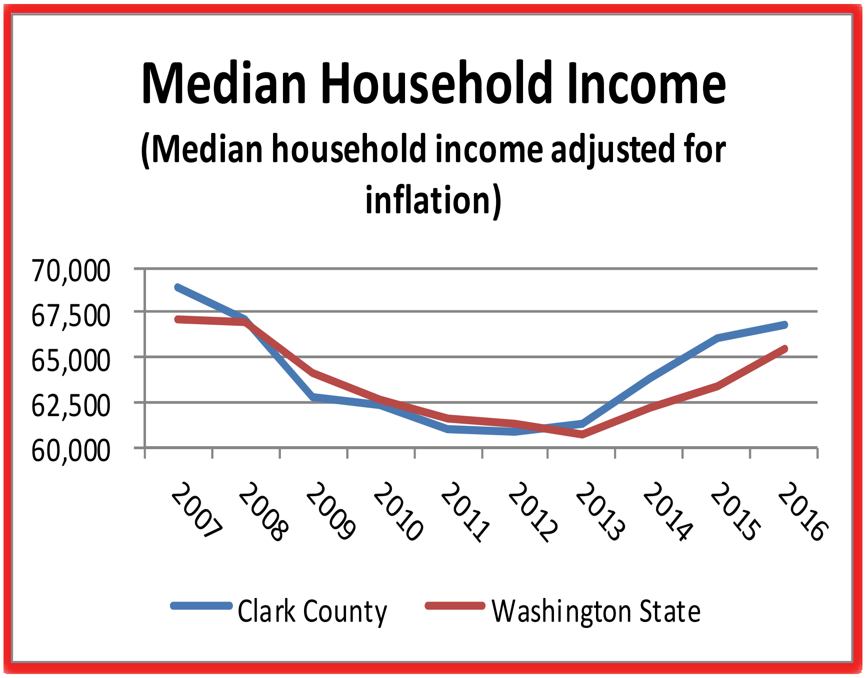
Population in the entire county has grown by 11.1% in the ten years since 2007. The population in the incorporated areas grew faster at 13.3%, while the population of the unincorporated areas of Clark County grew only 8.8% over the same period.

In comparison, the populations of other counties within the Portland Metro Area, Oregon's Washington, Multnomah, and Clackamas counties, grew 14.2%, 11.4%, and 8.8% respectively, over the last 10 years.

Median Household Income

Description:

Median household income is one measure of the County's residents ability to pay taxes. Generally, the higher the median household income the more sales taxes and business taxes the County generates. A decline in median household income results in a loss of consumer purchasing power that can result in lower sales taxes generated by the County.



Warning Trend:

Decline in the level, or growth rate, of median household income adjusted for inflation.

Clark County Trend: **Positive**

Formula:
For a geographic area, the "median" household income is determined by a standard distribution to be the income in which one-half are lower and one-half are higher.

Source:
Based on census, if available, or as estimated by the Washington Office of Financial management.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Clark County Median Household Income ($)	$57,621	$57,999	$54,370	$54,581	$54,951	$56,054	$57,852	$61,711	$64,759	$66,782
Clark County Median Household Income ($) - Adjusted	68,857	67,105	62,852	62,332	60,996	60,819	61,265	63,809	66,119	66,782
Washington State Median Household Income ($)	56,141	57,858	55,458	54,888	55,500	56,444	57,284	60,153	62,108	65,500
Washington State Median Household Income ($) - Adjusted	67,088	66,942	64,109	62,682	61,605	61,242	60,664	62,198	63,412	65,500

Highlights:

Nominal median household income in Clark County increased 3.1%, to $66,782, in 2016 from $64,759 in 2015. Due to lower unemployment, 2016 adjusted median income in Clark County is the highest it's been since 2008.

Adjusted for inflation median household incomes had decreased in Clark County by 3.0% and in the State of Washington by 2.4% in the last 10 years.

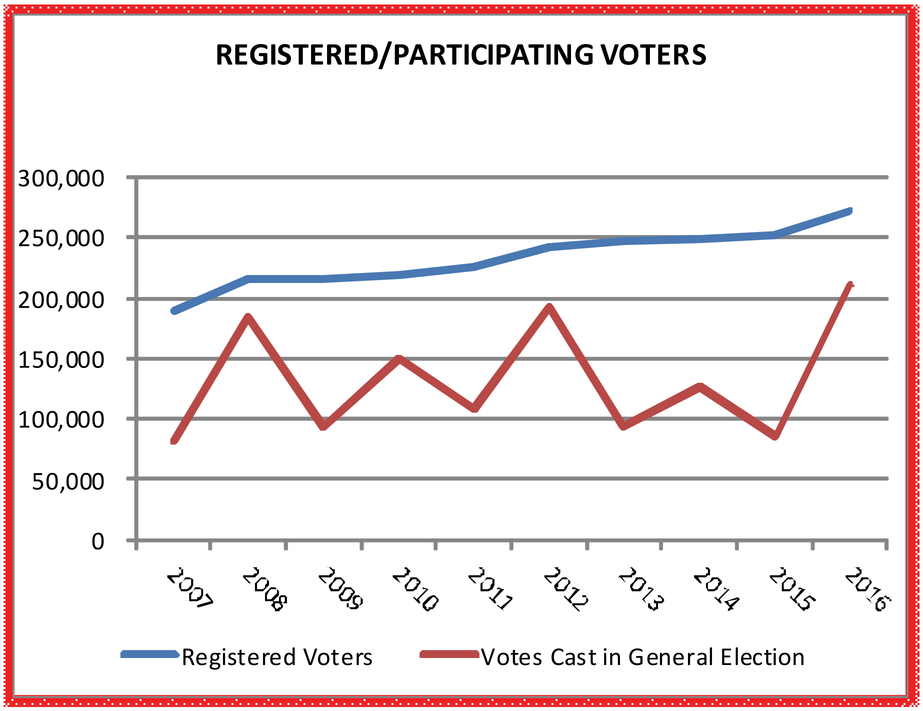
Clark County median income increased 15.9%, in nominal terms over the last 10 years. Washington state's nominal median income increased 16.7% in the last 10 years.

Note: Nominal median household income has been adjusted since the 2014 Financial Trends Report.

Registered/Participating Voters

Description:

Electoral participation in the general election indicates that the level of engagement and interest of the community in the political process. It is usually higher in the presidential election years.



Warning Trend:

Decline in the percentage of votes cast in a general election compared to total registered voters.

Clark County Trend: Mixed

Formula:

$$\frac{\text{Total General Election Votes Cast}}{\text{Registered Voters in General Elections}}$$

Source:
Clark County Elections Office

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Registered Voters in General Election	188,946	216,508	215,626	219,616	226,530	243,155	246,865	249,277	251,528	272,832
Votes Cast in General Election	81,866	184,698	93,915	149,045	108,877	193,502	92,863	126,243	85,541	210,760
% of Registered Voters Casting Ballots	43.3%	85.3%	43.6%	67.9%	48.1%	79.6%	37.6%	50.6%	34.0%	77.2%

Highlights

Odd year elections generally have lower turnout than even years, when there are national issues on the ballot. The 2016 Presidential Election turnout was the lowest in the last 10 years.

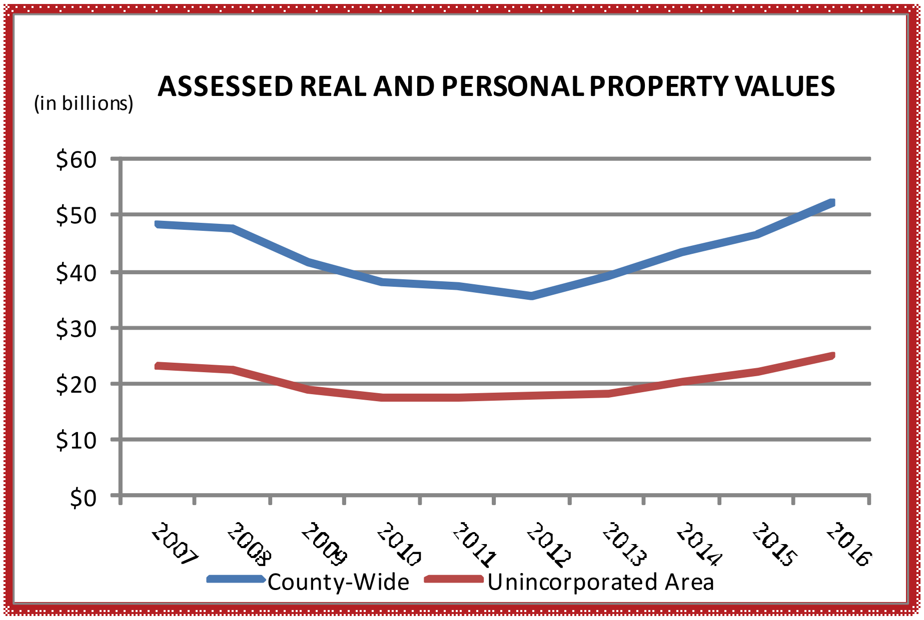
The pattern of voter participation has been slowly going down over the last 10 years with the highest turnout in the presidential elections, as illustrated in the chart above for years 2008, 2012, and 2016.

In the past ten years, the number of registered voters in Clark County has increased by 44.4%, increasing from 251,528 to 272,832.

Assessed Property Values

Description:

The valuation of all real and personal property located in Clark County as determined by the Clark County Assessor. This does not include real property owned by state and local governments, schools, fire districts, and other exempt organizations. A decline or diminished growth rate in real and personal property values may indicate a potential reduction in property tax revenues.



Warning Trend:
Decline in the assessed property values.

Clark County Trend: **Positive**

Formula:
Total real and personal property tax assessments minus assessed valuations exempt from taxation.

Source:
Clark County Assessors Office

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Property Values - Countywide (millions)	48,350	47,832	41,545	38,036	37,355	35,673	39,017	43,283	46,638	52,292
Assessed Property Values - Unincorp County (millions)	23,101	22,537	19,033	17,543	17,533	17,707	18,262	20,275	22,132	24,808

Highlights:

The highest County total assessed real and personal property value was approximately $48.4 billion in 2007. The “Great Recession” caused property values to drop. Property values reached a low in 2012 of $35.7 billion. Assessed property values in 2016 were 46.6% above that low at $52.3 billion.

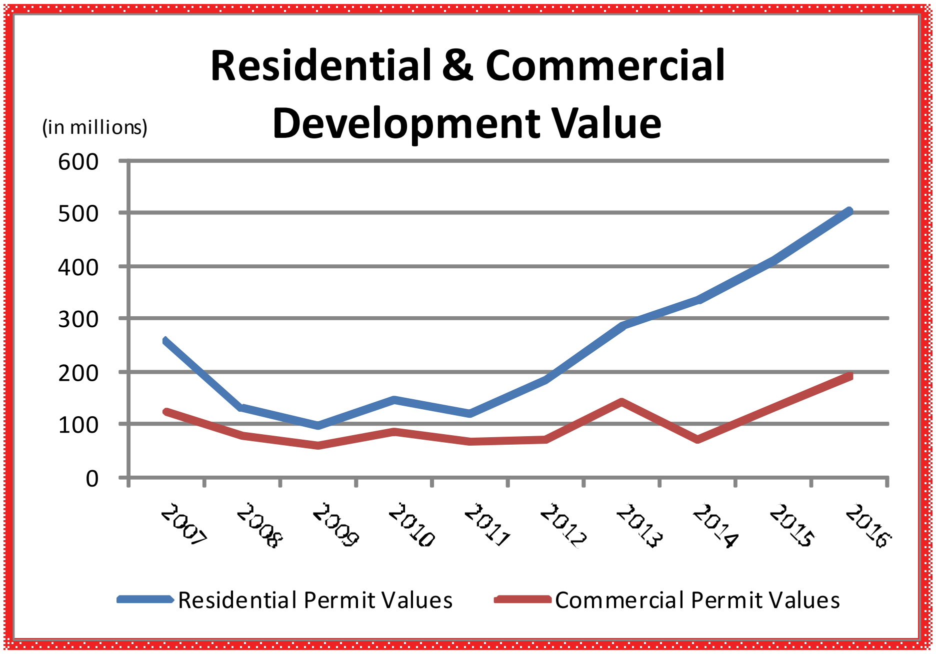
Assessed value in unincorporated Clark County dropped 24.1% from 2007 to 2011. Assessed property values in 2016 unincorporated areas were 7.4% above the 2007 peak at $24.8 billion.

Assessed values in unincorporated Clark County increased 12.1% in 2016 from 2015.

Residential & Commercial Development

Description:

Growth or decline of residential and commercial permits and the estimated value of the related residential or commercial construction is an indication of the economic vitality of the construction sector of the County's economy.



Warning Trend:

Decline in residential and commercial development.

Clark County Trend: **Positive**

Formula:

The number and value of building permits issued by Clark County's Building & Code Division of the Department of Community Development. Includes estimated value of construction at the time of application.

Source:

Clark County Community Development

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential Development Dollar Value (Millions)	$ 260.8	$ 130.4	$ 98.3	$ 147.8	$ 118.8	$ 182.8	$ 286.6	$ 335.8	$ 408.9	$ 505.4
Residential Permits Processed	1,245	592	415	517	348	577	908	944	1,246	1,518
Commercial Development Dollar Value (Millions)	$ 21.9	$ 79.6	$ 59.9	$ 84.1	$ 67.2	$ 72.0	$ 142.9	$ 69.4	$ 130.7	$ 190.7
Commercial Permits Processed	390	290	296	232	281	281	306	403	297	363

Highlights:

The number of residential permits processed increased 436.2% since 2011, when they were at the lowest in the reporting period. However, that is still 2.1% lower than 2006 (1,518 compared to 1,551).

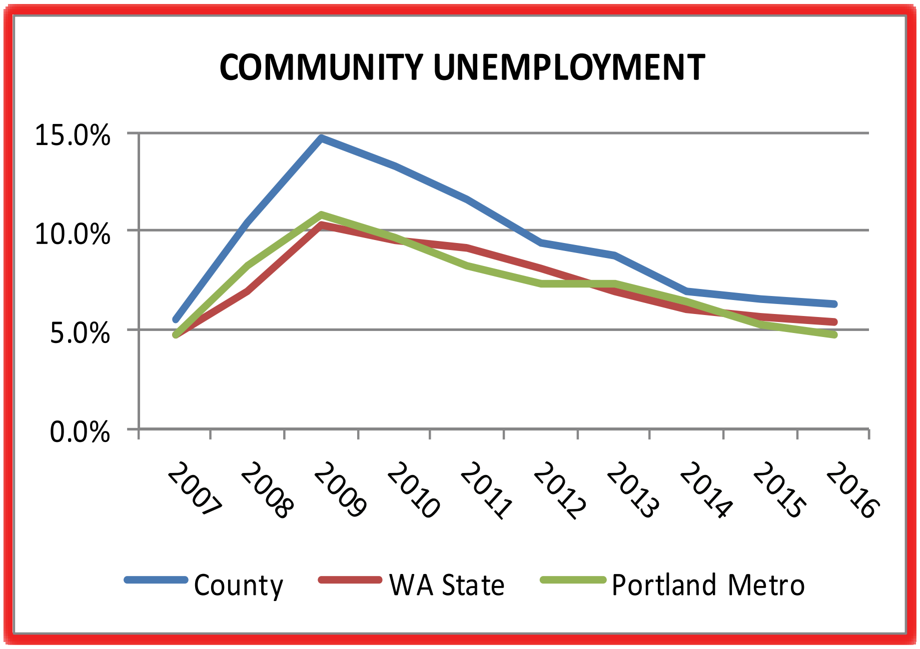
The number of commercial permits processed increased 22.2%, from 297 in 2015 to 363 in 2016; and it is 56.5% higher than 2010, when the lowest number were processed during this reporting period.

Average commercial permit valuation reached $525,414 in 2016, the highest average value during the reporting period.

Community Employment

Description:

The unemployment rate and number of jobs in the community make up the employment base. A growing employment base will help to provide a cushion against economic downturn in individual business categories. A decline in employment base can indicate the early signs of an overall decline in economic activities and a decline in government revenues.



Warning Trend:
Increasing rate of local unemployment or a decrease in the number of jobs in the community

Clark County Trend: **Positive**

Formula:

Local unemployment rate and the number of jobs in Clark County.

Source:

Washington Employment Security Department and U.S. Bureau of Labor Statistics.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Clark County Unemployment Rate	5.5%	10.4%	14.7%	13.3%	11.6%	9.4%	8.7%	7.0%	6.5%	6.3%
Washington State Unemployment Rate	4.7%	7.0%	10.3%	9.6%	9.2%	8.1%	7.0%	6.1%	5.6%	5.4%
Portland Metro Area Unemployment Rate	4.7%	8.2%	10.8%	9.7%	8.2%	7.4%	7.3%	6.4%	5.3%	4.7%
% of County Workforce with Jobs in Clark County	68.6%	69.1%	69.9%	69.1%	70.4%	70.8%	72.9%	74.4%	76.1%	76.1%

Highlights:

The average unemployment rate in the County decreased to 6.3% in 2016 from 6.5% in 2015. Unemployment peaked in 2009 during the “Great Recession” at 14.7%. Since then, the trend has been mostly positive.

In the last ten years, the number of jobs in Clark County has increased by 14.5% from 137,500 to 157,400.

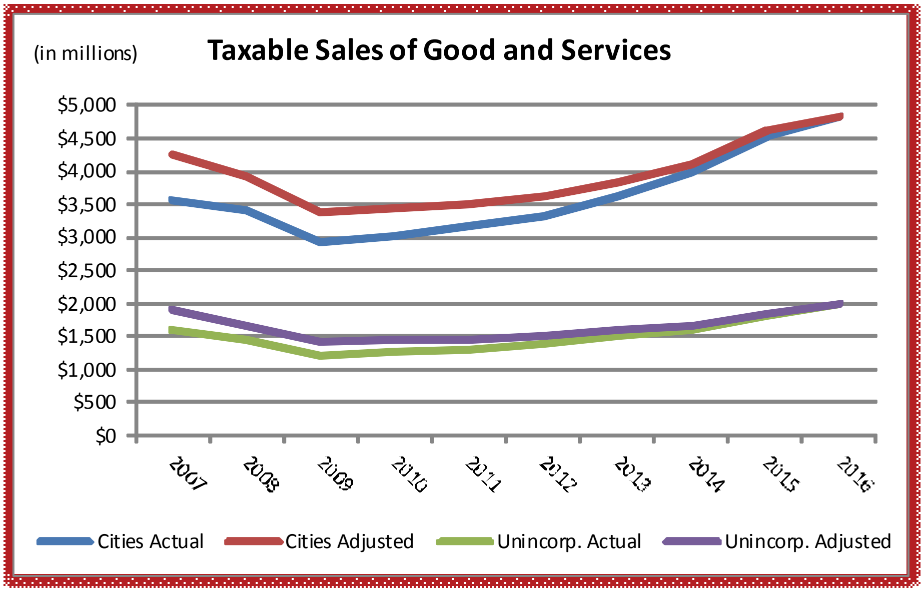
The 2016 Clark County average unemployment rate of 6.3% is higher than the State of Washington rate of 5.4% and higher than the Portland Metro unemployment rate of 4.7%.

The percentage of the County’s civilian workforce employed in Clark County has improved in the last ten years from 68.6% to 76.1% in 2007 and 2016, respectively.

Taxable Sales of Goods and Services

Description:

Taxable sales are highly responsive to economic conditions and are a direct reflection of consumer confidence. When the economy is perceived to decline, confidence and disposable income trend down, which generally produces lower taxable sales and lower governmental revenues.



Warning Trend:

Decline in Adjusted Taxable Sales of Good and Services

Clark County Trend: **Positive**

Formula:
The value of transactions involving the sale and purchase of taxable goods and services including use tax values. It excludes nontaxable transactions.

Source:
Washington Department of Revenue.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxable Sales - Cities (in $ millions)	3,563	3,402	2,917	3,016	3,160	3,332	3,630	3,972	4,521	4,838
Annual % Change	11.0%	-4.5%	-14.3%	3.4%	4.8%	5.5%	8.9%	9.4%	13.8%	7.0%
Taxable Sales - Uninc. County (in $ millions)	1,599	1,433	1,215	1,268	1,303	1,386	1,508	1,610	1,813	1,990
Unincorporated Clark County Sales Tax Growth	-3.5%	-10.4%	-15.3%	4.4%	2.8%	6.3%	8.9%	6.8%	12.6%	9.8%
Use Tax as a % of Total Transactions	6.1%	5.9%	5.8%	5.8%	6.0%	5.5%	5.2%	5.3%	5.2%	4.7%

Highlights:

In 2016 from 2015, taxable sales increased 9.8% in the unincorporated areas of Clark County, and also increased 7.0% in the incorporated Cities. During the recession in 2009, retail sales dropped to $4.1 billion from $5.2 billion in 2007. There has been an increase of 65.3% since then.

During the reporting period, retail sales adjusted for inflation peaked in 2007 and again in 2016 at $6.1 billion and $6.8 billion respectively. 2016 retail sales, adjusted for inflation, grew 5.6% from 2015 and are up 10.7% from 2007.

After adjusting for inflation, the taxable sales of good and services in unincorporated Clark County have been recovering slowly from the recession and is still 3.1% below the 2006 level.