



**2011
Third
Quarter
Financial
Report**

Compiled and Presented by the
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Whatcom County Third Quarter 2011 Financial Report

For the Quarter Ended September 30, 2011



Executive Summary

The following information presents Whatcom County's third quarter 2011 financial report. At the end of the third quarter General Fund revenues are \$1,714,900 below third quarter projections. This is largely the result of grant-related funding cuts and project delays. Taxes are substantially above third quarter projections due to large unanticipated one-time collections of delinquent property taxes, interest and penalties. Fine and forfeiture revenues and building-related revenues are below expectations.

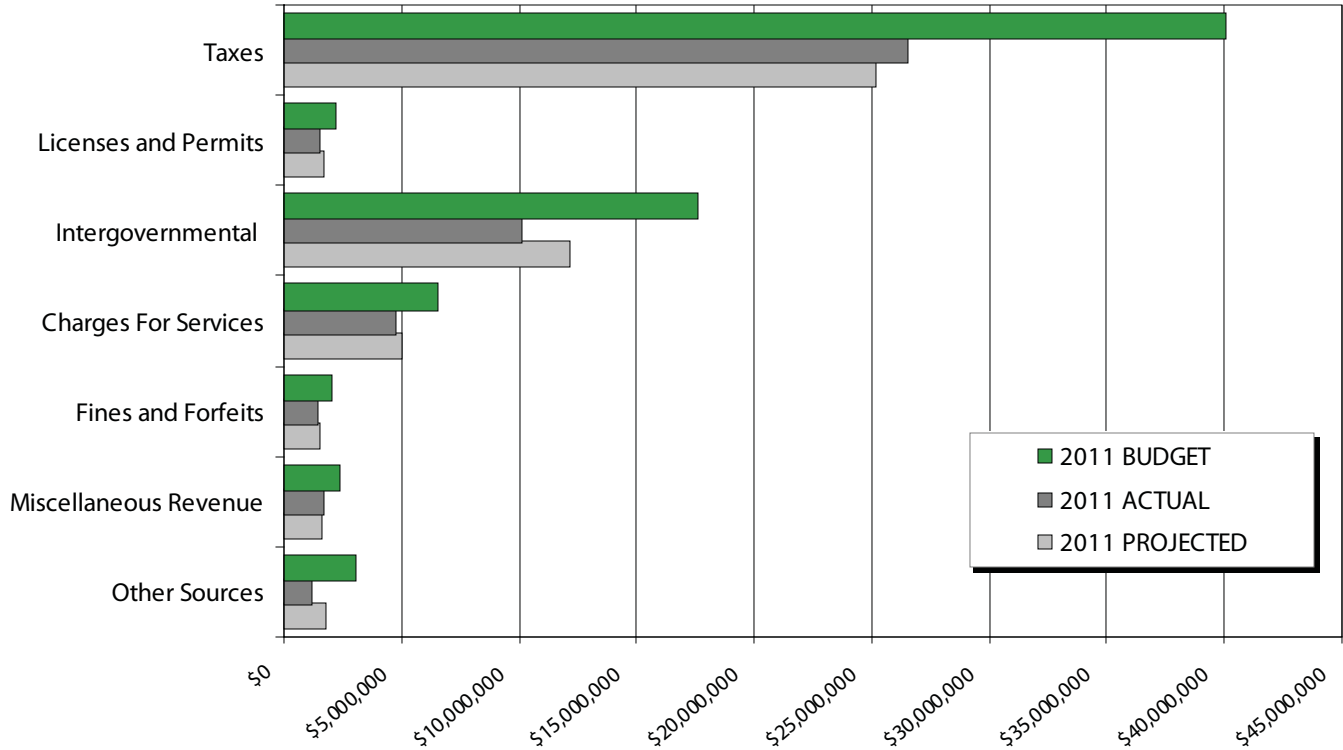
Expenditures are 66.8 percent of the annual budget, which is consistent with prior years. Whatcom County has instituted 90 day waiting periods before rehiring vacant positions and has negotiated with employee bargaining units for 10 closure days in 2011 in response to the continued economic slowdown.

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General Fund Revenue - Budget vs. Actual



	2011 Budget Adopted	2011 Budget Supp'ls	2011 Budget Amended	Actual as of 9/30/2011	% Collected To Date	Projected as of 9/30/2011
Taxes	40,083,325	0	40,083,325	26,507,550	66.13%	25,198,473
Licenses and Permits	2,221,177	0	2,221,177	1,553,604	69.95%	1,684,831
Intergovernmental	15,636,981	2,012,946	17,649,927	10,108,602	57.27%	12,203,476
Charges For Services	6,537,754	0	6,537,754	4,755,734	72.74%	5,028,350
Fines and Forfeits	2,028,741	0	2,028,741	1,456,498	71.79%	1,554,634
Miscellaneous Revenue	2,314,880	26,465	2,341,345	1,738,299	74.24%	1,636,502
Other Sources	2,700,346	328,238	3,028,584	1,223,901	40.41%	1,752,820
Total Revenue	71,523,204	2,367,649	73,890,853	47,344,188	64.07%	49,059,086

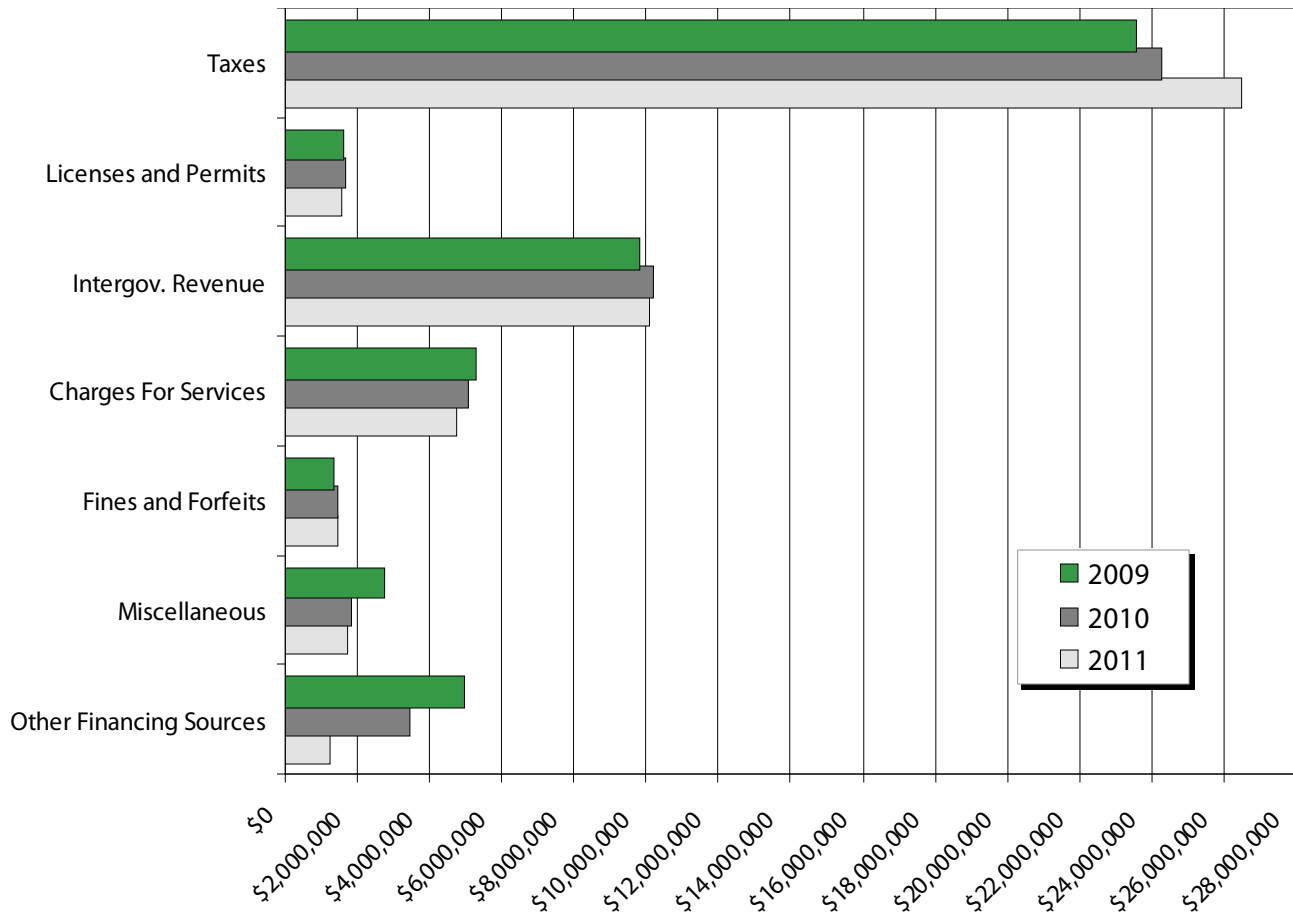
See pages 4 and 5 for General Fund Revenue Notes.

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General Fund Revenue to Date - Compared to Prior Years



	2009	2010	2011
Taxes	23,592,401	24,263,095	26,507,550
Licenses and Permits	1,639,146	1,651,899	1,553,604
Intergov. Revenue	9,845,720	10,179,634	10,108,602
Charges For Services	5,273,073	5,068,890	4,755,734
Fines and Forfeits	1,359,797	1,472,785	1,456,498
Miscellaneous	2,742,035	1,837,040	1,738,299
Other Financing Sources	4,938,738	3,478,415	1,223,901
Total Revenue	49,390,910	47,951,758	47,344,188

See pages 4 and 5 for General Fund Revenue Notes.

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General Fund Revenue Notes

Taxes

Property tax and retail sales tax make up 95% of Whatcom County's tax revenue budget.

Tax revenues are \$2,244,455 greater than third quarter 2010 and \$1,309,075 greater than projections. Current year property tax collections are up \$1,012,870 over last year due to a neutral levy shift from the Flood Fund to the General Fund and annual new construction assessments added to the tax rolls. Collections of delinquent taxes, interest and penalties have increased 48.5%, or \$930,060 over last year due to large payments received from mortgage companies and commercial property owners. Sales taxes are \$184,500, or 2.2%, more than third quarter 2010. Currently tax revenues are at 66.1% of budget with second half property taxes due October 31.

Licenses & Permits

Building permits account for 52.5% of "Licenses & Permits" budgets. Health Department, marriage and fire control licenses and permits account for the remaining 47.5%.

License and Permit Fees are \$98,300 less than collected year-to-date 2010 and \$131,230 less than projections. Building permit revenues are down 2.8%, or \$25,700 from last year. The numbers of permits issued are 25% less than year-to-date 2010 but permit valuations are up 50% from 2010 levels. Two large commercial projects at BP Refinery and Meridian High School account for the valuation increases. On Site Sewage permit revenues are down \$116,035, or 40%, as a result of low construction activity levels. Restaurant and food handling permits are up about \$30,770 from 2010 amounts. At the end of the third quarter we have collected 70% of budget.

Intergovernmental Revenue

"Intergovernmental Revenue" comes from a variety of sources including grant revenue, state entitlements and payment for intergovernmental services rendered.

Revenues collected as of quarter end were 57.3% of budget; this is \$2,094,875 less than projections. Due to state funding cuts and project delays, the Health Department is not expected to receive approximately \$1.2 million of grant revenues budgeted for 2011. Other decreases result from changes in billing procedures mandated by the State and delays in grant projects in Non-Departmental and the Sheriff's Office. Whatcom County's Payment in Lieu of Taxes (PILT) revenue from the federal government came in \$141,000 more than budget.

Charges for Services

"Charges for Services" include document recording fees (Auditor), motor vehicle license fees (Auditor), plan check fees (Planning & Development Services), adult probation fees (District Court Probation), immunizations (Health Department) and several other miscellaneous service fees that help cover the costs of providing specific services used by individual customers.

Overall, Charges for Services are approximately \$300,000 below second quarter 2010 amounts and 2011 projections. Planning and development fees decreased \$173,750, or 12.4%. Health Department fees are down \$167,240, or 34.1%, due to decreases in H1N1 immunization fees and construction related fees. Adult probation fees are up \$13,930 and rifle range revenues are up \$26,530 over third quarter 2010.

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General Fund Revenue Notes, continued

Fines and Forfeits

"Fines and Forfeits" consist principally of traffic infraction revenue and criminal traffic misdemeanor penalties, which include driving while intoxicated penalties. It also includes bail/bond forfeitures, code enforcement fines, public defense recoupment and other miscellaneous criminal costs and penalties.

Fines and Forfeits revenues are essentially the same as 2010 levels but are \$98,140 less than projected amounts. 2011 budgets were increased for bail/bond forfeiture revenues and traffic infraction revenues from contested calendars. The new revenues related to these budget increases have not yet materialized as of the end of the second quarter.

Miscellaneous

"Miscellaneous" revenues are made up of interest earnings, rents, contributions, refunds, and various small, otherwise unclassified, amounts.

Miscellaneous revenues decreased \$98,740 below third quarter 2010 levels but are \$101,800 ahead of projections. Investment interest earnings continue to decrease and are \$202,640 or 20.6% less, than 2010 amounts. Rents and royalties income has increased \$108,856 due to moving parking space rentals from Administrative Services to the General Fund in 2011.

Other Financing Sources

The "Other Financing Sources" revenue budget is composed of state timber revenues (14%) and 86% from transfers from other Whatcom County funds.

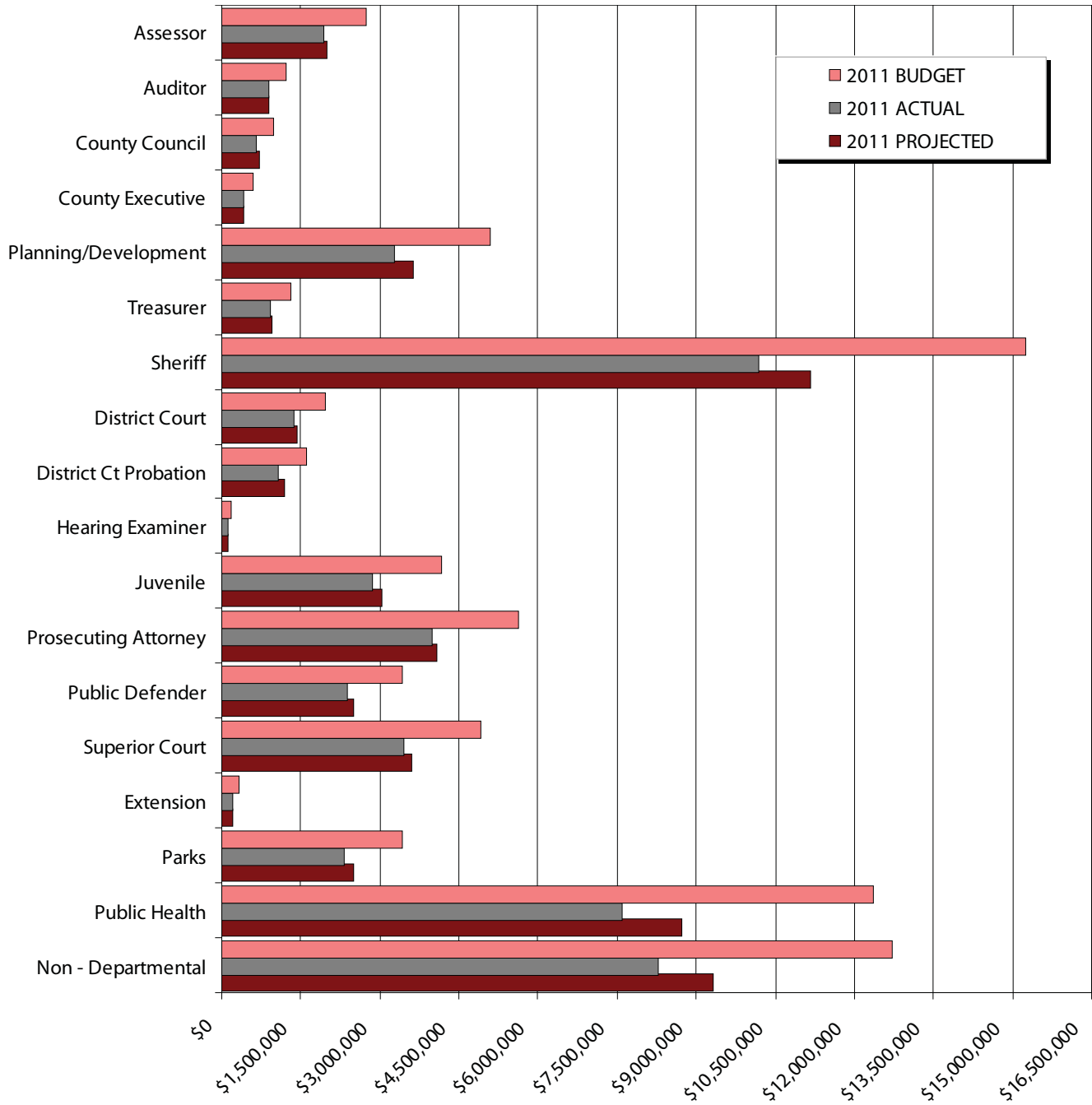
Other Financing Sources decreased \$2,254,515 under third quarter 2010 and \$528,920 under projections. State timber sales revenue is up \$224,830 and transfers are down \$823,150. State timber revenues fluctuate based on harvest plans and market conditions. Transfers in 2010 included residual equity transfers from other funds utilized to stabilize the General Fund balance due to the economic downturn. Transfers in 2011 are fluctuating based on timing of interdepartmental billings and one-time project needs. In addition, operational transfers in support of positions in the Sheriff's and Prosecuting Attorney's Office are expected to be \$250,000 below budget due to not enough revenues to support the transfers from the Drug Fund.

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General Fund Expenditures - Budget vs. Actual



See page 7 for chart detail and page 9 for General Fund Expenditure Notes.

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General Fund Expenditures - Budget vs. Actual

	Adopted 2011 Budget	Budget Supplementals	Amended Budget	Actual as of 9/30/11	% Expended To Date	Projected as of 9/30/11
Assessor	2,748,664	0	2,748,664	1,937,112	70.47%	1,994,060
Auditor	1,226,126	0	1,226,126	888,959	72.50%	895,171
County Council	933,765	63,420	997,185	660,198	66.21%	722,973
County Executive	589,255	0	589,255	424,096	71.97%	431,729
Planning & Development	5,087,269	0	5,087,269	3,269,419	64.27%	3,639,204
Treasurer	1,299,323	0	1,299,323	933,268	71.83%	961,044
Sheriff	13,450,232	1,789,524	15,239,756	10,187,512	66.85%	11,168,118
District Court	1,960,280	1,100	1,961,380	1,367,224	69.71%	1,429,407
District Court Probation	1,623,160	0	1,623,160	1,073,461	66.13%	1,181,262
Hearing Examiner	176,351	515	176,866	128,909	72.89%	128,737
Juvenile	4,157,043	0	4,157,043	2,861,514	68.84%	3,033,183
Prosecuting Attorney	5,618,377	0	5,618,377	3,995,467	71.11%	4,093,340
Public Defender	3,409,730	11,917	3,421,647	2,387,282	69.77%	2,498,235
Superior Court/Clerk	4,918,361	0	4,918,361	3,456,261	70.27%	3,607,288
Extension	325,644	0	325,644	220,521	67.72%	206,766
Park	3,400,349	29,900	3,430,249	2,336,242	68.11%	2,503,731
Public Health	12,349,647	0	12,349,647	7,607,579	61.60%	8,722,516
Non - Departmental	11,663,978	1,047,217	12,711,195	8,272,665	65.08%	9,331,719
Total General Fund Exp	74,937,554	2,943,593	77,881,147	52,007,689	66.78%	56,548,483

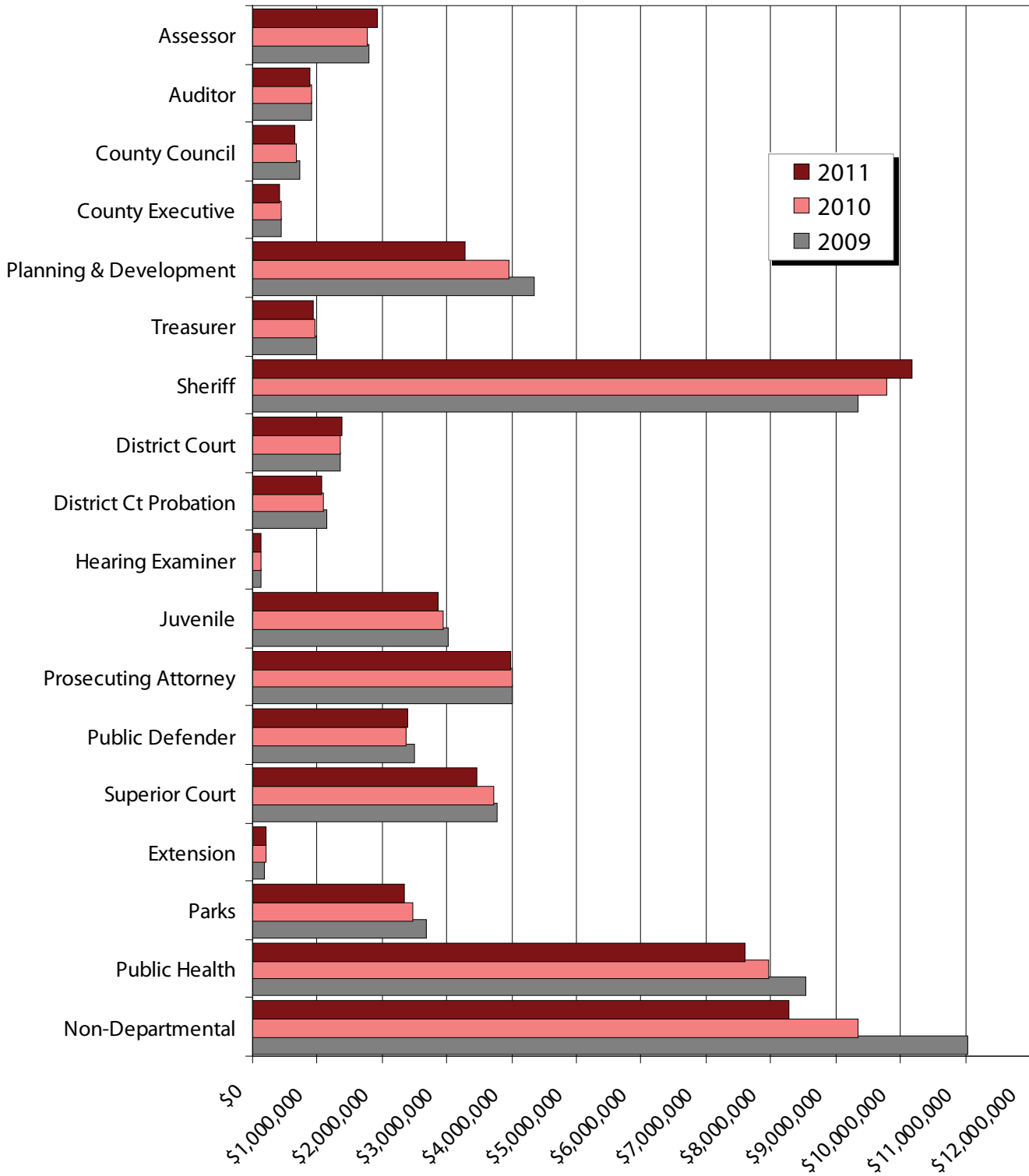
See page 9 for General Fund Expenditure Notes.

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General Fund Expenditures - Compared to Prior Years



See page 9 for chart detail and General Fund Expenditure Notes.

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General Fund Expenditures - Compared to Prior Years

	2009	2010	2011
Assessor	1,793,382	1,764,731	1,937,112
Auditor	899,955	908,687	888,959
County Council	732,178	673,959	660,198
County Executive	431,030	450,680	424,096
Planning & Development	4,357,080	3,959,908	3,269,419
Treasurer	984,427	954,889	933,268
Sheriff	9,333,413	9,792,335	10,187,512
District Court	1,358,027	1,349,726	1,367,224
District Ct Probation	1,135,067	1,093,705	1,073,461
Hearing Examiner	126,214	127,959	128,909
Juvenile	3,023,556	2,949,109	2,861,514
Prosecuting Attorney	4,016,923	4,013,314	3,995,467
Public Defender	2,490,822	2,381,372	2,387,282
Superior Court Administration	3,769,624	3,731,215	3,456,261
Extension	192,271	213,589	220,521
Parks	2,670,762	2,475,200	2,336,242
Public Health	8,545,926	7,969,787	7,607,579
Non-Departmental	11,033,293	9,352,293	8,272,665
TOTAL	56,893,950	54,162,458	52,007,689

General Fund Expenditure Notes

Overall expenditures for the General Fund at the end of the third quarter were at 66.8% of the approved budget. The average percent for the last four years has been 65.7%. All departmental spending is within budget expectations except the Health Department budget is only 61.6% spent. The Health Department is curtailing the spending of approximately \$1.2 million of budgeted pass-through expenditures due to state spending cuts and delays in the On-Site Septic loan program.

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General Fund Conclusion

	Approved Budget	Projected
Beginning Fund Balance 1/1/2011	<u>7,865,729</u>	<u>9,188,595 *</u>
Revenues		
Budgeted Revenues 2011	71,523,204	71,523,204
Decreased Revenue Estimates	-	(1,200,000)
Continuing Appropriations from 2010	-	577,521
Supplemental Budgets 2011	-	1,790,128
Total Revenue	<u>71,523,204</u>	<u>72,690,853</u>
Expenditures		
Budgeted Expenditures 2011	74,937,554	74,937,554
Decrease Expenditure Estimates	-	(2,100,000)
Continuing Appropriations from 2010	-	786,304
Supplemental Budgets 2011	-	2,157,289
Total Expenditures	<u>74,937,554</u>	<u>75,781,147</u>
Adjusted Surplus (Deficit)	<u>(3,414,350)</u>	<u>(3,090,294)</u>
Other Considerations		
Estimated Budget Lapse	<u>2,212,988</u>	<u>3,410,152</u>
Preliminary Ending Fund Balance	<u>6,664,367</u>	<u>9,508,453</u>
Interfund Loan Adjustment **	<u>2,340,327</u>	<u>2,320,977</u>
Adjusted Fund Balance 12/31/2011	<u><u>9,004,694</u></u>	<u><u>11,829,430</u></u>

Notes:

* Prior period adjustment of \$1,496,006 increased beginning fund balance. Adjustment due to state auditor requirement in 2009 to remove interest from General Fund and accrue to restricted funds. County appealed and AG issued opinion in favor of County after budget had already been adopted.

** Accounting for interfund loans used to finance the Central Plaza Building purchase and the Assessor-Treasurer System in accordance with generally accepted accounting principles has the effect of artificially reducing the fund balance. This happens because the capital purchases are shown as expenditures but the loan proceeds are not presented as revenues in the income statement but only as a liability on the balance sheet. The interfund loan adjustment presented above reflects a positive impact on the cash balance of the County General Fund.

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Special Revenue Funds and Other Funds - Revenues

	2010 Actual As of 9/30/2010	2011 Actual As of 9/30/2011	2011 Budget	% Collected of 2011 Budget
County Road Fund	15,364,904	15,432,133	24,686,342	62.51%
Election Reserve Fund	634,814	607,717	1,265,573	48.02%
Veterans Relief	159,500	163,341	309,396	52.79%
Jail Fund	9,031,157	9,013,228	12,065,471	74.70%
Low Income Housing Projects	146,279	143,315	170,000	84.30%
Homeless Housing	838,897	907,344	1,207,099	75.17%
Stormwater Fund	619,117	568,457	2,432,159	23.37%
Chemical Dependency/Mental Hlth	2,462,113	2,412,028	3,407,590	70.78%
County Wide Emergency Medical	1,767,883	1,880,012	2,583,211	72.78%
Trial Court Improvement Fund	35,786	35,475	48,000	73.91%
Solid Waste Fund	478,404	496,526	990,750	50.12%
WC Convention Center Fund	343,969	364,643	460,000	79.27%
Victim/Witness Assistance Fund	99,158	94,215	135,550	69.51%
Whatcom Co Drug Fund	226,501	191,240	610,000	31.35%
Auditor's O&M Fund	159,004	155,779	166,900	93.34%
Emergency Management	696,844	656,580	1,861,466	35.27%
Flood Control Zone Dist Fund	2,872,540	2,803,574	5,214,279	53.77%
Pt Roberts Fuel Tax Fund	38,642	56,278	50,000	112.56%
Conservation Futures Fund	253,356	980,873	988,758	99.20%
Sub-Flood Zones	579,866	613,895	1,054,961	58.19%
Real Estate Excise Tax Fund II	745,673	777,057	1,688,365	46.02%
Real Estate Excise Tax Fund I	745,448	777,057	1,037,401	74.90%
Civic Center Bldg Improv Fund	-	1,404,036	1,404,036	100.00%
Public Utilities Improvement	2,104,847	2,178,685	2,917,871	74.67%
East Cnty Regional Resource Ctr	-	3,152,814	3,202,814	98.44%
Yew St Road Construction	402,838	34,482	665,573	5.18%
Lincoln Road Construction	1,628,387	917,417	1,961,916	46.76%
Jail Improvement Fund	-	116,404	104,860	111.01%
Ferry System Fund	1,409,651	2,038,601	2,506,616	81.33%
Equipment Rental & Revolving	6,627,088	7,145,779	9,297,219	76.86%
Administrative Services Fund	14,106,722	13,519,256	19,803,355	68.27%

Notes: Road Improvement Districts, Capital Project Funds and Debt Service Funds are not shown on this list.

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Special Revenue Funds and Other Funds - Expenditures

	2010 Actual As of 9/30/2010	2011 Actual As of 9/30/2011	2011 Budget	% Expended of 2011 Budget
County Road Fund	17,152,073	15,074,516	26,346,026	57.22%
Election Reserve Fund	1,000,473	719,570	1,311,910	54.85%
Veterans Relief	129,379	236,125	457,534	51.61%
Jail Fund	8,714,935	8,754,693	12,806,632	68.36%
Low Income Housing	154,411	364,876	415,000	87.92%
Homeless Housing	1,006,014	982,558	1,473,456	66.68%
Stormwater Fund	880,520	1,096,174	2,724,687	40.23%
Chemical Depend/Mental Hlth	857,810	1,439,436	3,544,447	40.61%
County Wide Emergency Medical	1,829,322	1,911,457	2,566,466	74.48%
Trial Court Improvement Fund	-	-	43,235	0.00%
LEOFF I Healthcare Fund	967,374	226,893	550,000	41.25%
Solid Waste Fund	607,935	556,752	1,159,494	48.02%
WC Convention Center Fund	199,151	199,056	425,280	46.81%
Victim/Witness Assistance Fund	57,355	55,617	142,874	38.93%
Whatcom Co Drug Fund	319,719	63,567	608,967	10.44%
Auditor's O&M Fund	142,955	120,277	223,412	53.84%
Emergency Management	596,726	632,304	1,861,466	33.97%
Flood Control Zone Dist Fund	2,969,842	2,062,979	5,589,577	36.91%
Conservation Futures Fund	1,559,491	803,675	335,517	239.53%
Sub-Flood Zones	105,085	281,545	1,323,968	21.27%
Real Estate Excise Tax Fund II	307,877	757,221	3,469,621	21.82%
Real Estate Excise Tax Fund I	2,819,583	1,321,942	1,501,438	88.05%
Civic Center Bldg Improv Fund	-	-	1,404,036	0.00%
Public Utilities Improvement	218,286	2,815,382	4,288,596	65.65%
East Cnty Regional Resource Ctr	42,198	3,642,222	4,211,697	86.48%
Yew St Road Construction	1,365,522	48,980	1,604,815	3.05%
Lincoln Rd Construction	246,991	1,547,555	3,457,188	44.76%
Jail Improvement Fund	-	12,335	3,117,700	0.40%
Ferry System Fund	1,940,939	1,674,201	2,674,125	62.61%
Equipment Rental & Revolving	6,063,937	6,380,992	9,894,455	64.49%
Administrative Services Fund	13,934,600	13,085,251	20,227,165	64.69%

Notes: Expenditures in most of the funds presented are project-driven and do not follow regular spending patterns. Road Improvement Districts, Capital Project Funds and Debt Service Funds are not shown on this list.