

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Clark County's discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and in the financial statements and notes to the financial statements (which follow this discussion).

### FINANCIAL HIGHLIGHTS

Clark County's total assets exceeded its liabilities at December 31, 2005 by slightly over one billion dollars. Net assets invested in capital assets (net of depreciation and related debt) account for 85%, with a value of \$872 million. Of the remaining net assets, \$49 million may be used to meet the County's ongoing obligations to citizens and creditors, without legal restriction.

- As of December 31, 2005, Clark County's governmental activities reported combined ending net assets (fund balance) of \$883 million, compared to \$822 million at the end of 2004 (an increase of 7.4%). Details of factors contributing to this increase are discussed later within this Management's Discussion and Analysis.
- Of the \$883 million, \$746 million was invested in capital assets, \$104 million was legally restricted for specific projects or programs, and \$33 million was available for spending at the County's discretion.
- As of December 31, 2005, Clark County's business-type activities reported combined ending net assets (fund balance) of nearly \$143 million, compared to \$133 million at the end of 2004 (a 7.5% increase).
- Unreserved/undesignated fund balance for the General Fund was \$12.4 million at December 31, 2005, amounting to 12.4% of total General Fund expenditures for 2005.
- At December 31, 2005, unreserved/undesignated fund balance for the County Roads Fund was eight million dollars, or 16.4% of total road fund expenditures for 2005.
- Clark County's total long term debt at December 31, 2005 was \$203.9 million, with a remaining capacity for non-voted debt of \$381 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Clark County's basic financial statements. The basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements.

#### Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Clark County's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of Clark County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Clark County include a full range of local government services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road

construction and maintenance; community planning and development; parks and open space preservation; public health; and care and welfare of the disadvantaged and mentally ill. In addition, other general government services are provided, such as elections, property assessment, tax collection, and the issuance of permits and licenses. The business-type activities of Clark County include solid waste, sanitary sewer, and clean water management.

The statement of net assets presents information on all of Clark County's assets and liabilities, with the difference between the two reported as net assets. This statement is similar to that of the balance sheet of a private-sector business. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of financial health of the County. Other indicators include the condition of the County's infrastructure subsystems (roads, stormwater, bridges, etc.), changes in property tax base, and general economic conditions within the County.

The statement of activities presents information on how the County's net assets changed during 2005. Because it separates program revenue (generated by specific programs through charges for services, grants, and contributions) from general revenue (provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues are reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2005, and earned but unused vacation and sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2005.

The County has no separately identified component units included in the government-wide financial statements. By virtue of the County's authority to exercise influence over its operations, the Industrial Revenue Bond Corporation is reflected as a blended component unit special revenue fund and its financial data is included in governmental activities. You will find further information regarding this blended component unit in the *Summary of Significant Accounting Policies*, on the first page of the notes to the financial statements. The County has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA). A description of this joint venture is found in note V.D. of the notes to the financial statements.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Clark County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Clark County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

### **Governmental Funds**

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, County Roads Fund, and Community Services Grant Fund, which are considered to be major funds, based on criteria established by GASB Statement #34. (GASB

#34 defines a major fund as a fund where the assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all governmental or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds, combined, for the same category. The General Fund is always considered a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements, outside of the basic financial statements (following the notes to the financial statements).

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

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

The County maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. Personal services are budgeted by positions. Capital outlays are approved on both an item by item basis and a project basis. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund and all special revenue and capital funds, to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. All nonmajor fund budget variance schedules follow the combining fund statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

### **Proprietary Funds**

There are two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste, clean water, and sewer operations. Internal Service Funds (the second type of proprietary funds) accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its vehicle fleet, election services, insurance reserves, radio and computer equipment replacement reserves, and various other administrative services. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

Proprietary fund statements follow governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement

of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, the total net assets agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the fund statement in a single line in the asset section of the statement.

The basic proprietary fund financial statements provide separate information on each enterprise fund, as there is only one nonmajor enterprise fund. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements. Since there is only one nonmajor enterprise fund, there are no combining statements for nonmajor enterprise funds.

### Fiduciary Funds

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

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

### Notes to the Financial Statements

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Assets

	<i>Clark County Net Assets</i>						
	Governmental		Business-type		Total		% Change
	Activities		Activities				
	2005	2004	2005	2004	2005	2004	
Current & other assets	\$ 191,786,199	\$ 189,996,109	\$ 47,438,153	\$ 50,308,846	\$ 239,224,352	\$ 240,304,955	(0.4%)
Capital assets (net of depreciation)	894,232,537	838,524,307	154,303,259	145,949,853	1,048,535,796	984,474,160	6.5%
Total assets	1,086,018,736	1,028,520,416	201,741,412	196,258,699	1,287,760,148	1,224,779,115	5.1%
Long term liabilities	175,296,119	175,127,421	28,604,649	30,432,182	203,900,768	205,559,603	(0.8%)
Other liabilities	27,477,148	31,025,115	30,566,343	32,939,690	58,043,491	63,964,805	(9.3%)
Total liabilities	202,773,267	206,152,536	59,170,992	63,371,872	261,944,259	269,524,408	(2.8%)
Net assets:							
Invested in capital assets, net of related debt	746,201,389	681,478,807	125,897,386	115,686,833	872,098,775	797,165,640	9.4%
Restricted	104,298,769	108,815,140	0	0	104,298,769	108,815,140	(4.2%)
Unrestricted	32,745,311	32,073,933	16,673,034	17,199,994	49,418,345	49,273,927	0.3%
Total net assets	\$ 883,245,469	\$ 822,367,880	\$ 142,570,420	\$ 132,886,827	\$ 1,025,815,889	\$ 955,254,707	7.4%

Clark County's total assets stand at \$1.3 billion as of December 31, 2005, an increase of \$63 million from the previous year, while total liabilities stand at \$262 million, a decrease of \$7.6 million from the previous year.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Clark County's net assets total one billion dollars at December 31, 2005, as compared to \$955 million in 2004, an increase 7.4%.

The County's capital assets increased by \$64 million in 2005. The County spent \$60 million on capital assets (primarily for road construction, parks acquisitions and improvements, a new community health center, a new exposition center, and technology projects). In addition, developers contributed \$22 million in roads and stormwater facilities to the County, and intergovernmental contributions of \$10 million funded road projects and the expansion of the sewer treatment plant. In 2005, decreases in the value of capital assets (depreciation and disposal of assets) amounted to \$28 million, for a net increase of \$64 million.

At December 31, 2005, current and other assets amount to \$239 million (compared to \$240 in 2004), with \$170.3 million consisting of cash and cash equivalents (compared to \$174 million at December 31, 2004). Cash and cash equivalents within governmental funds decreased by \$3.4 million in 2005, while business-type funds accounted for the remainder of the decrease. The decrease within governmental funds is partly due to spending down bond proceeds received in late October, 2004. The remaining \$69 million in current and other assets is made up of \$62 million in accounts and notes receivable (up from \$61 million in 2004) and seven million dollars in miscellaneous assets.

Long term liabilities were \$204 million (down \$1.7 million from 2004), with ten million dollars coming due within a year. The remainder is due over an extended period of time. Refer to the notes to the financial statements (note IV.H.) for a more in depth discussion of long term debt. Other liabilities included \$31 million in unearned revenue (down from \$33 million in 2004), \$22 million in accounts payable and accrued liabilities, combined (down from \$25 million in 2004), and five million dollars in deposits payable to customers (no change from 2004). The deposits payable are predominately retainage held through the completion of capital construction projects.

Of the County's total net assets, 85% are invested in capital assets, less outstanding debt used to acquire those assets (compared to 83% in 2004). Capital assets provide services to citizens, and therefore investment in capital assets is not available for future spending. Although investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided by other sources, since capital assets themselves cannot be used to repay the liabilities. In addition to the capital assets, net of debt, 10% (as compared to 11% in 2004) of the County's total net assets are subject to external restrictions on how they may be used (restricted by the Revised Code of the State of Washington or by contractual agreements with outside parties). The remaining balance of \$49 million, or 5% of total net assets (no change from 2004), represents the amount that may be used to meet the County's ongoing general purpose obligations.

At December 31, 2005, Clark County reports positive balances in all categories of net assets for the County as a whole, as well as for governmental activities. Business-type activities report positive balances in both capital and unrestricted assets, with no restricted assets.

#### **Statement of Changes in Net Assets**

The County's total net assets increased by nearly \$70.5 million in 2005, a 7.4% increase over 2004 (\$5.4 million of the increase is due to prior period adjustments, which are explained in section V.J. of the notes). Total County revenues, at \$314 million in 2005, increased by \$26.7

million from 2004. Governmental activities provided \$292 million in revenues (93%), while business-type activities provided \$22 million. The ratio changed only slightly from 2004, when governmental activities accounted for 94% of the total. Key elements in changes in net assets are shown in the following table.

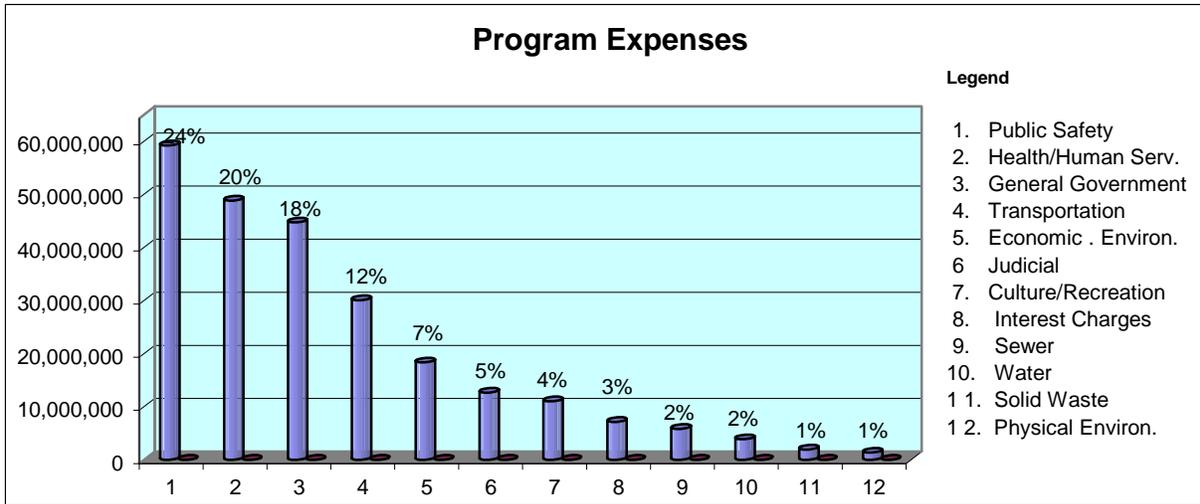
*Clark County Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Program Revenues</b>						
Charges for services (restated for 2004)	\$ 60,939,032	\$ 63,185,972	\$ 12,636,854	\$ 12,532,396	\$ 73,575,886	\$ 75,718,368
Operating Grants and contributions	63,916,826	59,718,604	313,823	758,148	64,230,649	60,476,752
Capital Grants and contributions	32,364,324	29,833,084	4,691,397	2,720,344	37,055,721	32,553,428
<i>General revenues:</i>						
Taxes	127,958,838	113,681,720	0	0	127,958,838	113,681,720
Gain/(loss) on sale of assets	1,522,532	1,830,875	(16,104)	0	1,506,428	1,830,875
Interest earnings on investments (restated for 2004)	5,521,718	2,995,876	468,785	270,564	5,990,503	3,266,440
<b>Total revenues</b>	<b>292,223,270</b>	<b>271,246,131</b>	<b>18,094,755</b>	<b>16,281,452</b>	<b>310,318,025</b>	<b>287,527,583</b>
<b>Program Expenses:</b>						
General government	44,712,472	45,147,967	0	0	44,712,472	45,147,967
Public safety	59,224,349	56,822,756	0	0	59,224,349	56,822,756
Judicial	12,678,807	11,792,152	0	0	12,678,807	11,792,152
Physical environment	1,374,132	1,795,890	0	0	1,374,132	1,795,890
Transportation	30,081,945	25,823,196	0	0	30,081,945	25,823,196
Economic environment	18,373,073	19,529,418	0	0	18,373,073	19,529,418
Health and human services	48,834,824	46,237,042	0	0	48,834,824	46,237,042
Culture & recreation	11,023,816	8,347,815	0	0	11,023,816	8,347,815
Solid Waste	0	0	1,949,383	1,901,751	1,949,383	1,901,751
Water	0	0	3,886,053	3,915,099	3,886,053	3,915,099
Sewer	0	0	5,848,778	6,479,177	5,848,778	6,479,177
Interest on long term debt	7,170,928	5,467,112	0	0	7,170,928	5,467,112
<b>Total expenses</b>	<b>233,474,346</b>	<b>220,963,348</b>	<b>11,684,214</b>	<b>12,296,027</b>	<b>245,158,560</b>	<b>233,259,375</b>
Excess (deficiency) of revenues over (under) expenses	58,748,924	50,282,783	6,410,541	3,985,425	65,159,465	54,268,208
Special Item - Payment from outside entity towards County debt defeasement	0	0	0	7,341,480	0	7,341,480
Transfers	140,000	141,980	(140,000)	(141,980)	0	0
<b>Change in Net Assets</b>	<b>58,888,924</b>	<b>50,424,763</b>	<b>6,270,541</b>	<b>11,184,925</b>	<b>65,159,465</b>	<b>61,609,688</b>
Net assets as of January 1	822,367,880	842,936,107	132,886,827	105,831,390	955,254,707	948,767,497
Prior period adjustments	1,988,665	(70,992,990)	3,413,052	15,870,512	5,401,717	(55,122,478)
<b>Net Assets as of December 31</b>	<b>\$ 883,245,469</b>	<b>\$ 822,367,880</b>	<b>\$ 142,570,420</b>	<b>\$ 132,886,827</b>	<b>\$ 1,025,815,889</b>	<b>\$ 955,254,707</b>

Grants and contributions for governmental activities increased by \$6.7 million in 2005 from 2004. During this same period, grants and contributions for business-type activities increased by \$1.5 million.

Construction activity and population in Clark County continued to experience a healthy growth rate in 2005, resulting in a \$14 million increase in tax revenues. Interest earnings increased by slightly over \$800,000 from 2004 to 2005.

County expenses for the year were \$245 million, up from \$233 million in 2004. Governmental activities accounted for \$233 million (95%) of total County expenses. Public safety, health and human services, and general government programs, combined, accounted for 65% of total governmental expenses (62% of total County expenses). Following is a graph which illustrates by program where funds were spent in 2005.



Public safety, culture and recreation, and health and human services functions each increased expenses by roughly \$2.5 million dollars from 2004 (accounting for \$7.7 million of the total \$12.5 million increase within governmental activities). Transportation expenses increased \$4.3 million dollars in 2005, from 2004. Both capital and non-capital road projects are tied closely to transportation grant revenue and Public Works Trust Fund Loan proceeds (which, when combined, decreased by six million dollars in 2005). Given that capital road project costs decreased by \$9.3 million in 2005, from 2004, the net change in cash outlay for roads between 2004 and 2005 corresponds closely to the change in grants and loan proceeds. The remaining increase in governmental activities expenses (\$0.5 million) is accounted for by all other programs, combined.

In business-type activities, which account for five percent of all County expenses, sewer expenses increased slightly, while water and solid waste expenses remained the same between 2004 and 2005.

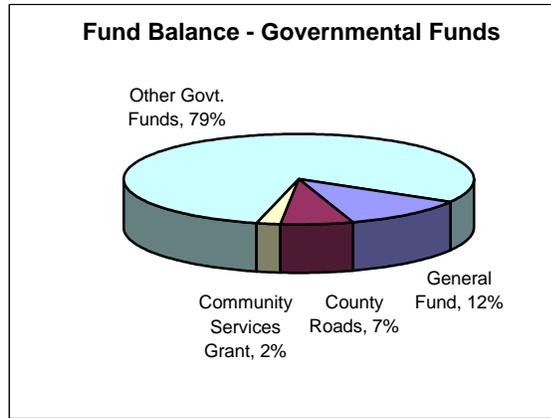
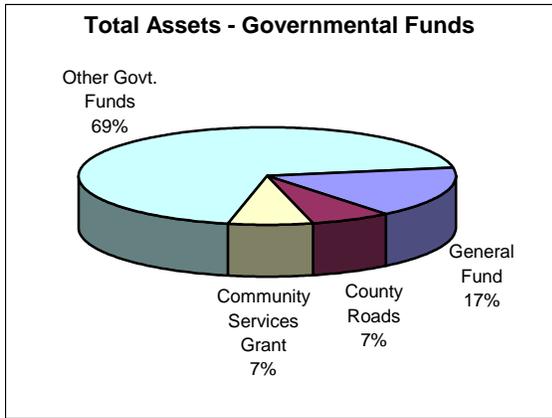
## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Clark County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following are financial analysis of the County's governmental and proprietary funds.

### Governmental Funds Balance Sheet Analysis

The General Fund, County Roads Fund, and Community Services Grant Fund were the only major governmental funds in 2005. Combined, these major funds account for 31% of total governmental fund assets and 21% of total governmental fund balance.

At December 31, 2005, total assets in the General Fund amounted to \$30 million, accounting for 17% of total governmental fund assets, compared to \$26 million and 15% in 2004. Cash and deposits account for the four million dollar increase. The County Roads Fund increased it's assets by three million dollars in 2005 (cash and deposits accounted for a \$2.3 million increase), and the Community Services Grants Fund increased it's assets by \$1.7 million (notes receivable increased by \$1.1 million and cash and deposits increased by \$0.6 million). The following graphs illustrate the composite of total assets and fund balance for the governmental funds.



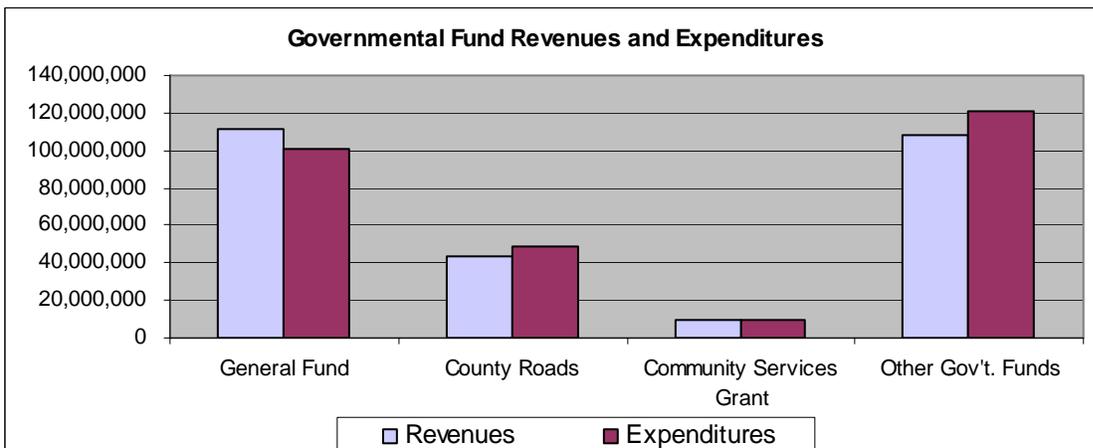
As of December 31, 2005, the County's governmental funds reported combined ending fund balances of \$132.6 million (compared to \$130.8 million in 2004). The General Fund, County Roads Fund, and Community Services Grants Fund increased their fund balance by \$3.5 million, \$4.3 million, and \$0.8 million respectively. Non-major special revenue funds increased their combined fund balances by \$6.1 million (72% of the increase occurred in the Health Department, the Mental Health, and the County Building funds, combined), while capital funds decreased their combined fund balances by \$12.9 million (due to the completion of the center for community health and the fairgrounds exposition capital projects).

The focus of Clark County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved/undesignated fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year. Of the ending fund balance, \$121.6 million (92%, no change from 2004) is unreserved and undesignated, and therefore available for spending within the funds. Of the eleven million dollars in reserved or designated fund balance, \$1.8 million is reserved for prepaid items and advances due from other funds, \$7.4 million is designated for technology upgrades and low income housing programs, and \$1.8 million is designated for future payment of compensated absences (vacation and sick leave earned, but unpaid).

The General Fund is the chief operating fund of Clark County. Unreserved/undesignated fund balance in the General Fund increased from \$10.4 million in 2004 to \$12.4 million in 2005.

### Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the year ended December 31, 2005 for the three major governmental funds and for all other governmental funds, combined.



Revenue indicators in the chart do not include one time financing sources, such as proceeds from new debt, sale of assets, or interfund transfers. Total revenues for governmental funds increased \$12.2 million in 2005. During the same period, total expenditures increased \$3.3 million. The General Fund and the County Roads Fund, together, account for 57% of all governmental fund revenue (down from 58% in 2004) and 53% of the expenditures (down from 55% in 2004).

General Fund revenues increased by \$10.4 million, while expenditures increased by \$4.2 million from 2004 to 2005. Property tax and sales tax revenue, combined, for the General fund increased by six million dollars, grant revenue increased by \$2.1 million, charges for services increased by \$1.5 million, and interest revenue increased by \$0.9 million. Most (98%) of the increased expenditures for the General Fund were in public safety and judicial programs. County Roads fund revenues decreased by seven million dollars (grant revenues decreased by seven million dollars, while tax revenues increased by \$1.5 million and charges for services decreased by \$1.5 million). During the same period, expenditures (which consist mainly of capital road projects, which fluctuate with available grant revenues) decreased by \$5.6 million. Revenues in the Community Services Grant Fund decreased by \$0.7 million in 2005 and expenditures decreased by \$2.9 million (revenues and expenditures matched for the year, whereas in 2004 long term debt issuance made up for the difference between revenues and expenses).

Nonmajor special revenue funds showed a four million dollar increase in revenue (this includes a two million dollar increase in tax revenues, a one million dollar increase in grants, and a one million dollar increase in miscellaneous revenue) and a \$1.2 million increase in expenditures in 2005, from 2004. During this same period, capital project funds increased revenues by \$5.7 million and expenditures by three million dollars (movement in this fund revolves around project schedules and debt issuance), and debt service funds decreased revenues by \$0.2 million and increased expenditures by \$3.4 million. The 2004 nonmajor fund amounts have been adjusted for two funds which qualified as major funds in 2004, but not in 2005, for the purpose of this comparison, so that the data would be comparable.

Governmental funds had an overall increase in fund balance of \$1.8 million in 2005 (the change in fund balance was discussed in the section immediately preceding this section). The General Fund's net change in fund balance in 2005 was an increase of 29%, or \$3.4 million, as a result of revenue and expenditure activity, which has been previously discussed in this section. The net change in fund balance for the County Roads Fund was an increase of \$4.3 million, or 99% (due to debt proceeds, interfund transfers, sale of assets, and a prior period adjustment of \$1.3 million). The Community Services Grant Fund increased fund balance by \$743,448 in 2005.

### **Enterprise Funds Net Assets Analysis**

Clark County has three enterprise funds, two of which (Sanitary Sewer and Clean Water) are considered major funds. The Sanitary Sewer Fund accounts for 53% of total assets and 34% of net assets (as compared to 54% and 33%, respectively, in 2004) for all enterprise funds at December 31, 2005. The activities of this fund involve maintenance and operation of the Salmon Creek Wastewater Treatment Plant. The Clean Water Fund, whose capital assets consist mainly of storm water facilities and drainage infrastructure, accounts for 44% of total assets and 61% of net assets at December 31, 2005 (compared to 43% and 62%, respectively, in 2004). The table that follows reflects the Enterprise Funds Statement of Net Assets for the year ending December 31, 2005.

*Clark County Washington*  
Enterprise Funds - Statement of Net Assets

Assets	Major				Non-Major		Total	
	Sanitary Sewer		Clean Water		Solid Waste		2005	2004
	2005	2004	2005	2004	2005	2004		
Current assets								
Cash / cash equivalents	\$ 3,572,204	\$ 4,184,950	\$ 8,827,050	\$ 8,515,048	\$ 5,197,674	\$ 5,213,973	\$ 17,596,928	\$ 17,913,971
Other current assets	449,825	225,663	502,610	740,647	366,625	584,327	1,319,060	1,550,637
Total current assets	4,022,029	4,410,613	9,329,660	9,255,695	5,564,299	5,798,300	18,915,988	19,464,608
Noncurrent assets								
Contracts receivable	28,609,838	30,851,724	0	0	0	0	28,609,838	30,851,724
Capital assets	86,276,589	80,677,521	83,472,509	79,231,801	1,199,896	1,168,826	170,948,994	161,078,148
Less accum. depreciation	(11,408,754)	(9,943,595)	(4,775,684)	(4,751,937)	(461,297)	(432,763)	(16,645,735)	(15,128,295)
Total noncurrent assets	103,477,673	101,585,650	78,696,825	74,479,864	738,599	736,063	182,913,097	176,801,577
Total assets	107,499,702	105,996,263	88,026,485	83,735,559	6,302,898	6,534,363	201,829,085	196,266,185
<b>Liabilities</b>								
Current liabilities								
Accts. payable & accrued liabilities	1,250,267	682,438	538,319	1,243,522	255,592	169,497	2,044,178	2,095,457
Current portion of long term debt	2,244,091	1,865,288	5,389	5,556	3,070	3,218	2,252,550	1,874,062
Total current liabilities	3,494,358	2,547,726	543,708	1,249,078	258,662	172,715	4,296,728	3,969,519
Noncurrent liabilities								
Deferred revenue - HDSD	28,609,838	30,851,724	0	0	0	0	28,609,838	30,851,724
Compensated absences	84,582	73,271	64,275	50,011	33,771	28,959	182,628	152,241
Advances	1,298,271	1,589,839	0	0	0	0	1,298,271	1,589,839
Long Term Debt Payable	24,871,200	26,816,035	0	0	0	0	24,871,200	26,816,035
Total noncurrent liabilities	54,863,891	59,330,869	64,275	50,011	33,771	28,959	54,961,937	59,409,839
Total liabilities	58,358,249	61,878,595	607,983	1,299,089	292,433	201,674	59,258,665	63,379,358
<b>Net Assets</b>								
Invested in capital assets, net of related debt	46,461,962	40,470,906	78,696,825	74,479,864	738,599	736,063	125,897,386	115,686,833
Unrestricted	2,679,491	3,646,762	8,721,677	7,956,606	5,271,866	5,596,626	16,673,034	17,199,994
Total net assets	\$ 49,141,453	\$ 44,117,668	\$ 87,418,502	\$ 82,436,470	\$ 6,010,465	\$ 6,332,689	\$ 142,570,420	\$ 132,886,827

Although the Sanitary Sewer Fund has \$19 million more in total assets than the Clean Water Fund, the Clean Water Fund has only \$0.6 million in liabilities (as compared to nearly \$58 million in liabilities in the sewer fund), which accounts for the Clean Water Fund having the larger share of enterprise fund net assets. While the treatment plant was paid for with revenue bonds and public works trust fund loans, most of the stormwater and drainage facilities have been contributed by developers. In addition, the facilities that were paid for by the County have either been funded by clean water fees that were collected prior to the building of the facilities, or were paid for by the County Roads Fund as part of a road construction project.

At December 31, 2005, enterprise funds reported combined net assets of nearly \$143 million, an increase of \$9.7 million from 2004. Of the total net assets, \$126 million (88%) is accounted for by investment in capital assets, net of related debt. The remaining \$16.7 million (a 3% decrease from 2004) is unrestricted and available for spending in accordance with the needs of the funds.

The Clean Water Fund recorded an increase of five million dollars in net assets in 2005 (6% increase), with increased total assets of \$4.3 million (a \$4.2 million increase in capital assets, net of depreciation), and decreased liabilities of \$691,006. Total assets of the Sanitary Sewer Fund increased by \$1.5 million during the year, while its liabilities decreased by \$3.5 million, leaving a net increase five million dollars in net assets. The Solid Waste Fund had no substantial changes in their statement of net assets from 2004.

## Enterprise Funds Revenue and Expense Analysis

The following table reflects the Enterprise Funds revenues and expenses for the year ending December 31, 2005.

<i>Clark County Washington</i>								
Enterprise Funds - Revenues and Expenses								
	Major				Non-Major		Total	
	Sanitary Sewer		Clean Water		Solid Waste			
	2005	2004	2005	2004	2005	2004	2005	2004
<b>REVENUES</b>								
Charges for services	\$ 6,601,404	\$ 6,143,477	\$ 4,655,877	\$ 4,856,001	\$ 1,206,000	\$ 1,529,465	\$ 12,463,281	\$ 12,528,943
Interest and investment revenue	105,203	72,824	224,067	122,184	139,515	75,556	468,785	270,564
Operating grant revenue	0	0	39,701	154,871	274,122	603,277	313,823	758,148
Miscellaneous revenue	0	0	141,051	163	32,522	3,290	173,573	3,453
Total revenues	6,706,607	6,216,301	5,060,696	5,133,219	1,652,159	2,211,588	13,419,462	13,561,108
<b>EXPENSES</b>								
Personal services	969,032	891,127	1,113,637	796,219	656,672	620,600	2,739,341	2,307,946
Contractual services	1,013,098	798,464	498,482	291,859	695,609	806,240	2,207,189	1,896,563
Other supplies/expenses	396,214	573,928	2,119,257	2,759,108	568,568	445,032	3,084,039	3,778,068
Depreciation	1,439,780	1,356,858	154,677	67,913	28,534	29,879	1,622,991	1,454,650
Interest expense	2,030,654	2,858,800	0	0	0	-	2,030,654	2,858,800
Total expenses	5,848,778	6,479,177	3,886,053	3,915,099	1,949,383	1,901,751	11,684,214	12,296,027
Income (loss) before contributions, gain/(loss) on assets, transfers, & special items	857,829	(262,876)	1,174,643	1,218,120	(297,224)	309,837	1,735,248	1,265,081
Gain/(loss) on disposition of capital assets	0	0	(16,104)	0	0	0	(16,104)	0
Capital contributions, interfund transfers, and special items	4,165,956	8,495,029	410,441	1,440,040	(25,000)	(15,225)	4,551,397	9,919,844
Change in net assets	5,023,785	8,232,153	1,568,980	2,658,160	(322,224)	294,612	6,270,541	11,184,925
Net assets - Jan 1	44,117,668	35,885,515	82,436,470	63,907,798	6,332,689	6,038,077	132,886,827	105,831,390
Prior period adjustment	0	0	3,413,052	15,870,512	0	0	3,413,052	15,870,512
Net assets - Jan 1 - restated	44,117,668	35,885,515	85,849,522	79,778,310	6,332,689	6,038,077	136,299,879	121,701,902
Net assets - Dec 31	\$ 49,141,453	\$ 44,117,668	\$ 87,418,502	\$ 82,436,470	\$ 6,010,465	\$ 6,332,689	\$ 142,570,420	\$ 132,886,827

Of the total revenues for enterprise funds in 2005, the Sanitary Sewer Fund contributed 50% (46% in 2004), the Clean Water Fund contributed 38% (same as in 2004), and the Solid Waste Fund contributed 12% (16% in 2004). Sanitary Sewer Fund revenues increased in 2005 by \$490,306, Clean Water Fund revenues decreased slightly (by \$72,523), and Solid Waste Fund revenues decreased by \$559,429, resulting in an overall decrease in enterprise fund revenues of \$141,646 in 2005. For enterprise funds, in total, charges for services accounted for 93% of total revenues, and at \$12.5 million, remained unchanged from 2004.

At \$11.7 million in 2005, there was a \$0.6 million decrease in expenses from 2004, all of which occurred within the Sanitary Sewer Fund. Interest expenses in this fund decreased by \$0.8 million, while an overall increase of \$0.2 million was spread among the other types of expenses.

In 2005, there were capital contributions by developers of stormwater facilities in the amount of \$0.5 million and intergovernmental capital contributions of \$4.2 million for upgrades at the treatment plant. The result for 2005 was a positive change in net assets of \$6.3 million for the enterprise funds. The Sanitary Sewer Fund realized a positive change in net assets of five million dollars, the Clean Water fund increased net assets by \$1.6 million, and the Solid Waste Fund's net assets decreased by \$0.3 million for the year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### General Fund Changes in Budget

The County adopts a biennial budget which is amended during the budget years by supplemental appropriation resolutions. General Fund budgeted revenues increased by 2% from the original budget, while budgeted expenditures increased by 3%. Interfund transfers increased by 17% from the original budget amount.

The following table shows the changes between the original and the final biennial General Fund budget as of December 31, 2005

<i>Clark County Washington</i>			
General Fund Budgeted Revenues and Expenditures			
For the Year Ended December 31, 2005			
	Original	Final	<u>Change</u>
	2005/2006	2005/2006	<u>Positive /</u>
	<u>Budget</u>	<u>Budget</u>	<u>(Negative)</u>
<b><u>Revenues:</u></b>			
Taxes	\$ 144,548,095	\$ 139,078,364	\$ (5,469,731)
Intergovernmental	23,331,863	29,287,301	5,955,438
Other revenues	<u>46,064,968</u>	<u>50,002,118</u>	<u>3,937,150</u>
Total revenues	213,944,926	218,367,783	4,422,857
<b><u>Expenditures</u></b>			
General government	69,949,814	70,892,670	(942,856)
Public safety	101,866,256	105,747,314	(3,881,058)
Judicial	24,528,148	25,007,200	(479,052)
All other expenditures	<u>9,420,607</u>	<u>10,194,310</u>	<u>(773,703)</u>
Total expenditures	205,764,825	211,841,494	(6,076,669)
Excess (deficiency) of revenues over expenditures	8,180,101	6,526,289	(1,653,812)
Other financing sources	1,541,636	1,553,300	11,664
Interfund transfers	<u>(11,143,583)</u>	<u>(13,075,033)</u>	<u>(1,931,450)</u>
Net change in fund balance	<u>\$ (1,421,846)</u>	<u>\$ (4,995,444)</u>	<u>\$ (3,573,598)</u>

In 2005, Clark County and the City of Vancouver terminated an interlocal agreement which dealt with shared revenue arrangements. This resulted in a budget decrease in tax revenues of \$5,469,731, and an increase in intergovernmental revenues of \$4,550,000. The remaining \$1.4 million increase in intergovernmental revenues covers \$0.8 million in public safety grants that were received in 2005, along with several smaller grants for projects such as habitat restoration, computer access to remote sites, and department of justice grants for training judicial officers. The \$3.9 million increase in other revenues includes three million dollars in charges for services and \$937,150 in miscellaneous revenues. An increase of \$2.6 million in charges for services is the result of an offender accountability inmate housing contract with the Washington State Department of Corrections. An additional \$240,000 increase in that category is due to a surcharge on recording, based on state legislation passed in 2005. Increases in the interest rate nationwide are the basis for an \$850,000 increase in miscellaneous income.

There was a total increase in the General Fund expenditure budget of three percent during 2005. Public safety expenditures account for 64% of the total dollar increases, while general

government programs account for 15%, judiciary programs account for 8%, and all other programs, combined, account for 13%. A listing of significant changes in the General Fund's expenditure budget follows:

- The Board of Commissioners approved a jail staffing and funding plan for \$2.6 million. The revenue to support this comes from the increase in charges and services from the Washington State Department of Corrections that was discussed in the revenue section above.
- Increases in the jail population, along with inflationary factors, resulted in a \$710,000 budget increase for food, water, and medical service expenditures for inmates.
- Other increases of \$554,909 in public safety programs include a remodel of the jail booking area and the purchase of 215 tasers, to provide officers with a less than lethal alternative.
- An upgrade to the County's financial management system resulted in a \$318,000 budget increase.
- The indigent defense budget was increased by \$300,000 in response to an ongoing increase in the number of cases that require these services.
- The budget was increased by \$500,000 to be used to purchase land to be used for little league baseball fields.
- An increase in the County's share of the Clark-Vancouver Cable Television office expenses resulted in a budget increase of \$224,000 for the 2005/2006 biennium.
- Technology improvements and rental expenditures accounted for a budget increase of approximately \$300,000.
- Additional habitat restoration (funded by a US Fish/Wildlife grant) and Historical Society support (supported by the surcharge on recording discussed in the revenue budget section above) account for an increase of \$367,170 in the expenditure budget.

Interfund transfers increased \$1.9 million, and were for one time expenditures and subsidies to other funds (generally to reduce debt or deficit within the receiving funds). A listing of significant items follows:

- \$600,000 was transferred to the Elections Fund to establish a level of financial stability.
- \$475,000 was transferred to the Tri Mountain Golf maintenance fund to cover short term debt service.
- \$213,000 in receivables that were collected to pay for Mental Health Fund court filing charges were transferred to the Mental Health Fund.
- When community services moved to the new Center for Community Health Building, \$180,000 was transferred to the Community Services Fund for a payout their previous lease contract.
- Other increases include transfers to help fund the financial management system upgrade (\$166,600), a professional services contract for a revision to the comprehensive growth management plan (\$100,000), and several smaller transfers.

## General Fund Budget to Actual

The County adopts a biennial budget, with 2005 being the first year of the current budget cycle. Because 2005 is the first year of the biennium, the variance between the final budget and the 2005 actual is difficult to analyze in depth. All comparisons in this section are made between the two year budget and twelve months of actual revenues and expenditures. Total revenues are 50.8% of the final revenue budget, while total expenditures are 47.5% of the final budget at December 31, 2005. Other financing sources (which account for less than 1% of the total budget funding) are at 43.7% of budget, while interfund transfers stand at 58.5% of the final budget (the one-time transfers are generally processed once the budget is in place). The following table shows the variance between the final 2005/2006 General Fund budget and the actual revenues and expenditures for the first twelve months of the budget.

*Clark County Washington*  
General Fund Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2005

	Final 2005/2006 Budget	Actual Biennium-To-Date	Variance Final Budget Positive/ (Negative)
<b>Revenues:</b>			
Taxes	\$ 139,078,364	\$ 73,945,391	\$ (65,132,973)
Intergovernmental	29,287,301	13,661,089	(15,626,212)
Other Revenues	50,002,118	23,247,857	(26,754,261)
Total revenues	<u>218,367,783</u>	<u>110,854,337</u>	<u>(107,513,446)</u>
<b>Expenditures</b>			
General government	70,892,670	30,958,252	39,934,418
Public safety	105,747,314	52,412,239	53,335,075
Judicial	25,007,200	12,596,430	12,410,770
All other expenditures	10,194,310	4,608,727	5,585,583
Total expenditures	<u>211,841,494</u>	<u>100,575,648</u>	<u>111,265,846</u>
Excess (deficiency) of revenues over expenditures	6,526,289	10,278,689	3,752,400
Other financing sources	1,553,300	678,165	(875,135)
Interfund transfers	(13,075,033)	(7,648,878)	5,426,155
Total other financing sources(uses)	<u>(11,521,733)</u>	<u>(6,970,713)</u>	<u>4,551,020</u>
Net change in fund balance	(4,995,444)	3,307,976	8,303,420
Fund Balance as of January 1	7,410,822	12,016,252	4,605,430
Prior Period Adjustment	0	189,432	189,432
Fund Balance as of January 1-restated	7,410,822	12,205,684	4,794,862
Fund balance as of December 31	<u>\$ 2,415,378</u>	<u>\$ 15,513,660</u>	<u>\$ 13,098,282</u>

Tax revenue (which accounts for 63.7% of the total revenue budget) ended the year at 53.2% of the biennial budget. Charges for services and intergovernmental revenue (which together account for 30% of the total revenue budget) each ended the year at slightly over 46% of their budget. Some of the budget increases (from the adopted budget, which were discussed in the prior section of this discussion and analysis) occurred in December of 2005. The revenue from some of those grants and fee changes will not be fully realized until the second year of the budget.

Of the three programs which make up 95% of the total expenditure budget (general government, public safety, and judicial) only the judicial program is at 50% of the budget, with the other two running under 50%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Clark County's total investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2005, is \$1.05 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, road and bridge subsystems, stormwater facilities, trails, and construction in progress on buildings and systems. Major capital asset events during the current fiscal year included the following:

- A variety of projects for new street construction and expansion of existing streets were ongoing during the year. Resources spent in 2005 on street projects completed in 2005 amounted to \$11.9 million, while another \$13.9 million was spent in 2005 on projects that will continue into 2006. Excess right of way land purchased through road projects, with a book value of \$2.3 million, was sold in 2005
- In 2003, construction began on a new center for community health, which will cost approximately \$38 million upon completion. The County spent \$20 million on this project in 2005, for a total of \$34.7 million spent to date.
- In 2005 a new exposition center at the county fairgrounds was completed. The County spent \$6.1 million on this project in 2005, for a total project cost of \$18.3 million.
- Vehicles, street equipment, and trailers were added to the fleet as either new equipment or replacements during the year, at a cost of \$1.5 million. Fleet equipment with a net depreciated value of \$149,542 was disposed of in 2005.
- Park acquisitions and improvements amounting to five million dollars were added in 2005.
- The Sanitary Sewer Fund began planning and engineering for the phase four expansion of the Salmon Creek Treatment Plant in 2003. Project costs in 2005 were \$5.6 million dollars, and included construction work on interceptor lines and pump station upgrades, as well as planning and engineering costs. The phase four expansion will continue for several years, and is expected to cost \$71 million at completion. All debt and cash outlay for the cost of the treatment plant is reimbursed by the City of Battle Ground and Clark Regional Wastewater District through an interlocal agreement.
- In 2005, urban residential roads were contributed by developers at a value of \$18 million. Land dedicated to stormwater facilities was contributed by developers in 2005 at a value of \$4.4 million.

Additional information on Clark County's capital assets can be found in note IV.D. of this report.

### **Long-Term Debt**

At December 31, 2005, Clark County had total bonded debt outstanding of \$178 million (a decrease from \$180.3 million at December 31, 2004 ). Governmental activities had bonds payable of \$151.2 million (down \$0.7 million from 2004), while business-type activities had \$26.8 million in bonds payable (a decrease of \$1.6 million from 2004). At this time, all bonds held for business type activities are revenue bonds (bonds secured solely by specified revenue sources). The bonds currently held for governmental activities are comprised of \$150.9 million in general obligation bonds and \$263,954 in special assessment debt (for which the County is liable in the event of default by the property owners subject to the assessment).

Of the \$30.3 million in new bonded debt in 2005, \$24.6 million was used to refund bonds and \$5.7 million is new debt. Bond retirements in 2005 were \$32.6 million (which included the refunded bonds). The County's remaining capacity for non-voted debt at December 31, 2005 was \$381 million (an increase from \$296 million at December 31, 2004). General obligation debt issued in 2005 was insured and had an "Aaa" rating from Moody's Investment Service. Clark County maintains an underlying rating for non-voted debt of "Aa3" from Moody's Investment Service. Additional information on the County's long-term debt can be found in note IV.H.

### Modified Approach for Reporting Infrastructure Assets

In 2003, the County elected to implement the "Modified Approach" for reporting road subsystems, stormwater subsystems, and bridge infrastructure, as defined by GASB Statement #34. Under GASB #34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The County manages the eligible infrastructure subsystems with:
  - an up-to-date inventory
  - current condition assessments that summarize the results using a measurement scale, in a manner that can be replicated, are done at least every three years
  - estimates of the annual expenditure amounts required to maintain and preserve the eligible infrastructure assets at the condition level that has been established and disclosed by the County.
  
- The County documents that the eligible infrastructure assets are being preserved approximately at, or above, a condition level that has been established and disclosed by the County.

Following is a table which shows the value of infrastructure assets being reported using the modified approach, and how their current assessed condition compares with the condition level established by the County:

**Infrastructure Assets Using the modified Approach**  
**Condition Assessment as of December 31, 2005**

	<i>Historical Cost</i>	<i>Accum. Depreciation as of 12/31/02</i>	<i>Net Cost</i>	<i>Average Assessment Value</i>			<i>Established Condition Level</i>
				<i>2003</i>	<i>2004</i>	<i>2005</i>	
Road Subsystem	478,769,278	16,553,296	462,215,982	85	85**	87	70
Stormwater Subsystem	51,089,202	4,260,384	46,828,818	87	87**	87**	70
Bridges Subsystem	13,045,842	-	13,045,842	73	74	74	50
Total	542,904,322	20,813,680	522,090,642				

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

\*\* Indicates that a complete assessment was not done during this period, and the rating applies to the last period for which a complete assessment was done

Each of the three infrastructure categories in the table above had an average assessed value well above the established condition level. This is the third year the County has reported under the modified approach. Road and stormwater subsystem condition assessments are done on a rotating basis, where a full assessment is completed over a three year cycle, at a minimum. All bridges are assessed every year.

Although condition assessments have not been documented for the entire road system in years prior to 2003, the County has used the pavement management system for several years, which

employs industry standard road condition criteria to evaluate each road segment and determine maintenance needs. Maintenance and preservation activities have been budgeted at sufficient levels to maintain the road condition to a level at or above the established standard. The County spent \$12.4 million for road system preservation and maintenance in 2005, or 92% of the annual budget of \$13.5 million.

Most of the County's bridges were built prior to 1980, and are not included in the listing of capital asset infrastructure, in accordance with the requirements of GASB Statement #34. However, all County owned bridges are monitored and assessed, and are included in the average assessment value for 2005. The County has employed detailed State mandated evaluation methodologies for several years in managing the bridge network, and the ratings are sent to the State and incorporated in a state-wide bridge inspection database. Maintenance activities are budgeted at sufficient levels to maintain the bridge condition to a level at or above the established standard. The County spent \$250,110 for bridge maintenance in 2005, or 79% of the annual budget of \$317,837. Repair for flood damage is one aspect which is considered in creating the annual budget. In 2005 there were no flooding events, so that portion of the budget was not spent.

The County's stormwater facilities are a recent addition to infrastructure assets, with more than 95% of the total system being added since 1996. Stormwater facilities consist mainly of holding ponds, and are commonly earthen in construction with no moving parts or non-earthen structural layers. A few facilities include some rugged construction, generally consisting of cinderblock retention walls. The stormwater facilities are intended to collect water and allow it to seep into the ground over time. There is very little maintenance or preservation activity required for this subsystem, when compared to the investment in the subsystem. The County spent \$304,626 for stormwater maintenance in 2005, exceeding of the annual budget of \$296,415. Stormwater facilities maintenance is performed by road maintenance personnel, who are reimbursed for this work by the Clean Water Fund. Both funds had budget capacity available from other activities where the budget exceeded actual expense, allowing for the extra expense on stormwater maintenance.

## **ECONOMIC FACTORS**

There have been a series of voter initiatives over the last several years, as well as both State of Washington and Federal legal changes that will have an impact on future finances of the County. A listing of legislative conditions and decisions that may significantly affect the future financial condition of the County follows:

- Initiative 747 which was approved by voters in Washington on November 6, 2001, limits the annual property tax increase to 1% or the Implicit Price Deflator (IPD), whichever is less. An increase above 1% is allowed only with voter approval. The 1% limit excludes increases due to the addition of new construction.
- Senate Bill 6211 took effect in 1997. This bill allows counties to recoup costs for regional services for misdemeanor offenders. This includes the costs associated with District Court, Corrections, and Jail Services. In 2005, the County recouped about \$4.9 million.
- In November 1999, the voters in Washington approved Initiative 695, which eliminated the annual motor vehicle excise tax and replaced it with a \$30 annual fee on motor vehicles. As a result, a portion of funding the County receives from the State for law and justice services was reduced by approximately \$3.1 million. The County has received partial funding of approximately one million dollars annually since 2000.

- The listing of several species of salmon and steelhead under the Endangered Species Act has monetary impact on the County. Ordinance revisions and changes in ongoing operations to protect fish and habitat have an associated expense. To date, restoration projects have been funded both by county contributions and outside revenues.
- Requirements of the National Pollutant Discharge Elimination System (NPDES) permit are expected to cost \$12 million for stormwater management over the next several years, to help stop the discharge of pollutants into our lakes, streams and aquifers. Funding for this stormwater system comes from user fees that began in 2000.
- In 2005, voters approved the creation of a Metropolitan Park District in the unincorporated urban growth area of Vancouver, which allows for a general tax levy of up to \$0.27 per thousand dollars of assessed valuation to finance urban park and trail maintenance funding. Impact Fees dedicated to parks development have been accumulating until a source of maintenance funding could be found. With the approval of the MPD, parks development will be able to proceed at a significant rate.
- In 2005, statewide voters rejected a repeal of gas tax increases which were enacted in 2005 for transportation improvements. The transportation improvement plan which the legislature passed (and the public upheld) releases several million dollars slated for improvements to state highways and interchanges located in Clark County, which will encourage further economic development within the County.
- In 2005, voters approved a 0.2 percent increase in the sales and use tax to provide long term financing to maintain and enhance public transportation in the Clark County Public Transportation Benefit Area Authority (C-Tran).

There have been several developments in 2005 that support continued economic growth, including: the creation of a Tourism Promotion Area financed by a two dollars per night room charge; the completion of an exhibit hall at the County fairgrounds; the opening of a conference center and associated hotel in downtown Vancouver; the opening of a 220 bed hospital by Legacy Health Systems; and the recent availability of 29 acres of riverfront property in Vancouver for mixed use development.

### **Requests for Information**

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