



**2016
Third
Quarter
Financial
Report**

Jack Louws, County Executive

Compiled and Presented by the
Administrative Services Department
Finance Division

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November 9, 2016

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Executive Summary

The following information presents Whatcom County's third quarter 2016 financial report. At the end of the third quarter of 2016 General Fund collected 66.24% of its budgeted revenues. Whatcom County's General Fund spent 69.52% of its budgeted expenditures. Both amounts are in line with prior year experience and projections.

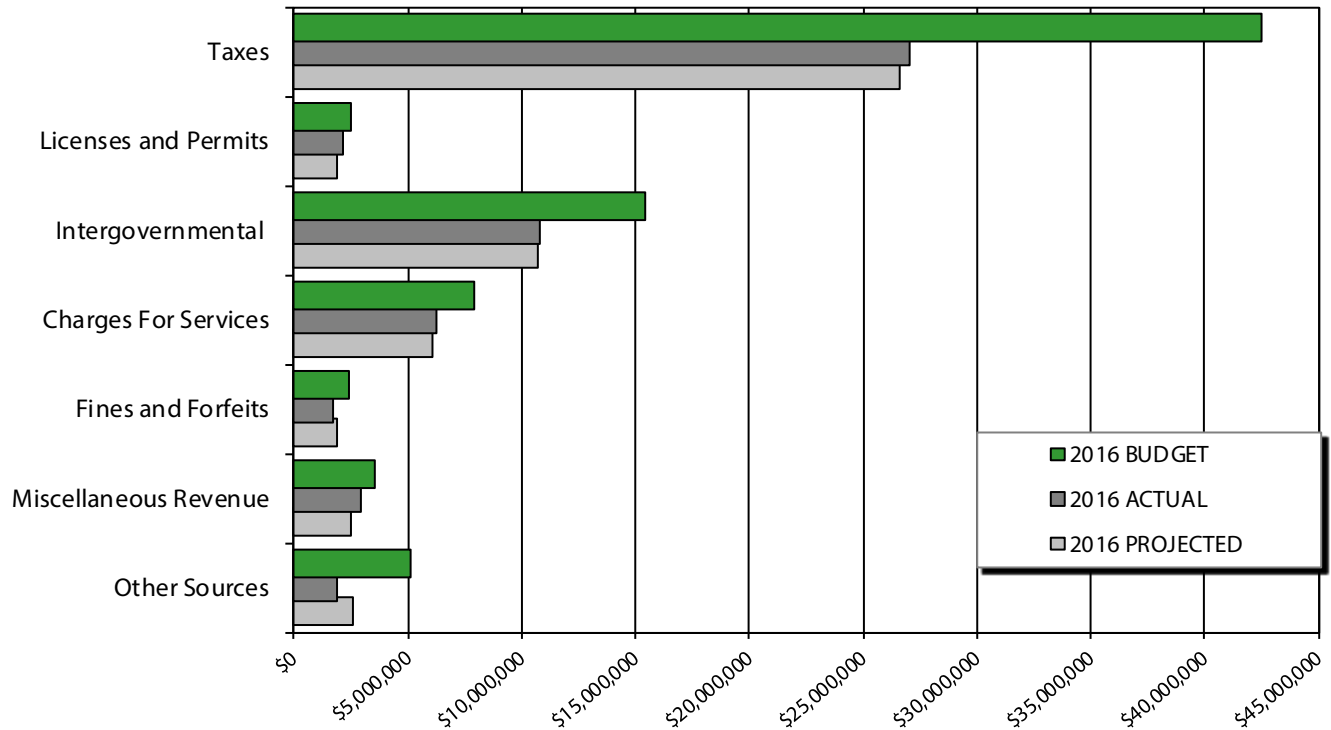
The estimated 2016 adjusted General Fund ending fund balance is projected to be approximately \$17 million.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Revenue - Budget vs. Actual



	2016 Budget Adopted	2016 Budget Supp'ls	2016 Budget Amended	Actual as of 9/30/2016	% Collected To Date	Projected as of 9/30/2016
Taxes	41,873,536	625,000	42,498,536	27,030,362	63.60%	26,573,386
Licenses and Permits	2,506,844		2,506,844	2,147,277	85.66%	1,908,136
Intergovernmental	13,518,121	1,899,854	15,417,975	10,780,413	69.92%	10,740,138
Charges For Services	9,463,143	(1,533,560)	7,929,583	6,204,983	78.25%	6,037,555
Fines and Forfeits	2,420,700		2,420,700	1,706,326	70.49%	1,863,571
Miscellaneous Revenue	3,446,965	71,807	3,518,772	2,890,225	82.14%	2,502,858
Other Sources	3,272,874	1,881,146	5,154,020	1,863,461	36.16%	2,581,195
Total Revenue	76,502,183	2,944,247	79,446,430	52,623,047	66.24%	52,206,839

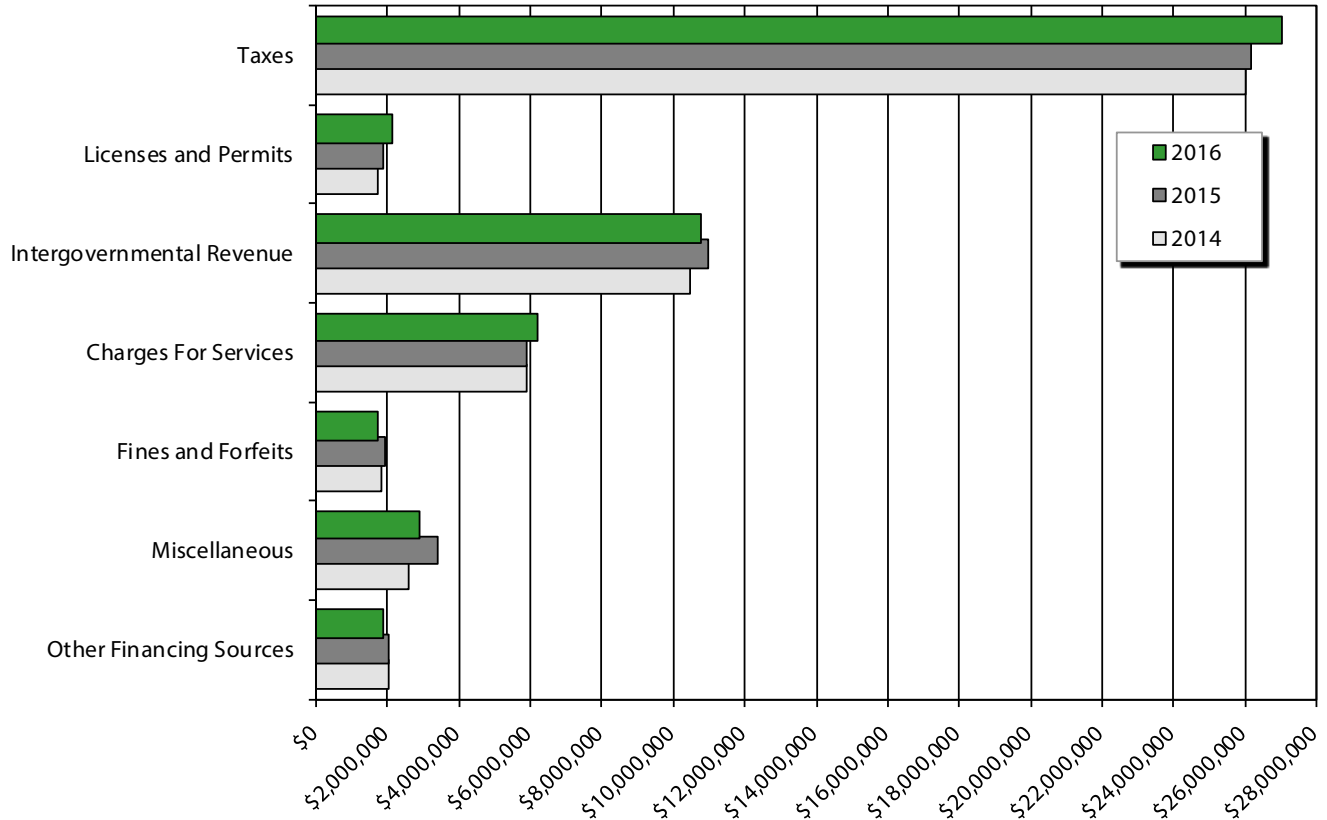
See pages 4 and 5 for General Fund Revenue Notes.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Revenue to Date - Compared to Prior Years



	2014	2015	2016
Taxes	26,023,020	26,176,828	27,030,362
Licenses and Permits	1,717,696	1,877,628	2,147,277
Intergovernmental Revenue	10,470,205	10,964,113	10,780,413
Charges For Services	5,911,440	5,895,551	6,204,983
Fines and Forfeits	1,817,971	1,950,686	1,706,326
Miscellaneous	2,567,612	3,378,882	2,890,225
Other Financing Sources	2,033,171	2,048,434	1,863,461
Total Revenue	50,541,115	52,292,122	52,623,047

See pages 4 and 5 for General Fund Revenue Notes.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Revenue Notes

Taxes

Property tax and retail sales tax make up 99% of Whatcom County's tax revenue budget.

Tax revenues are \$853,533 more than third quarter 2015 amounts. Current year sales tax collections are up 4.8%, or \$472,230, as compared to collections from last year. Property tax collections increased \$425,301 over last year. The increase is due to new construction and timing of when taxpayers make payments. Forest excise taxes decreased \$43,800 year-to-date.

Licenses & Permits

Building permits account for 48% of "Licenses & Permits" budgets. Health Department restaurant, food-handling, on-site septic and other miscellaneous health-related licenses and permits make up 47% of the budgets. Marriage licenses, firearms permits and fire control permits account for the remaining 5%.

License and Permit Fees are \$269,648, or 14.4%, more than amounts collected during the first three quarters of 2015. Building permit fees are \$77,397 (7.6%) more than 2015 levels, business related licenses are up \$72,308 (12.6%), on-site sewage applications are up \$80,255 (39%), and firearms permits are up \$33,447 (63%).

Intergovernmental Revenue

Intergovernmental Revenues are mainly federal and state grants, entitlements and shared revenues.

The revenues collected as of September 30th were \$183,701, or 1.7%, less than 2015. Most of the decrease is due to transfer of federally funded substance abuse grant contracts from the Health Department to the regional North Sound Behavioral Health Organization. There has also been a reclassification, between 2015 and 2016, of Medicaid admin funding from the Intergovernmental Revenue category to Charges for Service below. On the plus side, the County received \$204,630 more in federal payment in lieu of taxes this year which offsets some of the reductions.

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), fees charged to other governments for probation and law enforcement-related services and several other miscellaneous service fees that help cover the costs of providing specific services used by individual customers.

Overall, Charges for Services increased \$309,436, or 5.25%. Almost all of this is due to reclassification of Medicaid admin funding from Intergovernmental Revenues in 2015 to Charges for Service revenue in 2016.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Revenue Notes, continued

Fines and Forfeits

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

Fines and Forfeits revenues have decreased \$244,358, or 12.5%, under 2015 amounts. Traffic infraction revenues decreased \$162,181, or 18.7%, due to a decrease in tickets being issued. Delinquent property tax related penalties are down \$42,771, or 7.2%, due to better current property tax collection rates in recent years. Other court related fines and penalties are also down due to a state requirement that judges take indigence into consideration when awarding judgments.

Miscellaneous

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

Miscellaneous revenues appear to be down \$488,654 below 2015 levels. This is due to \$662,347 of current expense allocation revenue which was recorded as Miscellaneous Revenue in 2015 but reclassified to Other Financing Sources by year-end in accordance with state Budget, Accounting and Recording System (BARS) changes. After taking that change into consideration, miscellaneous revenues are actually up \$173,693, chiefly because of increased investment earnings.

Other Financing Sources

The "Other Financing Sources" revenue budget is composed of state timber revenues (7%) and transfers from other Whatcom County funds (93%).

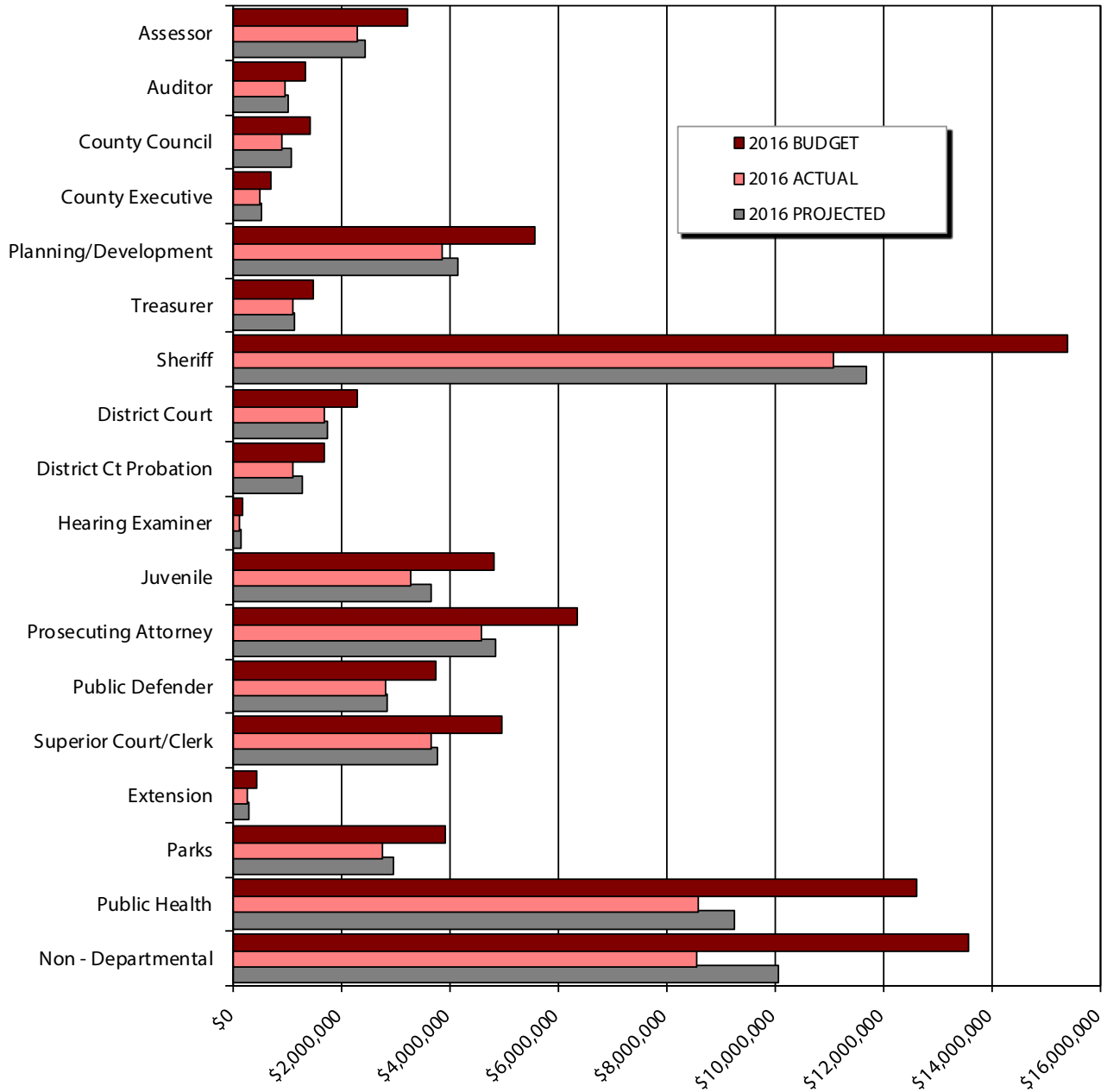
The Other Financing Sources category is about \$185,000 below 2015 levels without adjusting for the current expense allocation revenue mentioned above, which was reclassified from Miscellaneous Revenue to this category later in 2015. A \$1,000,000 transfer from the REET Fund to the Parks Department made the beginning of 2015 has not been transferred yet this year. The 2016 transfer will be made by year-end. Timber sales revenue is also \$144,000 below 2015 amounts. Timber revenues fluctuate based on harvest plans and market conditions.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Expenditures - Budget vs. Actual



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

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Expenditures - Budget vs. Actual

	Adopted 2016 Budget	Budget Suppl's	Amended Budget	Actual as of 9/30/16	% Expended To Date	Projected as of 9/30/16
Assessor	2,920,622	325,423	3,246,045	2,297,678	70.78%	2,462,599
Auditor	1,312,399	27,110	1,339,509	983,722	73.44%	1,018,383
County Council	1,139,265	296,539	1,435,804	906,166	63.11%	1,076,215
County Executive	706,898	12,856	719,754	510,411	70.91%	550,057
Planning & Development	5,203,234	363,198	5,566,432	3,876,744	69.65%	4,161,521
Treasurer	1,439,383	48,377	1,487,760	1,109,853	74.60%	1,155,746
Sheriff	14,242,438	1,154,422	15,396,860	11,092,754	72.05%	11,697,632
District Court	2,179,738	132,413	2,312,151	1,685,125	72.88%	1,751,420
District Court Probation	1,609,756	82,151	1,691,907	1,112,915	65.78%	1,287,981
Hearing Examiner	188,958	4,670	193,628	144,843	74.80%	145,046
Juvenile	4,691,221	130,339	4,821,560	3,301,930	68.48%	3,673,580
Prosecuting Attorney	6,025,441	334,904	6,360,345	4,603,753	72.38%	4,857,971
Public Defender	3,654,165	102,922	3,757,087	2,832,820	75.40%	2,868,539
Superior Court/Clerk	4,766,243	209,967	4,976,210	3,667,379	73.70%	3,792,742
Extension	440,203	8,831	449,034	269,567	60.03%	300,286
Park	3,845,152	85,717	3,930,869	2,775,413	70.61%	2,963,030
Public Health	11,596,064	1,034,578	12,630,642	8,605,425	68.13%	9,267,505
Non - Departmental	13,846,582	(267,728)	13,578,854	8,550,872	62.97%	10,059,442
Total General Fund Exp	79,807,762	4,086,689	83,894,451	58,327,370	69.52%	63,089,695

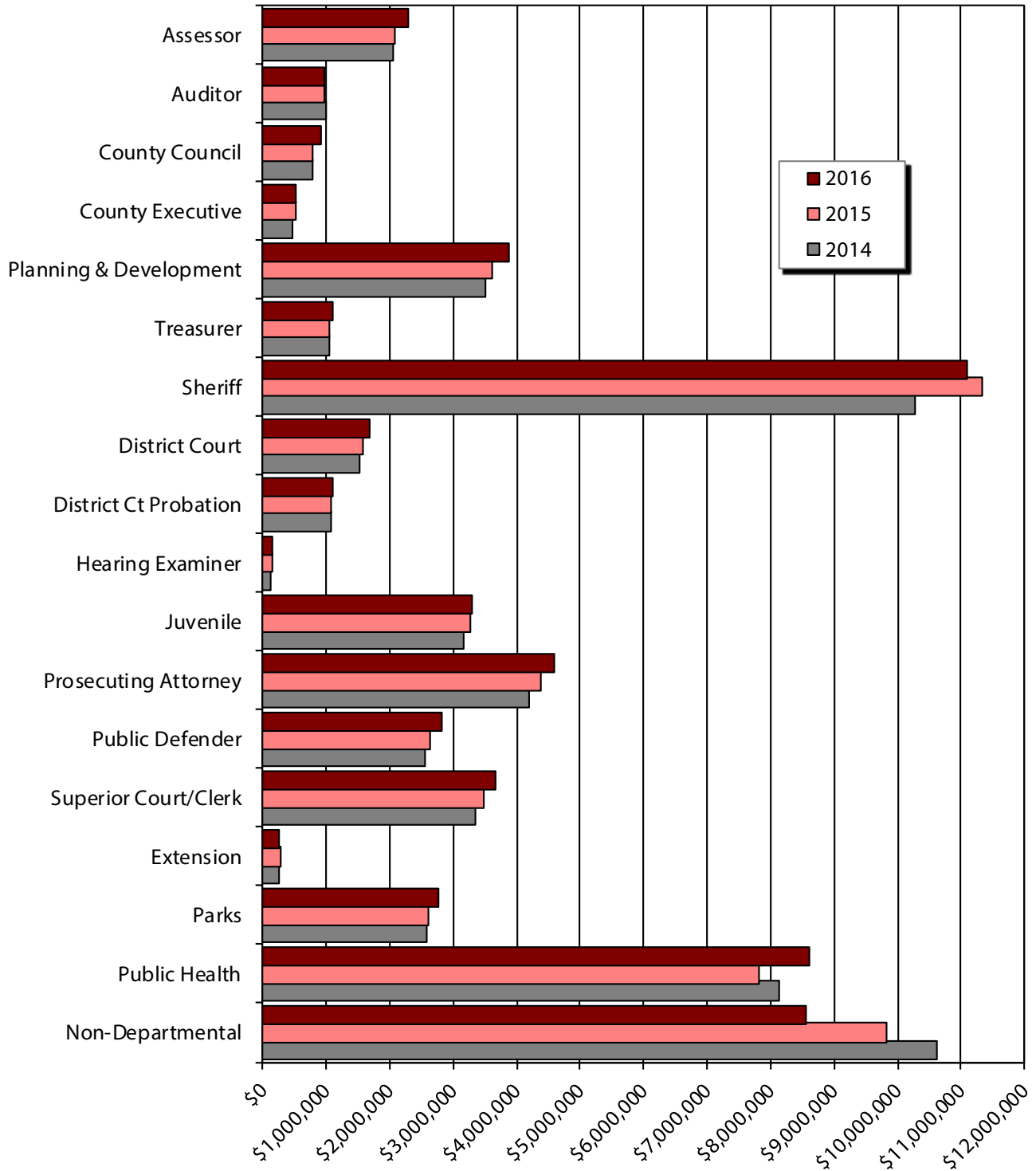
See page 9 for General Fund Expenditure Notes.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Expenditures - Compared to Prior Years



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

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Expenditures - Compared to Prior Years

	2014	2015	2016
Assessor	2,060,585	2,079,981	2,297,678
Auditor	1,006,221	964,069	983,722
County Council	788,411	788,829	906,166
County Executive	472,133	532,380	510,411
Planning & Development	3,501,264	3,615,279	3,876,744
Treasurer	1,050,598	1,062,589	1,109,853
Sheriff	10,274,428	11,336,371	11,092,754
District Court	1,538,462	1,582,768	1,685,125
District Ct Probation	1,072,493	1,067,049	1,112,915
Hearing Examiner	137,753	141,696	144,843
Juvenile	3,175,072	3,265,254	3,301,930
Prosecuting Attorney	4,208,182	4,377,027	4,603,753
Public Defender	2,551,482	2,642,611	2,832,820
Superior Court /Clerk	3,348,554	3,491,463	3,667,379
Extension	262,669	275,633	269,567
Parks	2,594,059	2,604,939	2,775,413
Public Health	8,130,415	7,815,844	8,605,425
Non-Departmental	10,615,287	9,827,550	8,550,872
TOTAL	56,788,068	57,471,332	58,327,370

General Fund Expenditure Notes

Expenditures for the General Fund, at the end of the third quarter, were at 69.52% of the approved budget. All departmental spending was within budget expectations.

Health Department spending increased \$790,000 above third quarter 2015 levels; most of that increase is in the wage and benefit categories. In addition to pay increases, Health had several vacancies in senior positions in 2015 due to retirements and managerial turnover. Most vacancies are now filled, as well as adding three new positions in 2015 and the beginning of 2016.

Non-Departmental expenditures decreased by \$1.3 million under third quarter 2015. Three transfers to capital project funds to fund new jail planning costs, criminal justice case management systems and the integrated land records/permit system software project were included in 2015 expenditures.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



General Fund Conclusion

	Projected
Beginning Fund Balance 1/1/16	15,333,393
Revenues	
Budgeted Revenues 2016	76,502,183
Increased Revenue Estimates	880,000
Continuing Appropriations from 2015	808,687
Supplemental Budgets 2016	2,135,560
Total Revenue	80,326,430
Expenditures	
Budgeted Expenditures 2016	79,807,762
Continuing Appropriations from 2015	1,118,794
Supplemental Budgets 2016	2,967,895
Total Expenditures	83,894,451
Adjusted Surplus (Deficit)	(3,568,021)
Other Considerations	
Estimated Budget Lapse	3,383,667
Projected Ending Fund Balance 12/31/16	15,149,039
Interfund Loan Adjustment¹	1,860,083
Adjusted Fund Balance 12/31/16	17,009,122

Note:

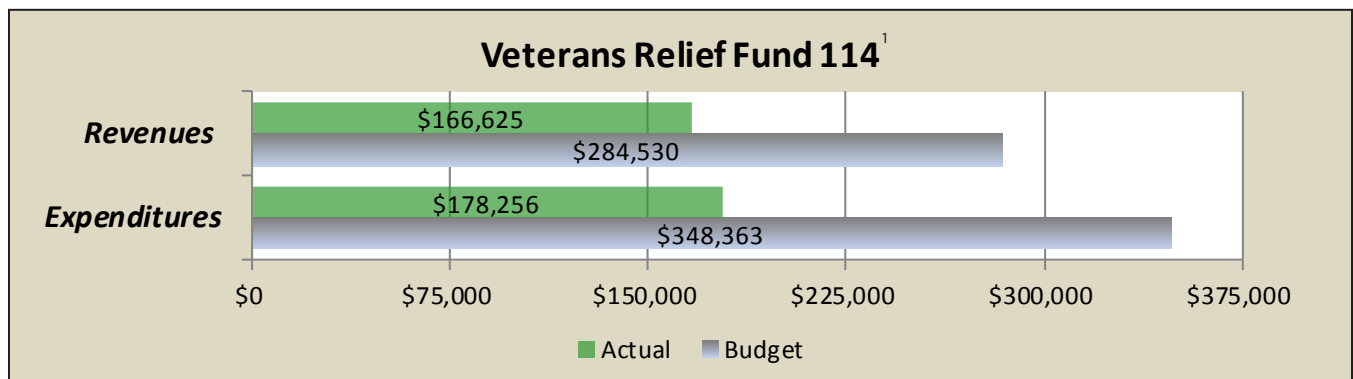
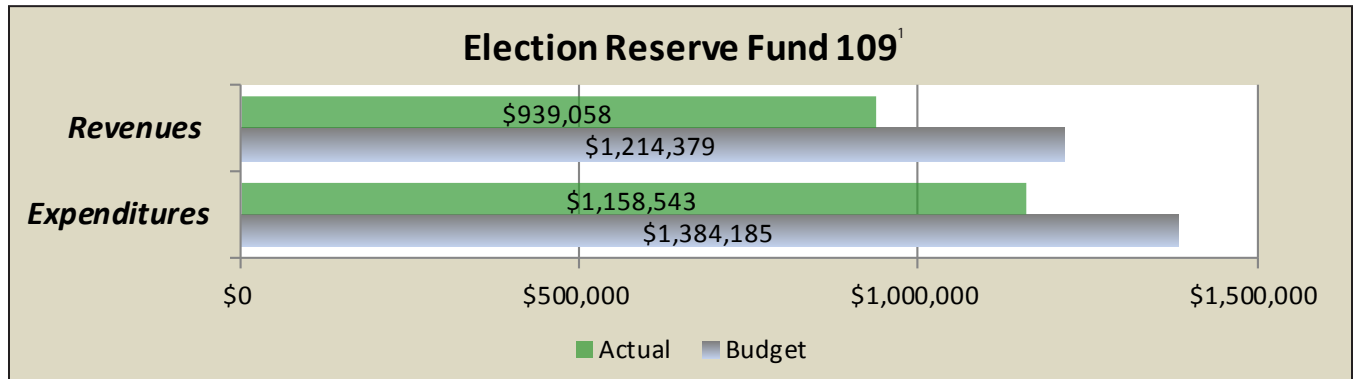
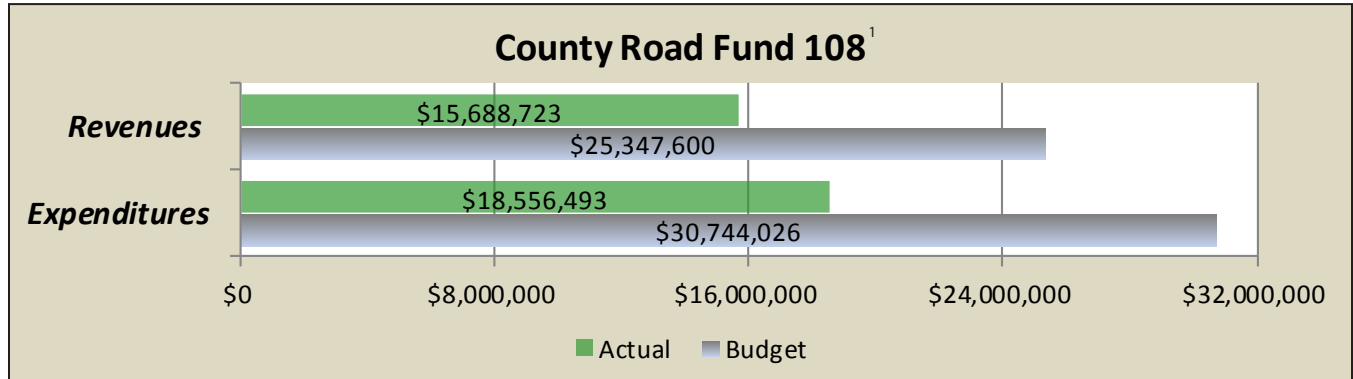
¹ Accounting for interfund loans used to finance the Central Plaza Building purchase, the Assessor-Treasurer System, and the general fund transfer to fund the Sheriff-Jail Records Management System in accordance with generally accepted accounting principles has the effect of artificially reducing the fund balance. This happens because the capital purchases and transfers 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.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds



Note:

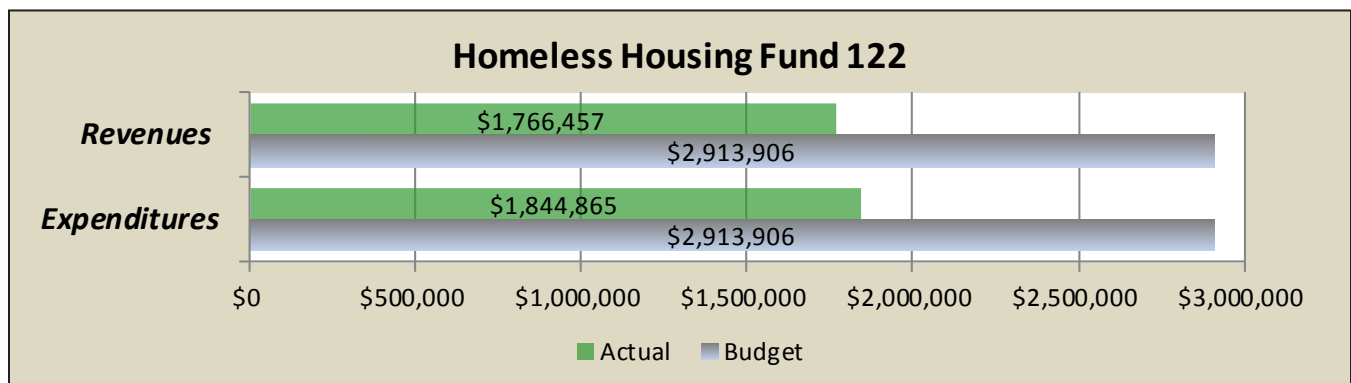
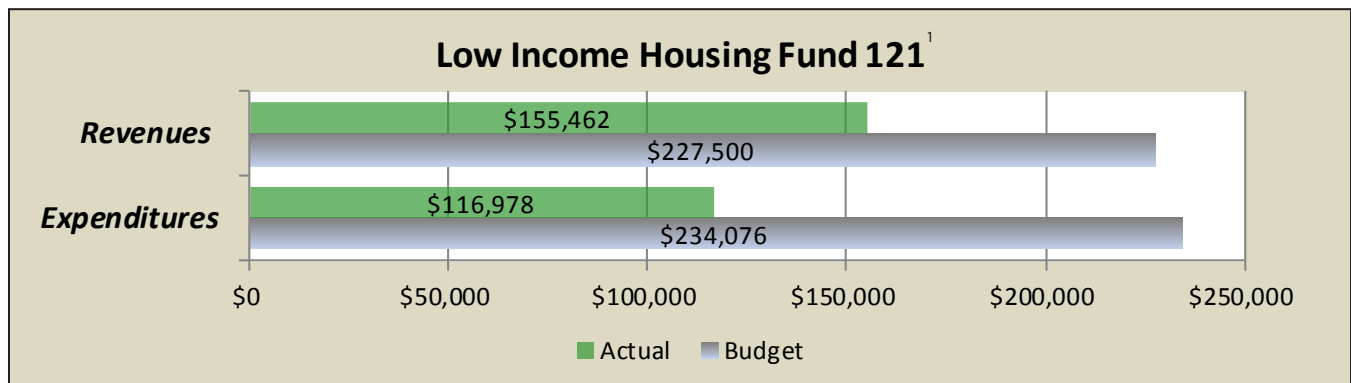
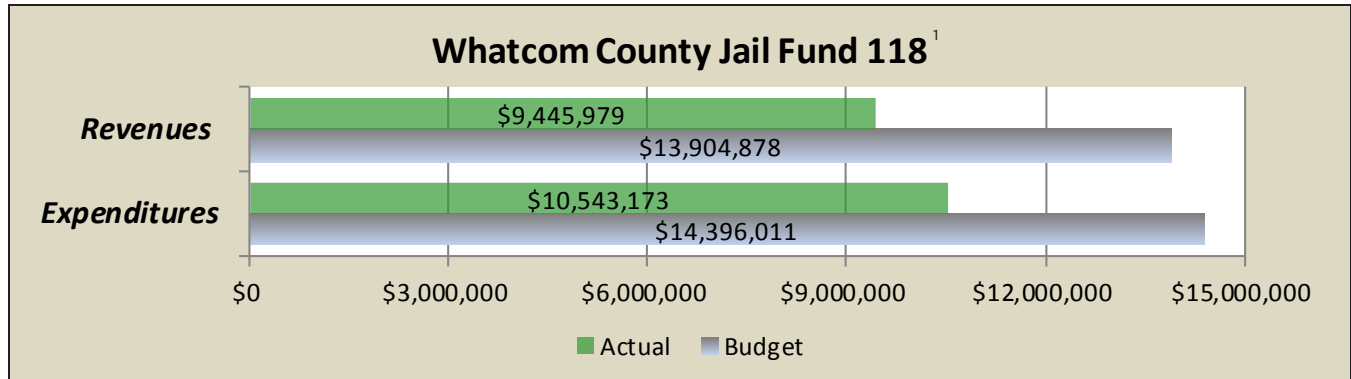
¹ Funds with larger expenditure budgets than revenue budgets anticipate adequate budget lapse or use of fund equity reserves.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds, continued



Note:

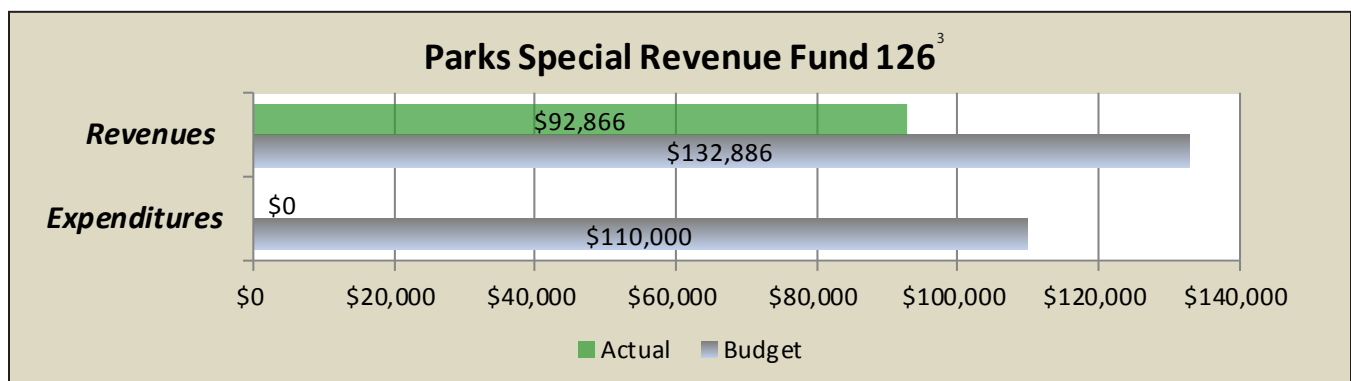
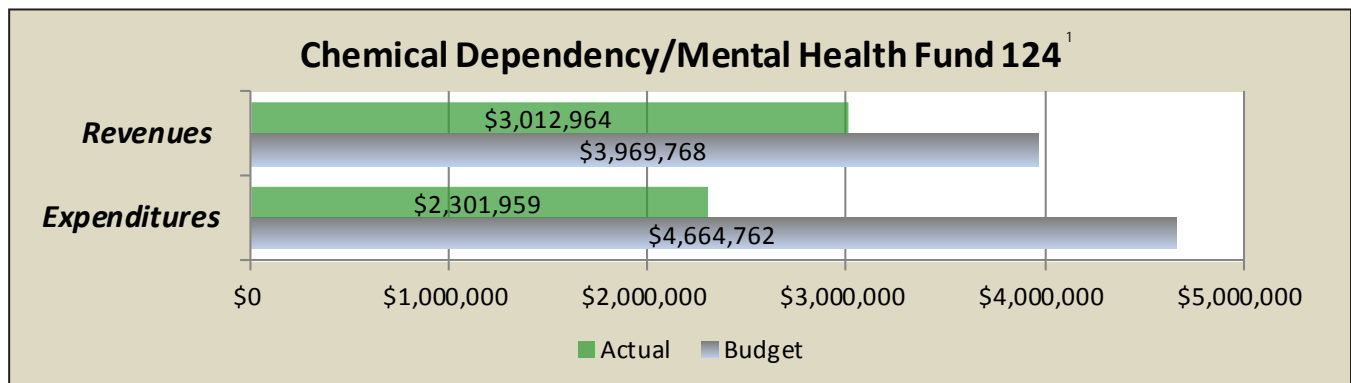
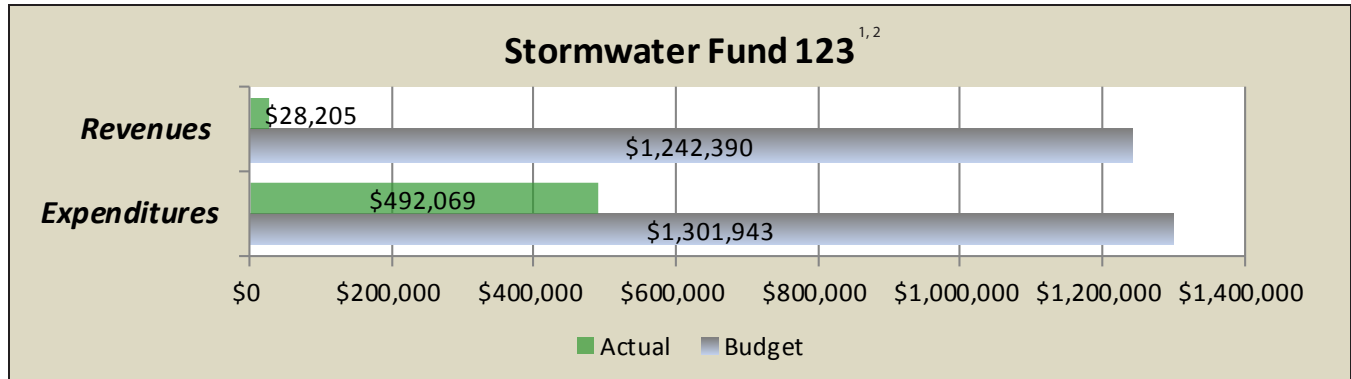
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Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds, continued



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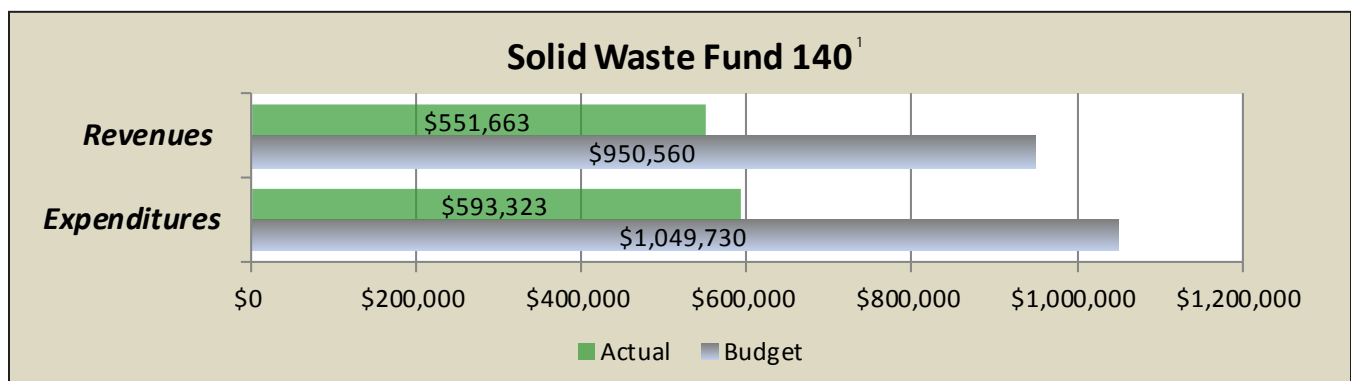
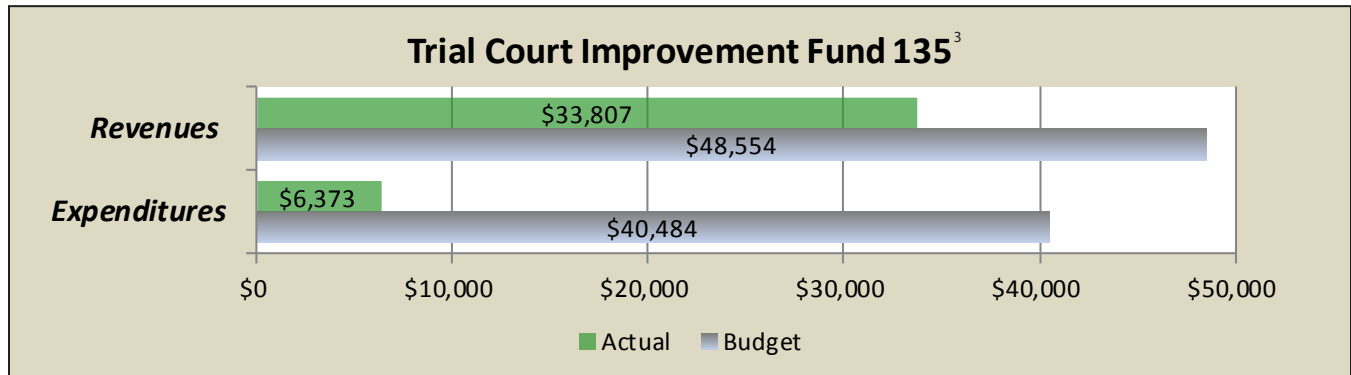
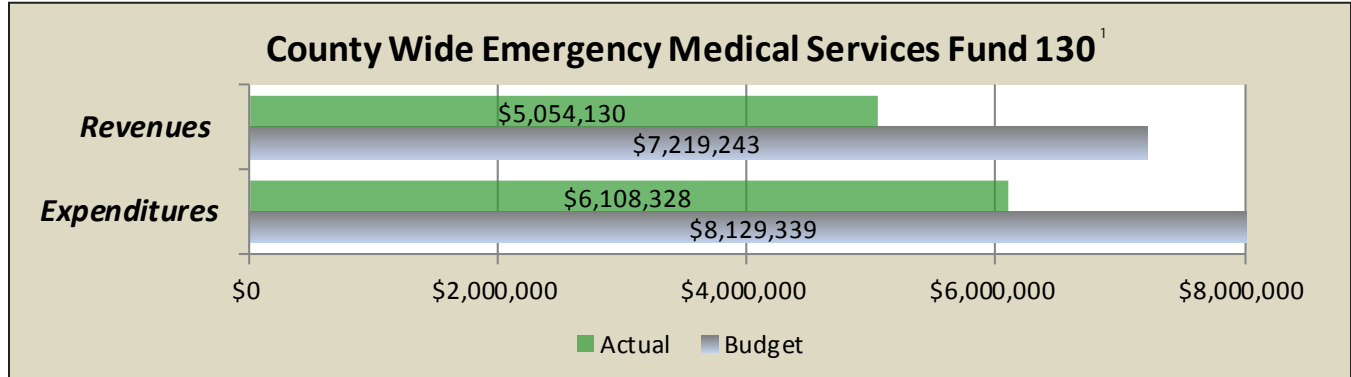
- ¹ Funds with larger expenditure budgets than revenue budgets anticipate adequate budget lapse or use of fund equity reserves.
- ² Stormwater Fund will receive its annual transfer from Flood to cover operating costs during the fourth quarter.
- ³ This fund makes most of its expenditures in the fourth quarter by making transfers to reimburse operating costs in other funds..

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds, continued



Notes:

¹ Funds with larger expenditure budgets than revenue budgets anticipate using fund equity reserves.

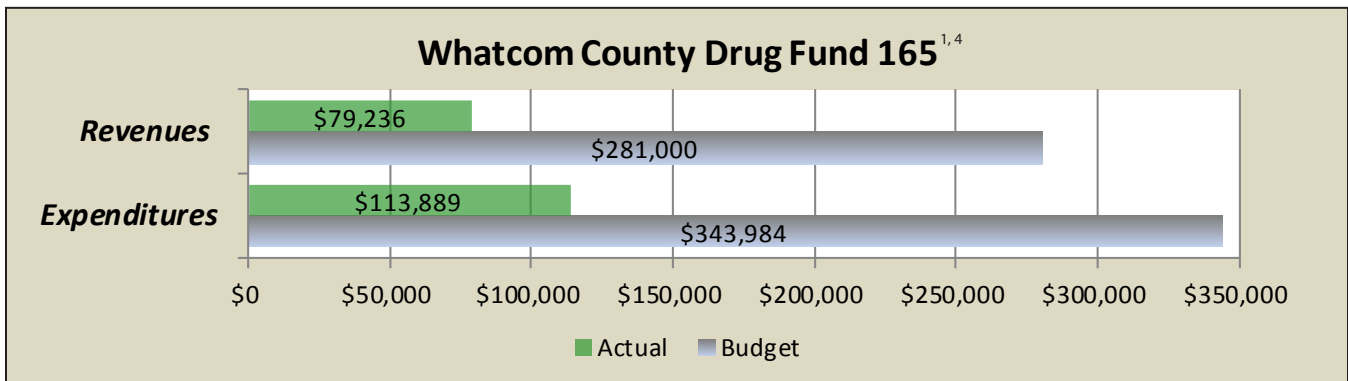
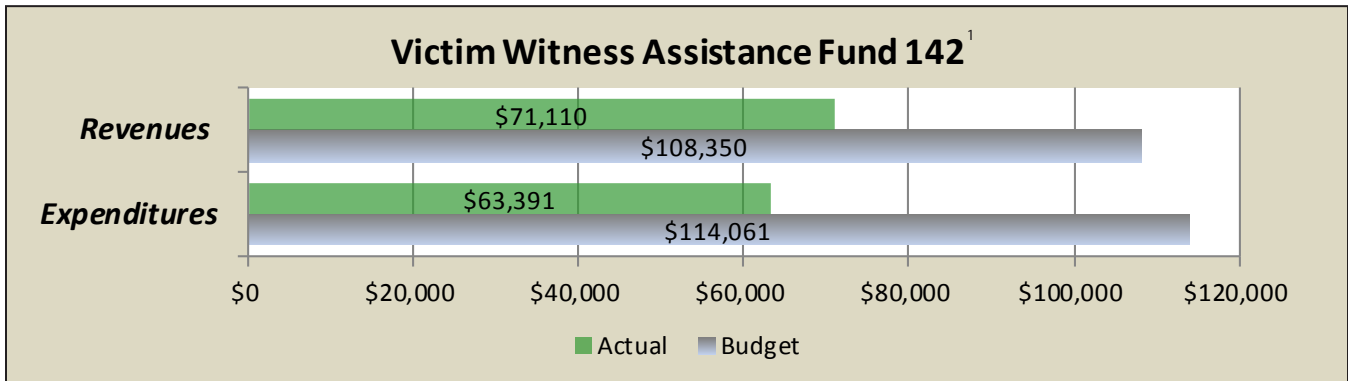
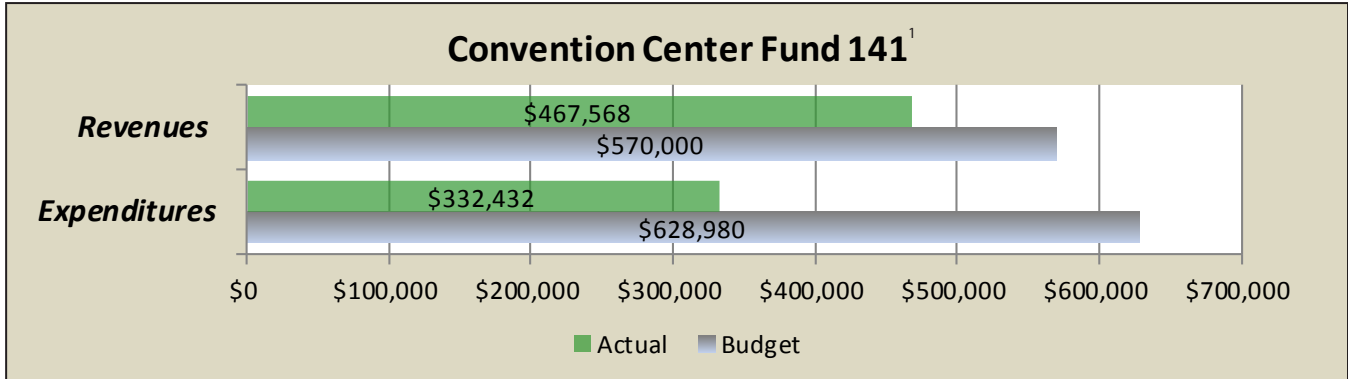
³ This fund makes most of its expenditures in the fourth quarter by making transfers to reimburse operating costs in other funds..

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds, continued



Notes:

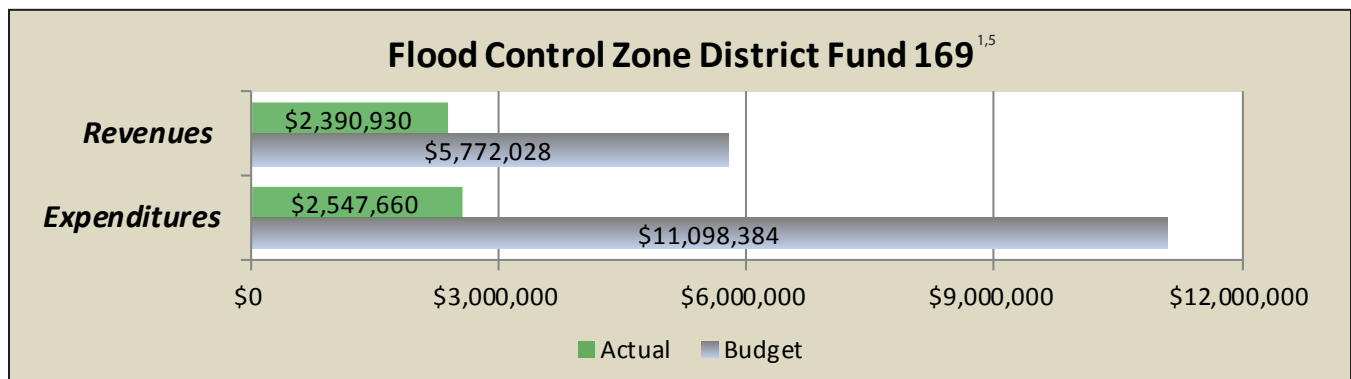
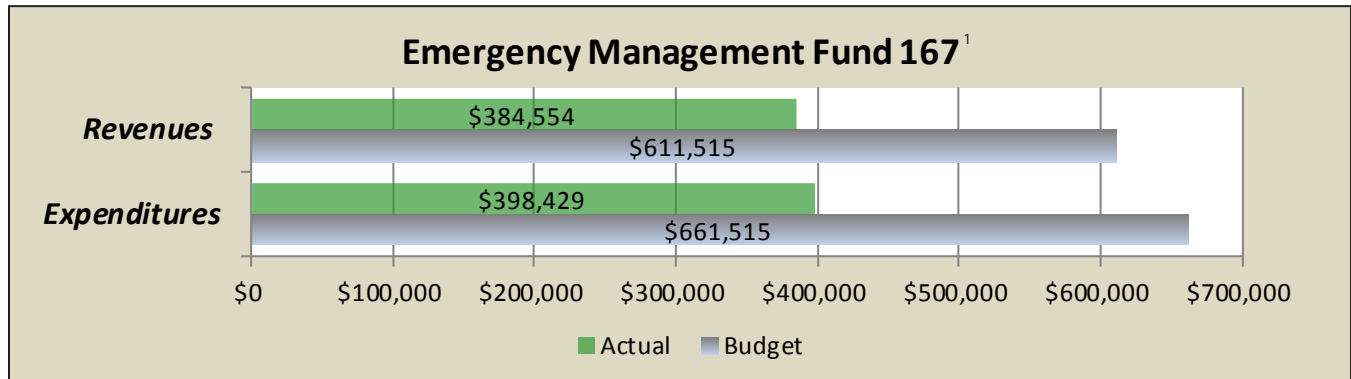
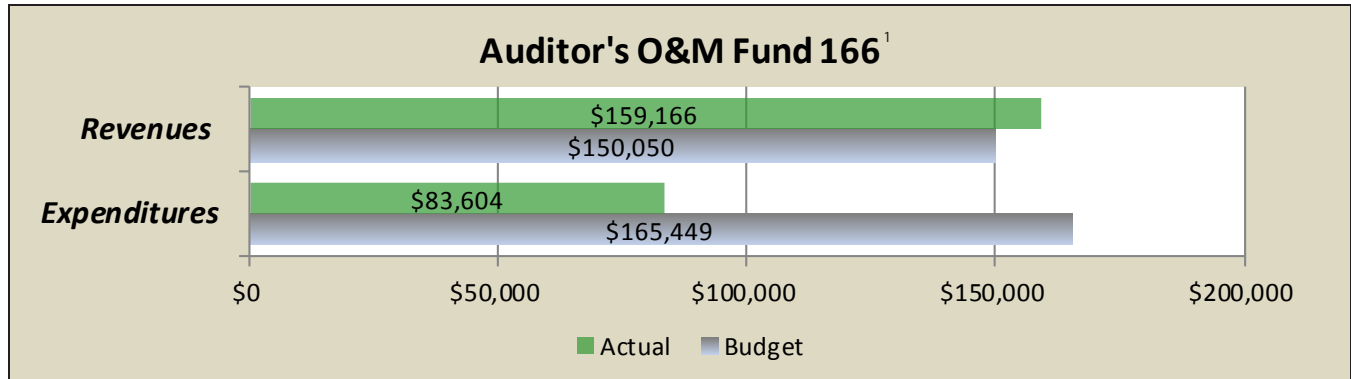
- ¹ Funds with larger expenditure budgets than revenue budgets anticipate using fund equity reserves.
- ⁴ Drug Fund revenue is dependent on seizure activity and proceed sharing with other agencies. Therefore, revenue is unpredictable. The Fund's ability to incur expenditures is also dependent on receipt of seizure revenues.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds, continued



Notes:

¹ Funds with larger expenditure budgets than revenue budgets anticipate using fund equity reserves.

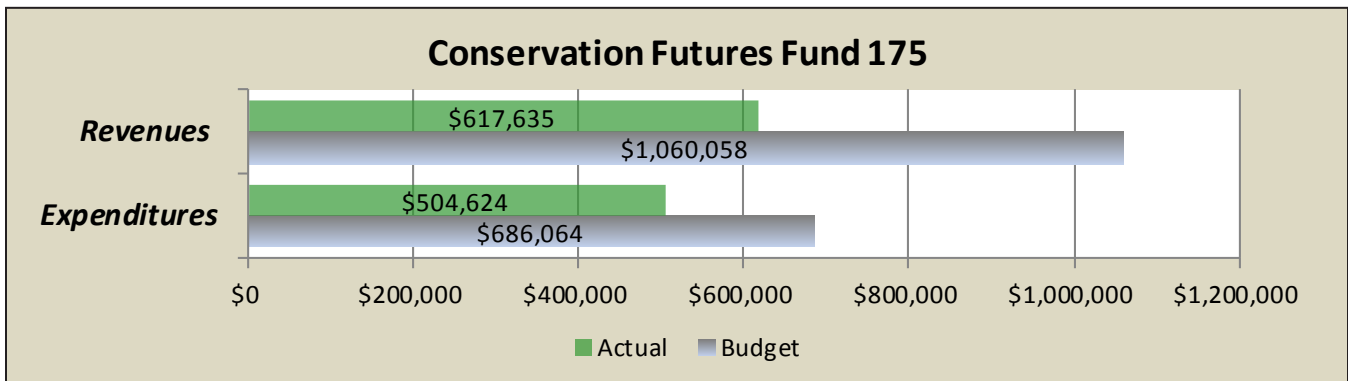
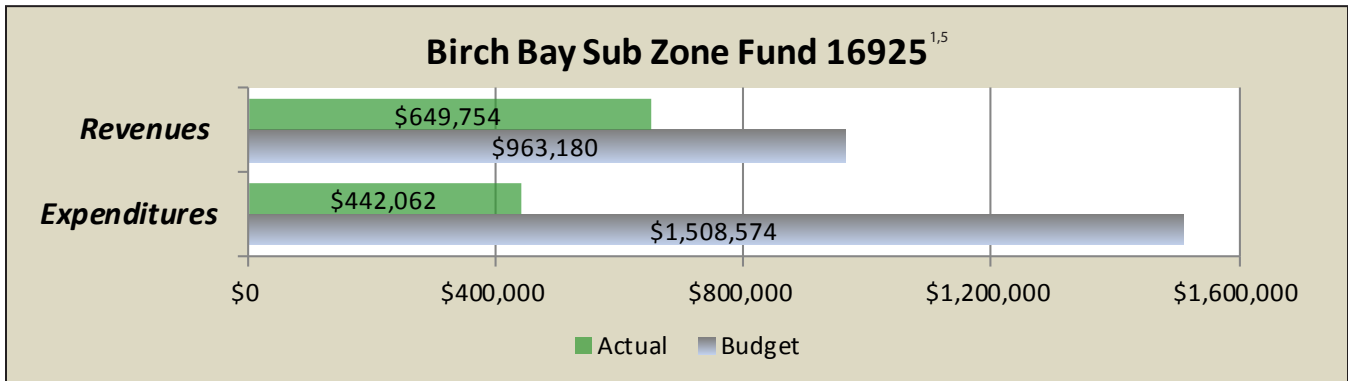
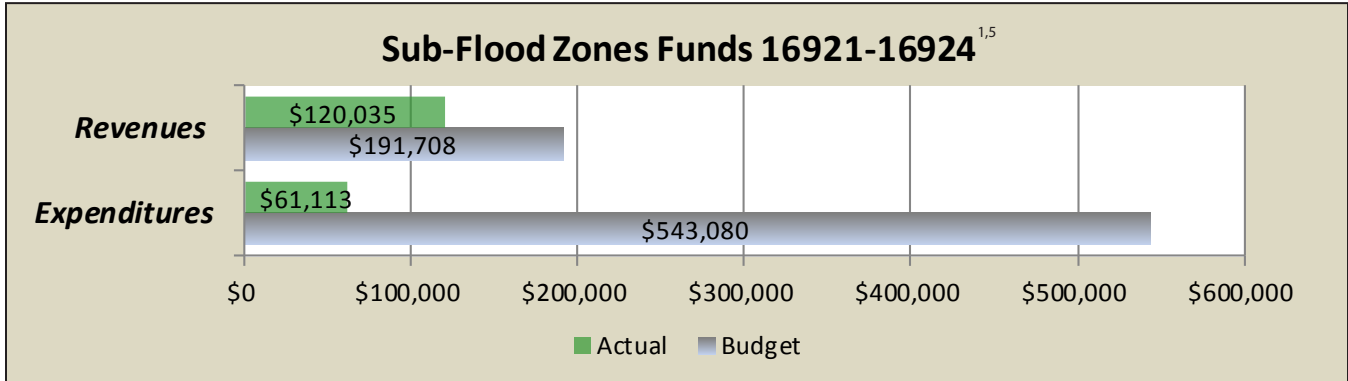
⁵ Flood and Sub Zones expenditures are project driven which are dependent on factors such as permitting, fish windows, and state funding.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Special Revenue Funds and Other Funds, continued



Notes:

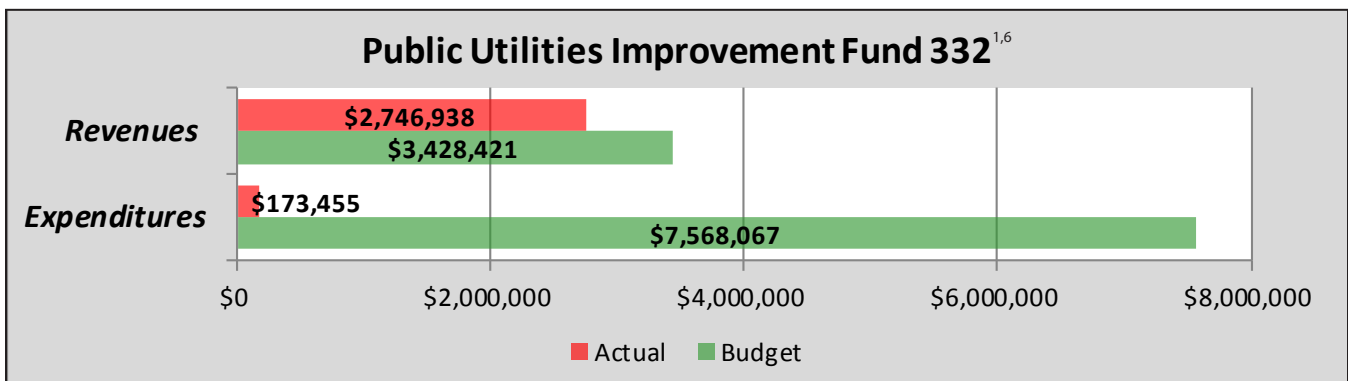
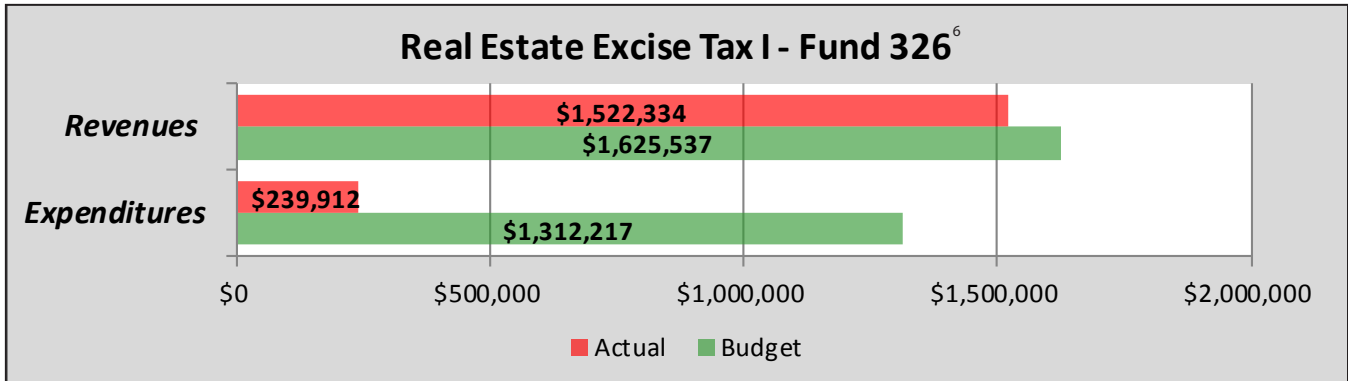
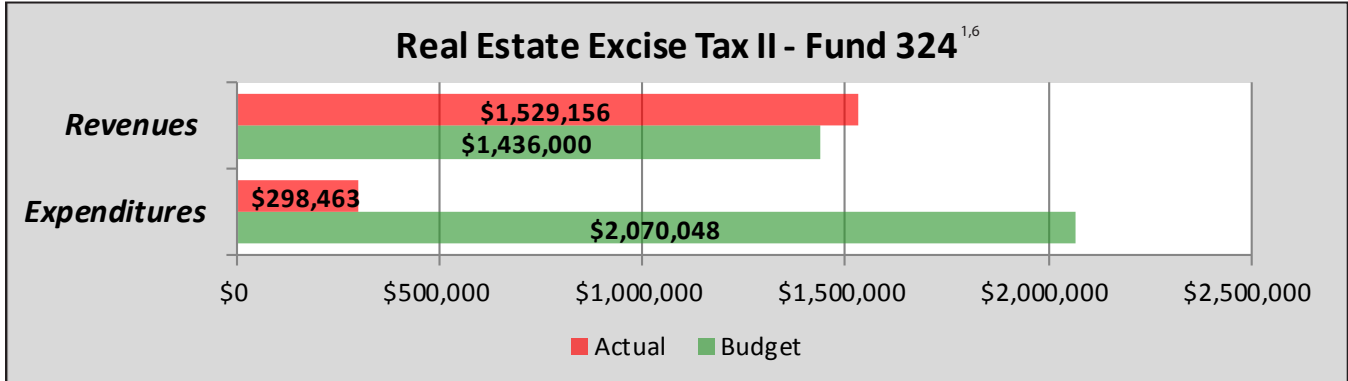
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Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Capital Project Funds



Notes:

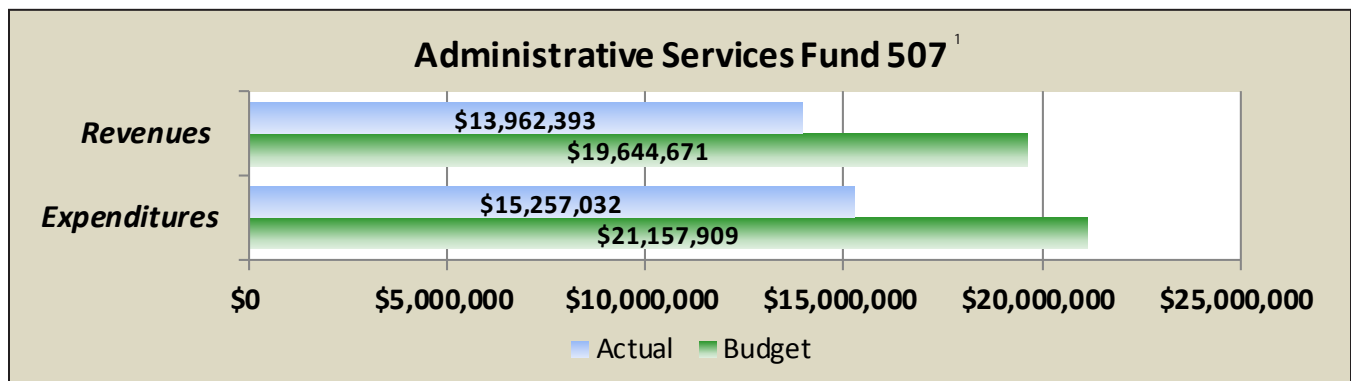
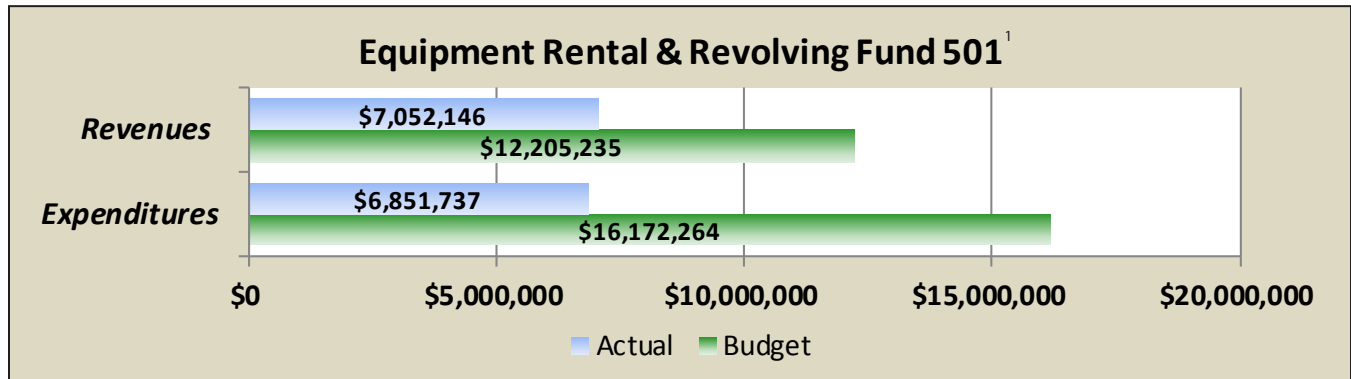
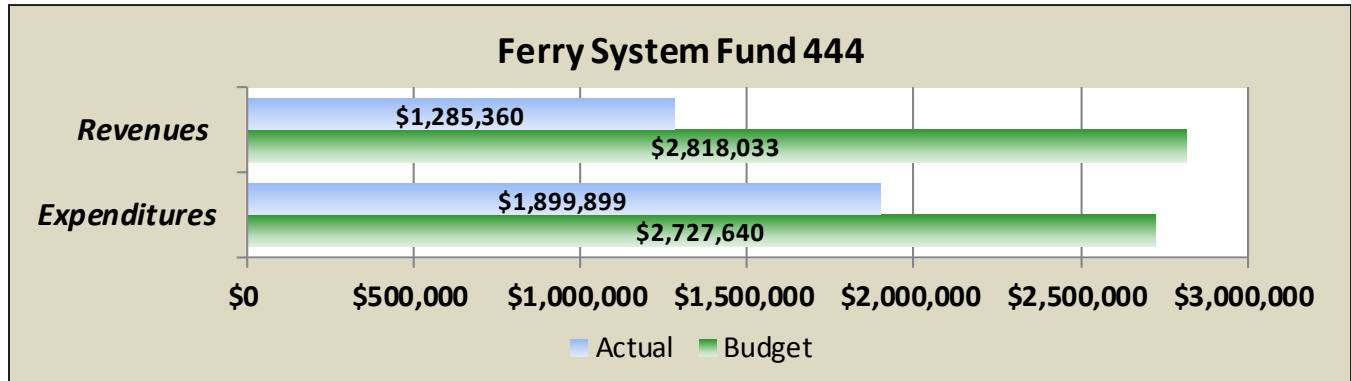
- ¹ Funds with larger expenditure budgets than revenue budgets anticipate using fund equity reserves.
- ⁶ REET and Public Utilities Improvement Funds are used to finance capital projects for the county and other municipalities. Large expenditures are expected in the fourth quarter as well as some projects being continued into 2017.

Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Enterprise and Internal Service Funds



Note:

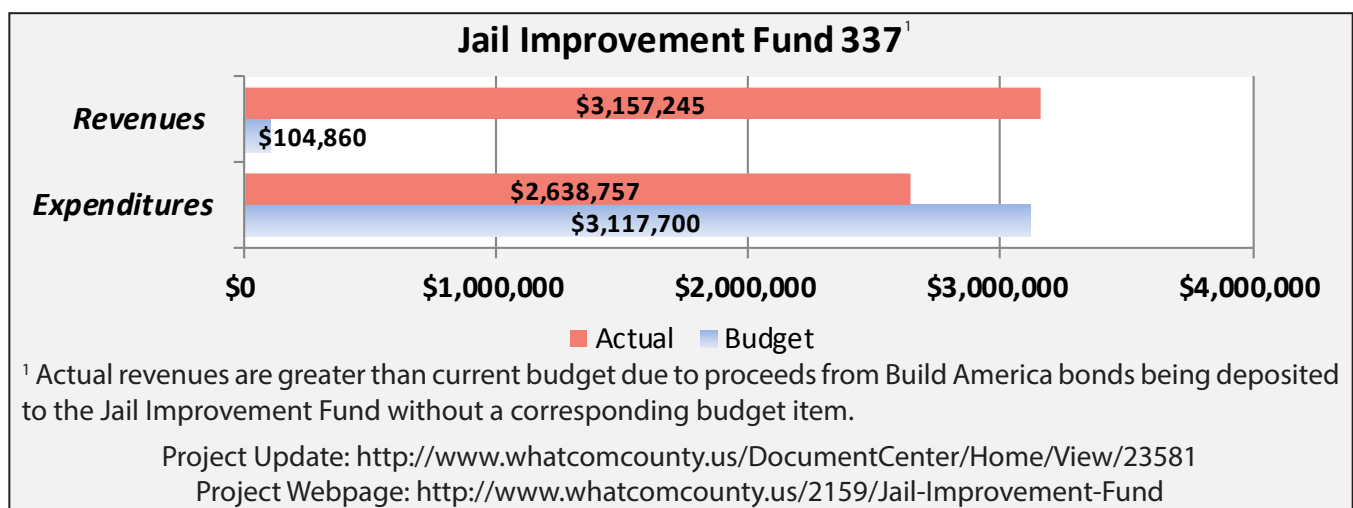
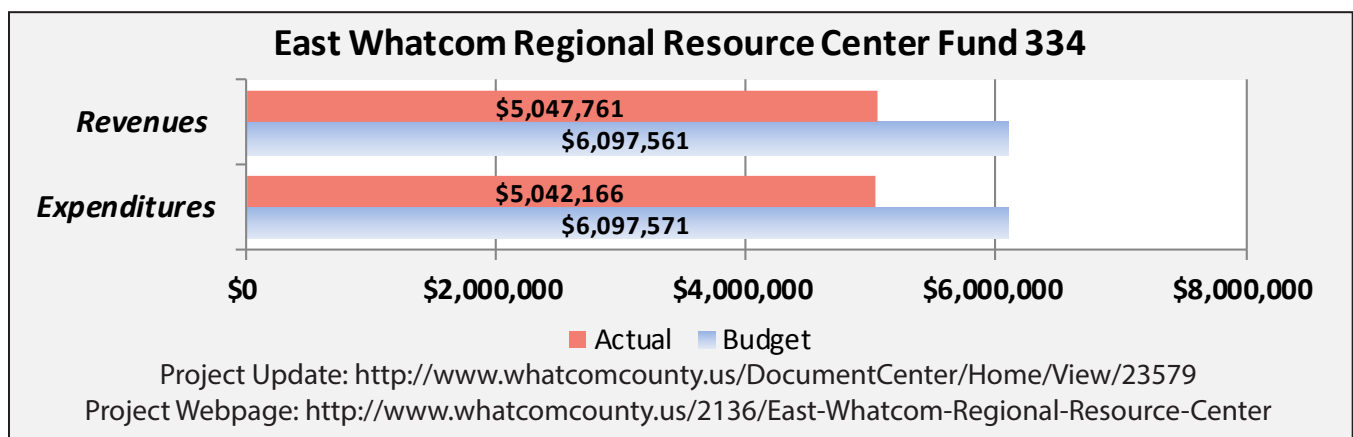
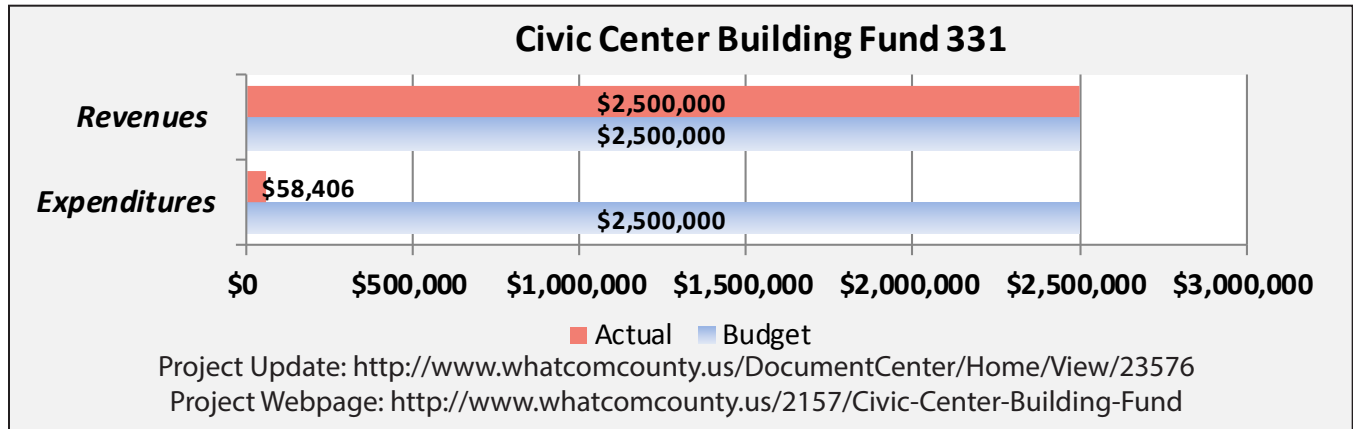
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Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds

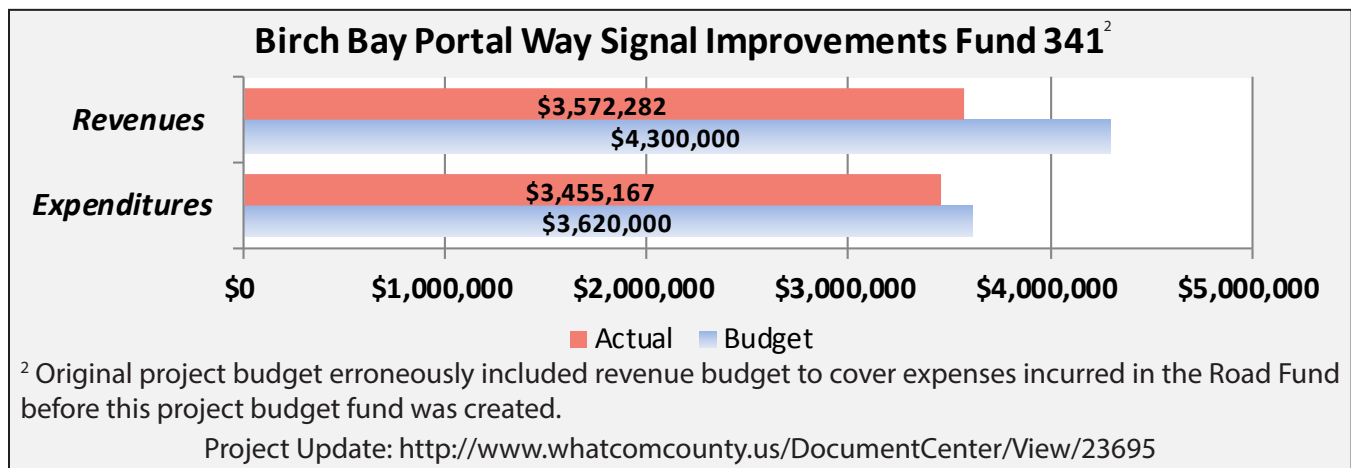
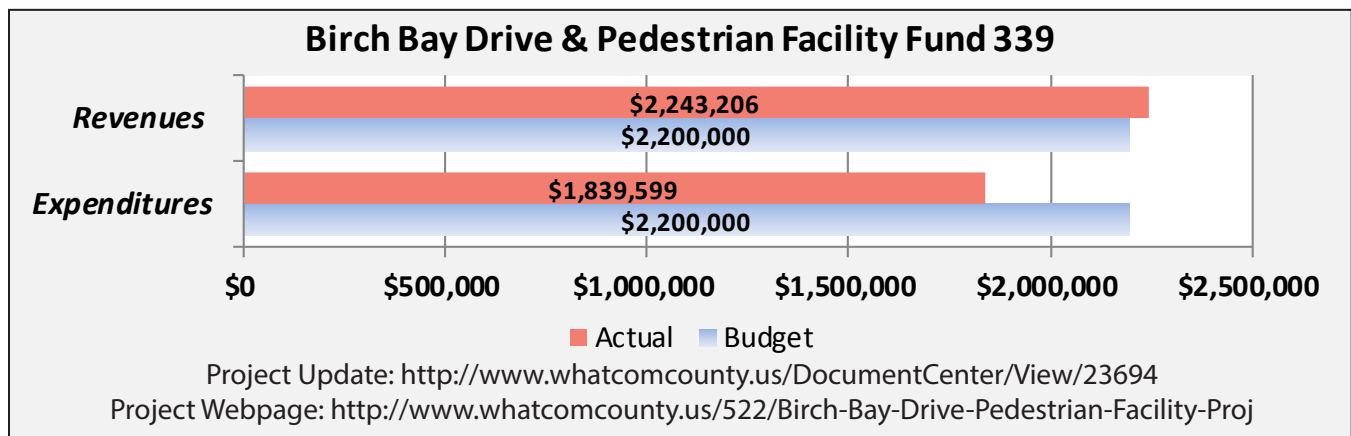
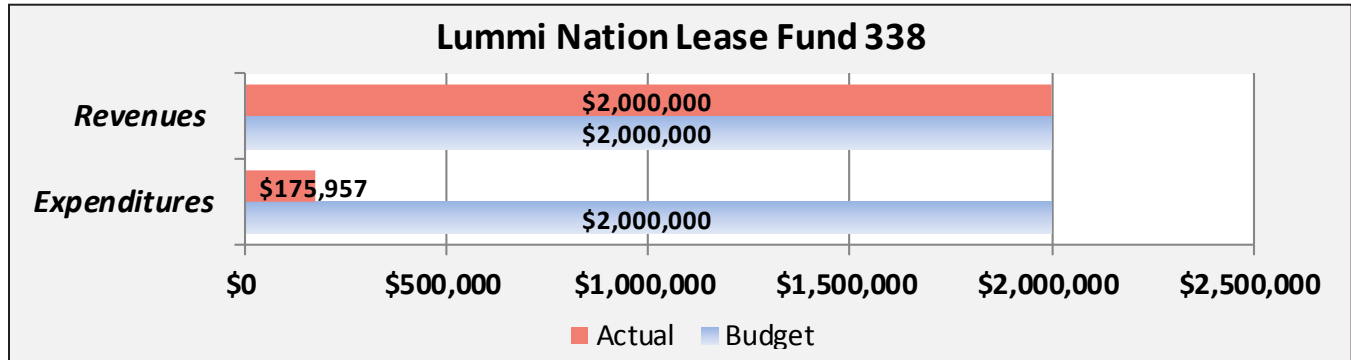


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

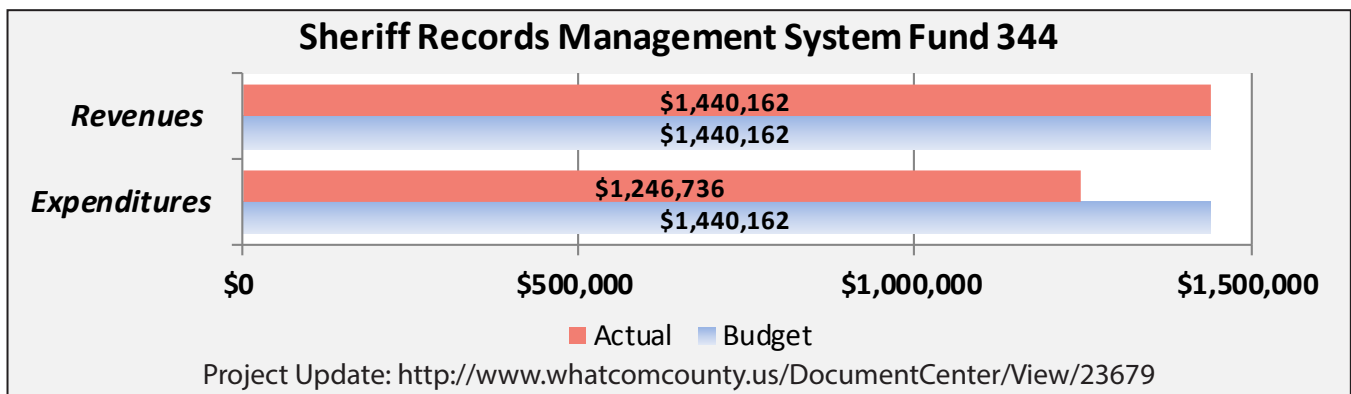
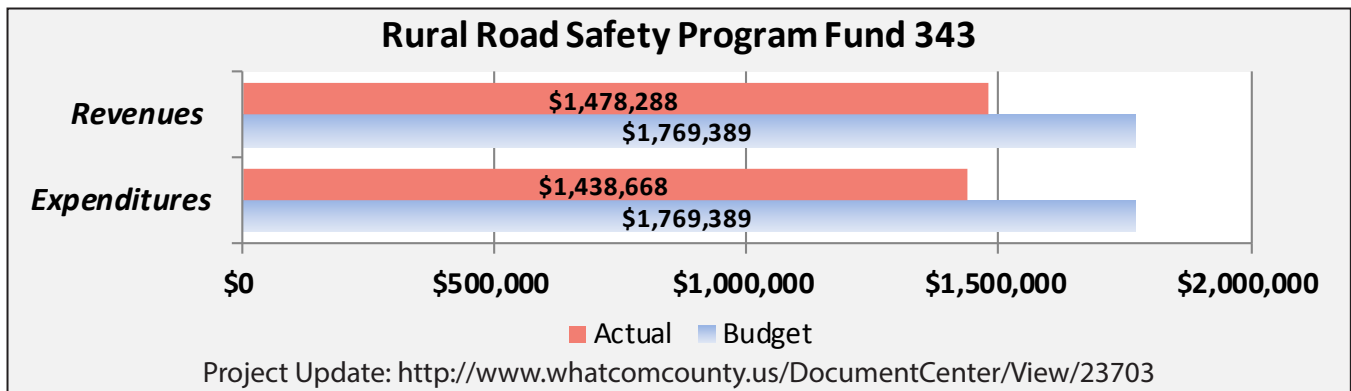
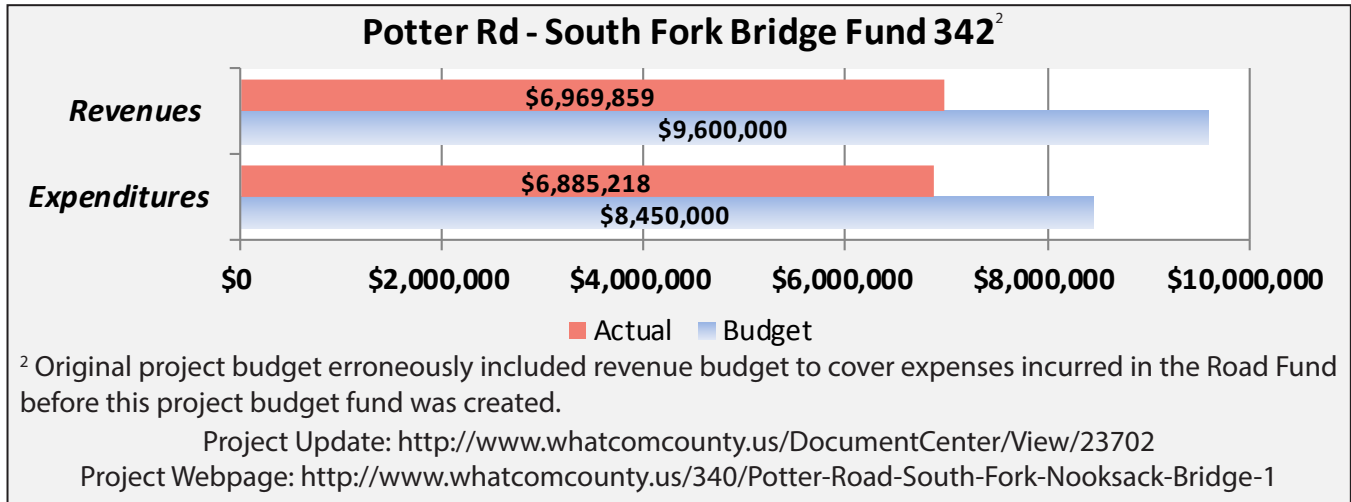


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

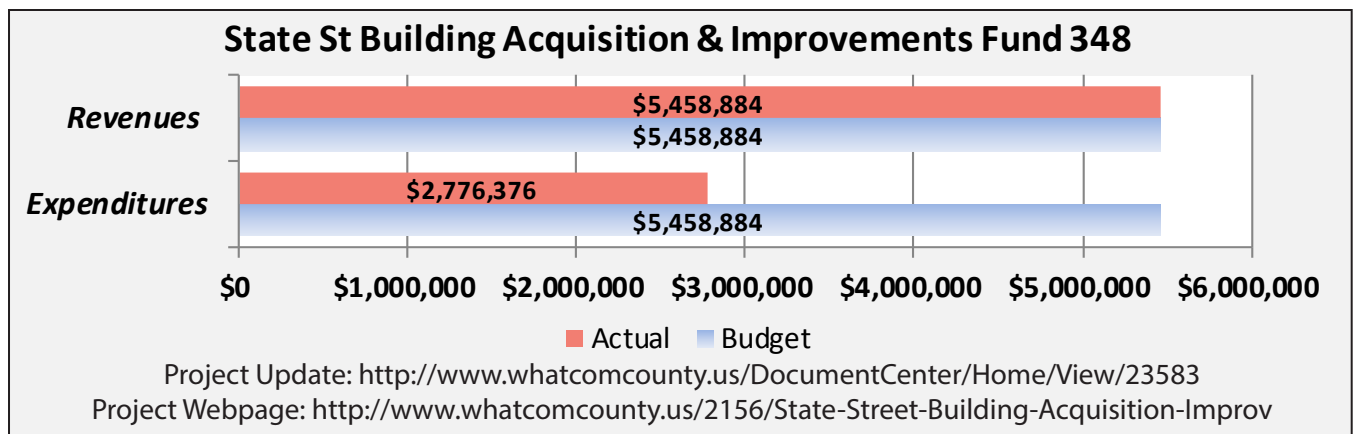
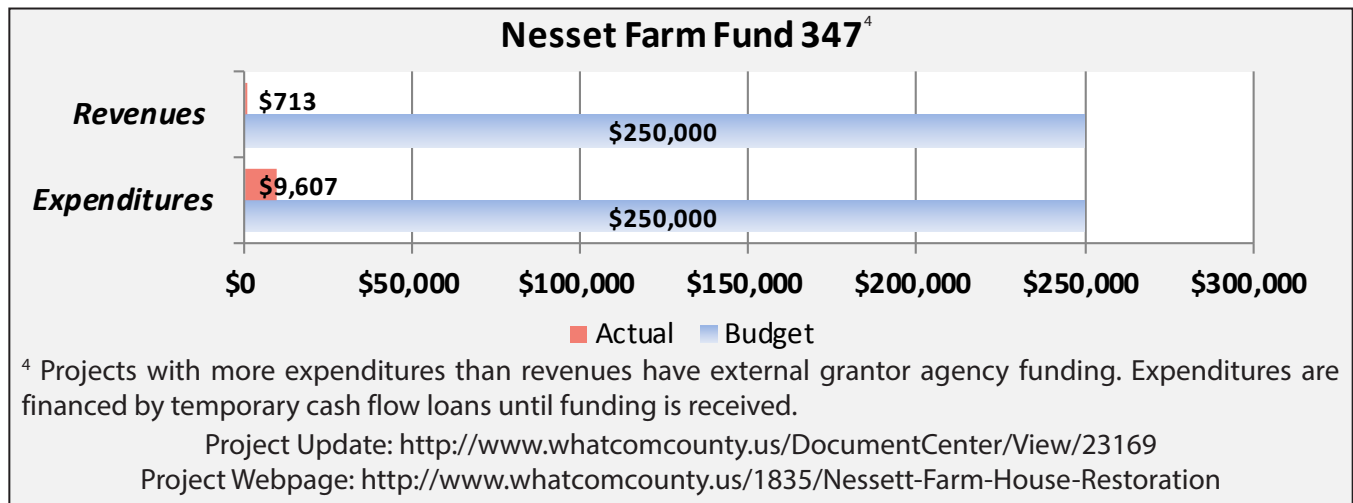
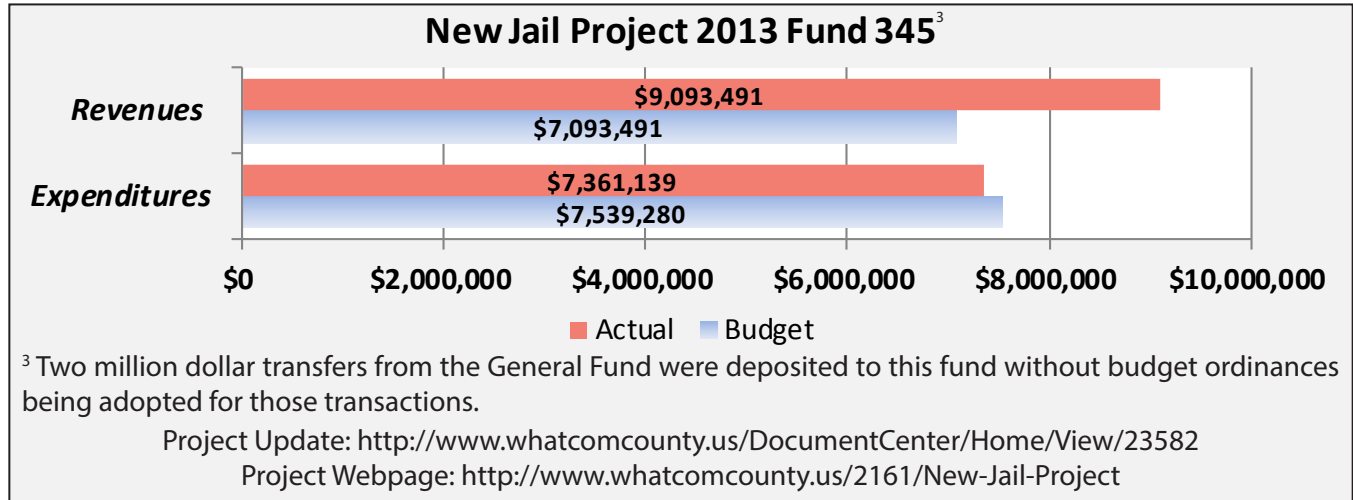


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

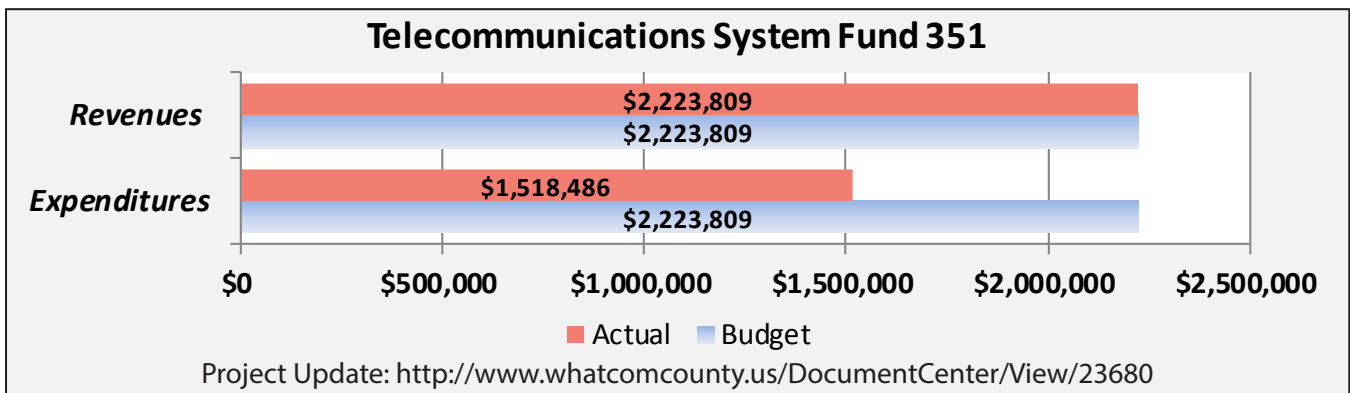
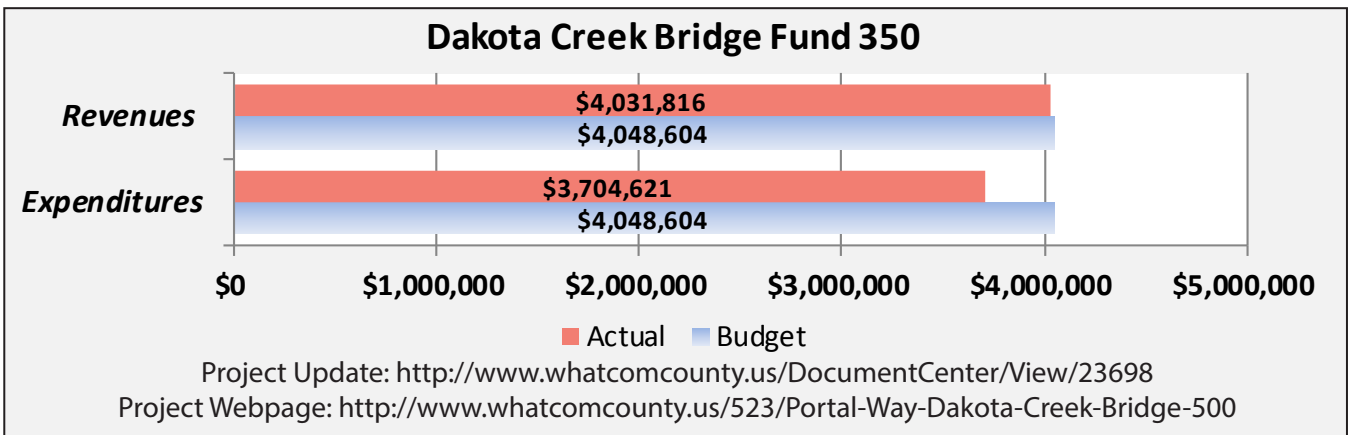
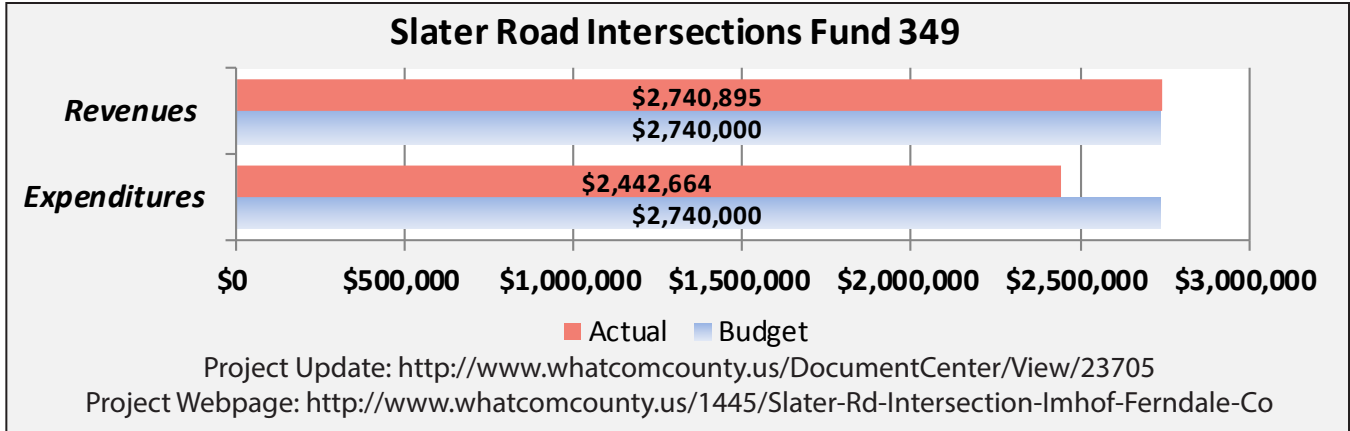


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

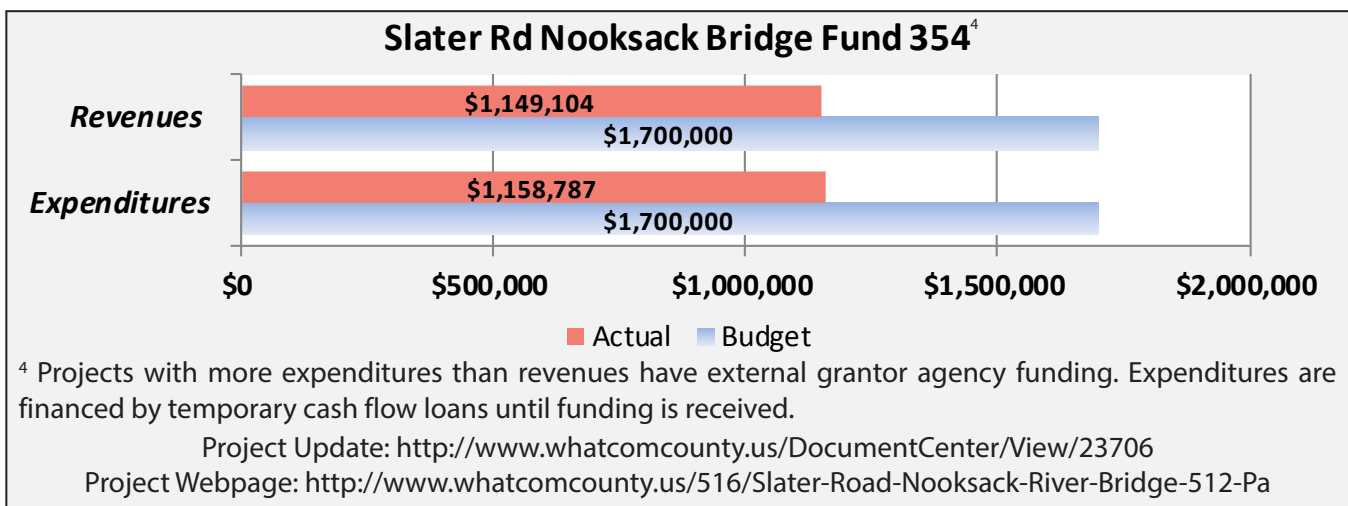
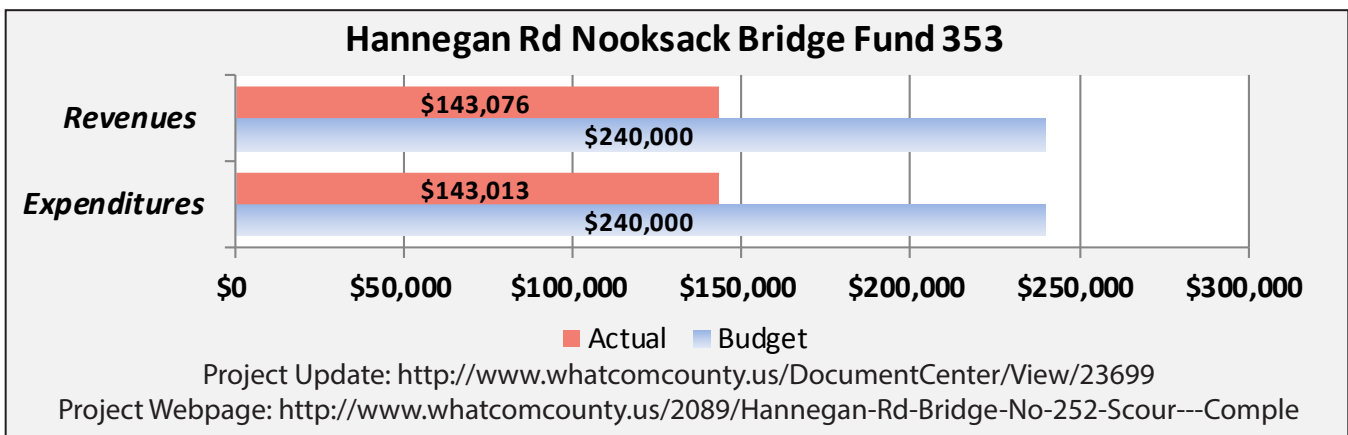
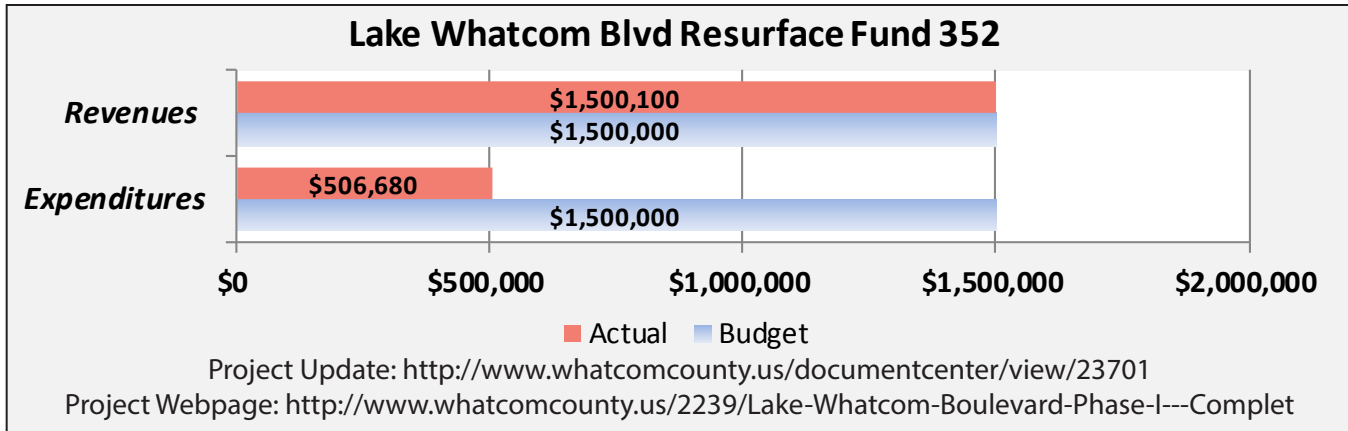


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

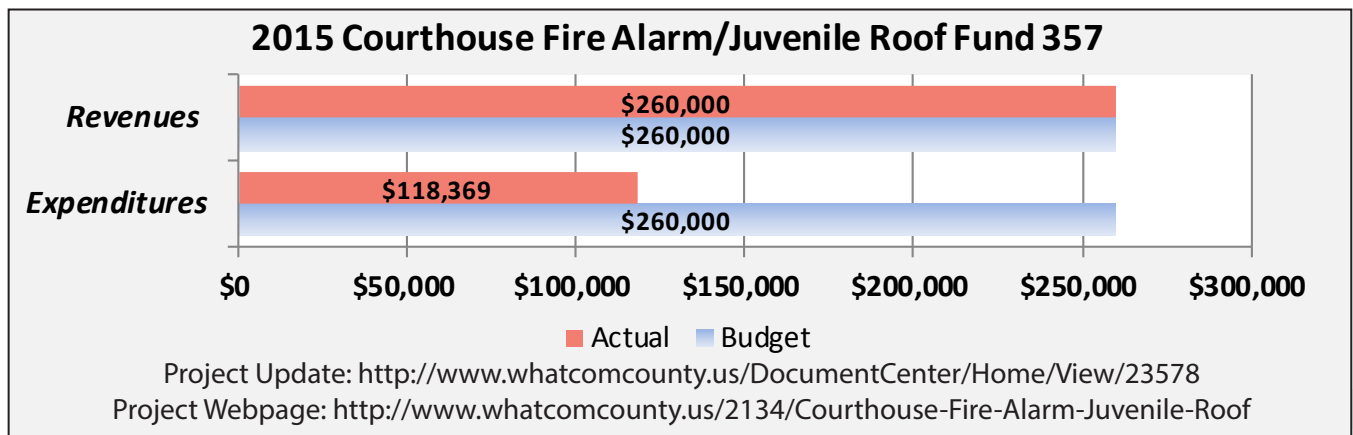
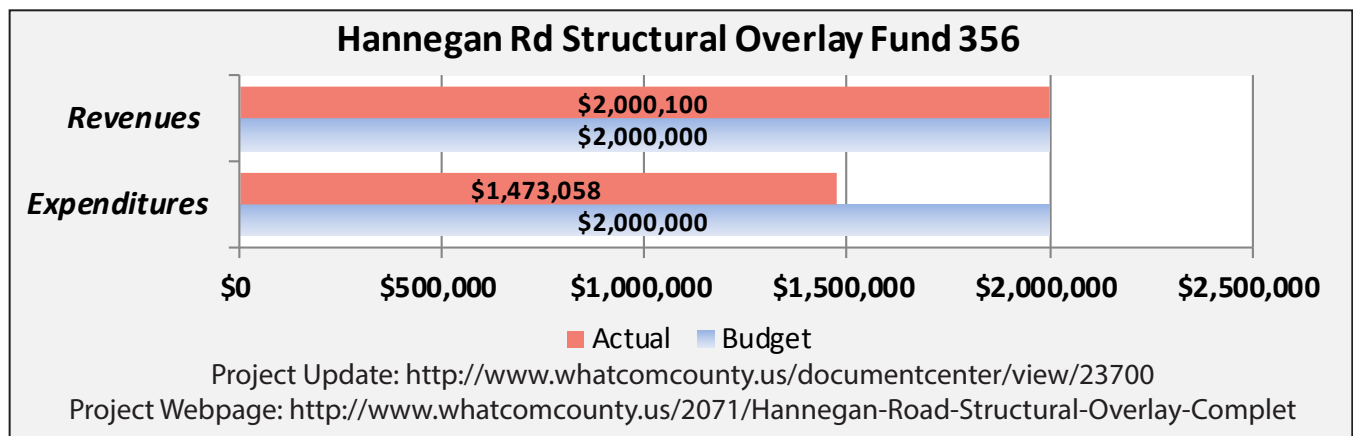
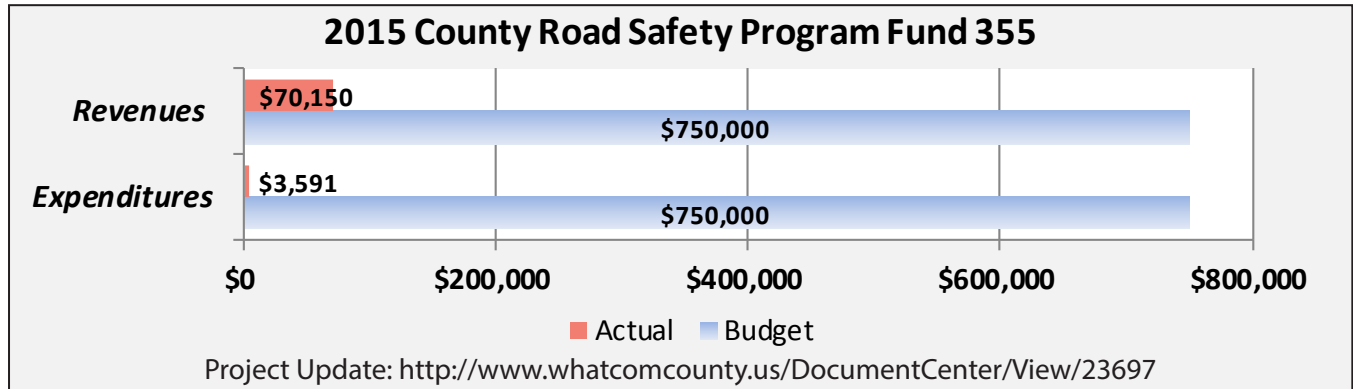


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

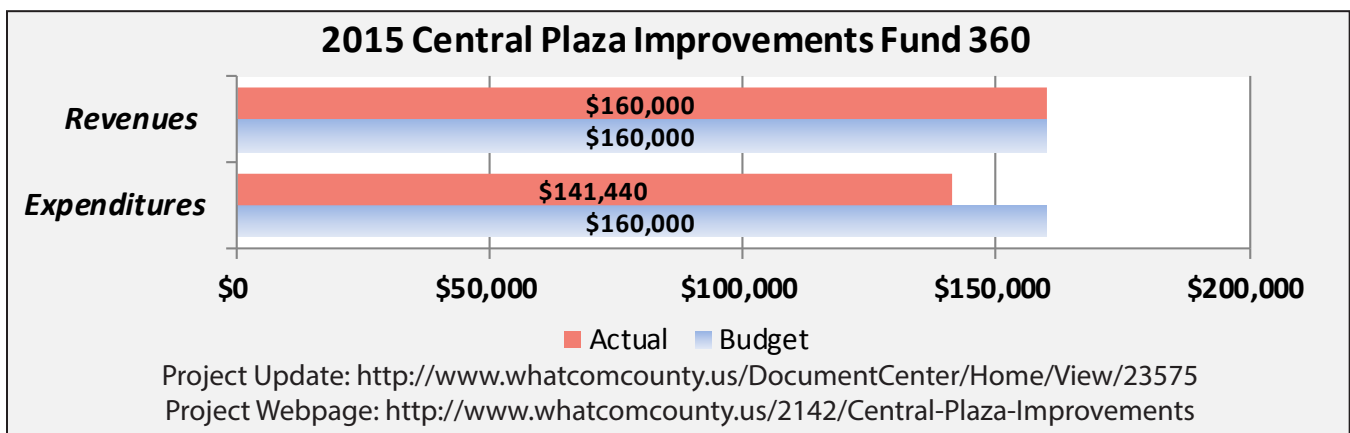
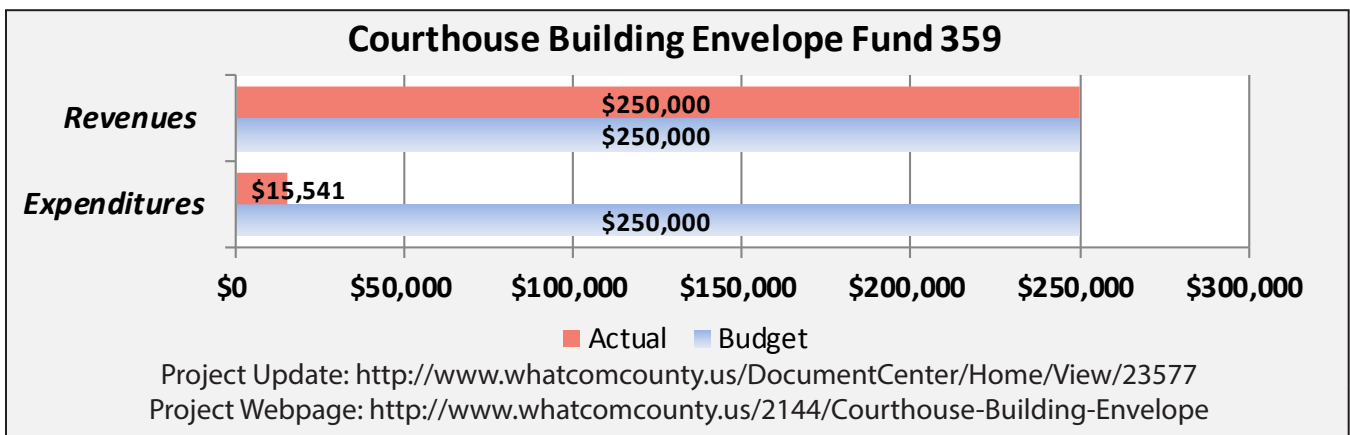
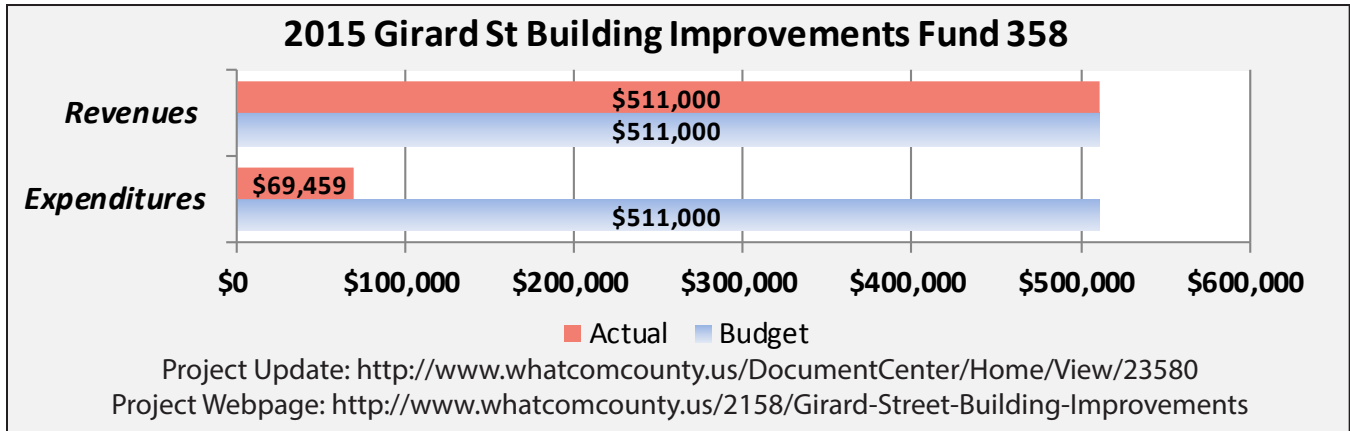


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

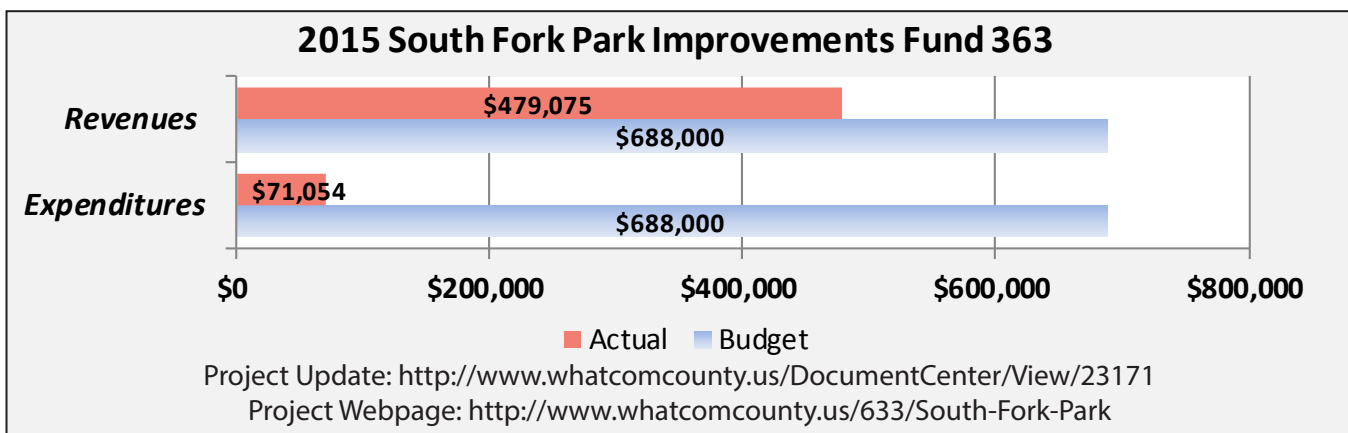
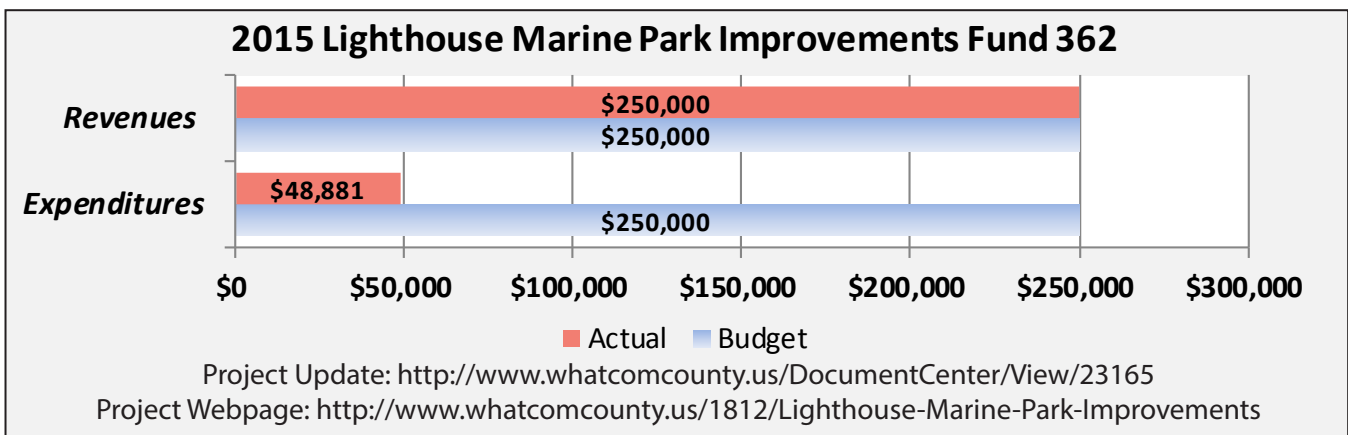
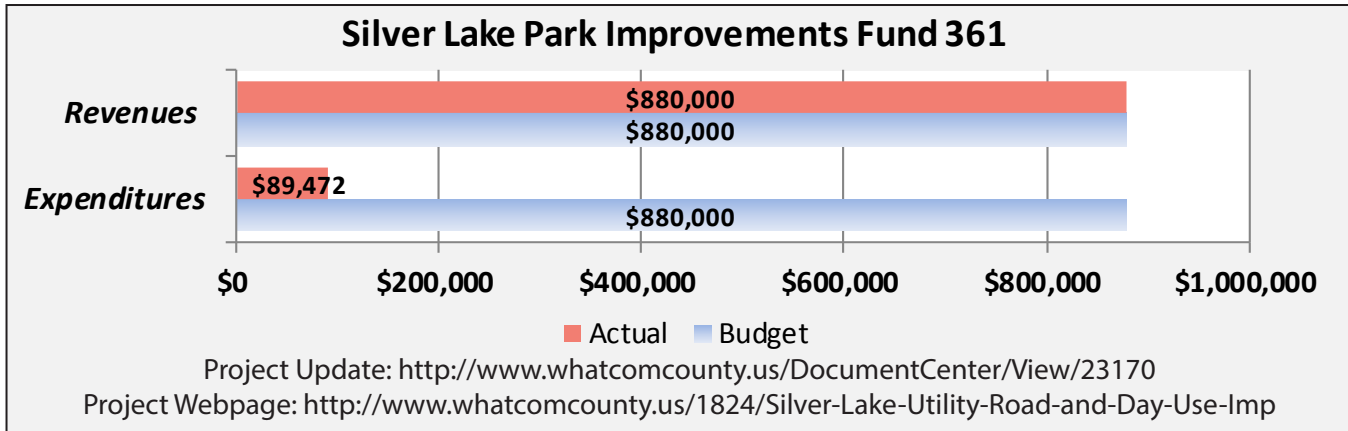


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

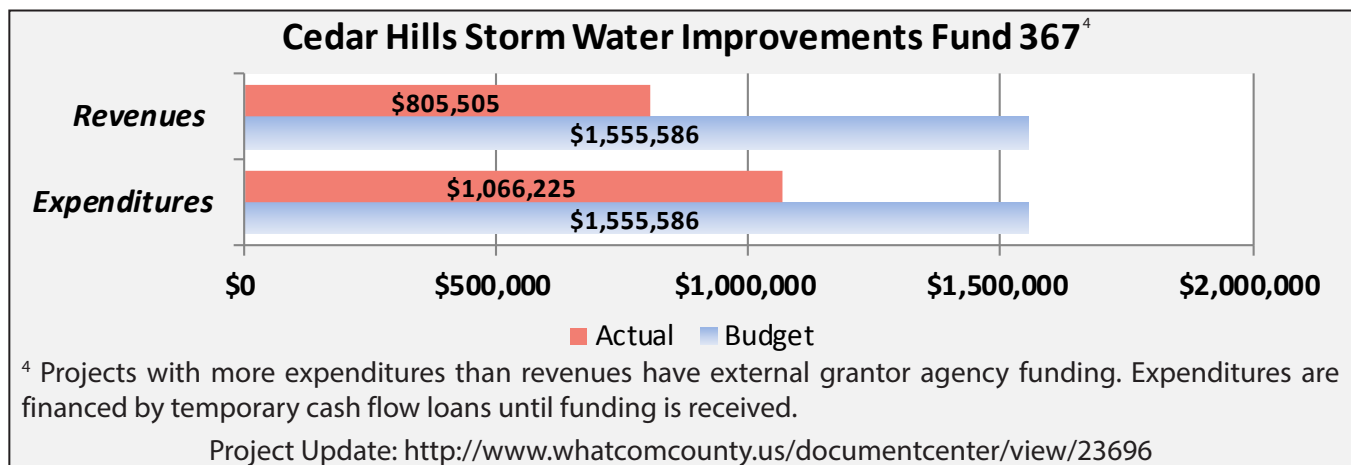
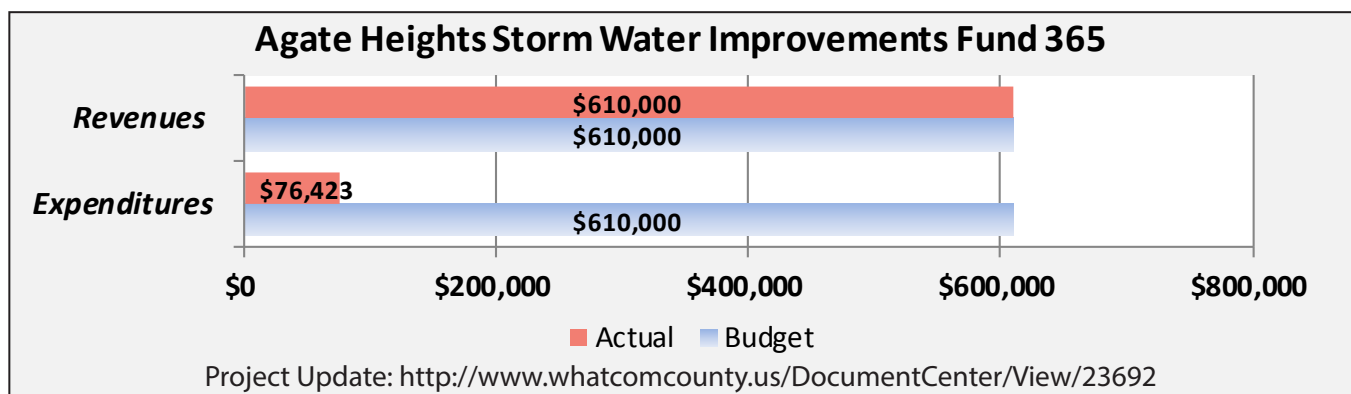
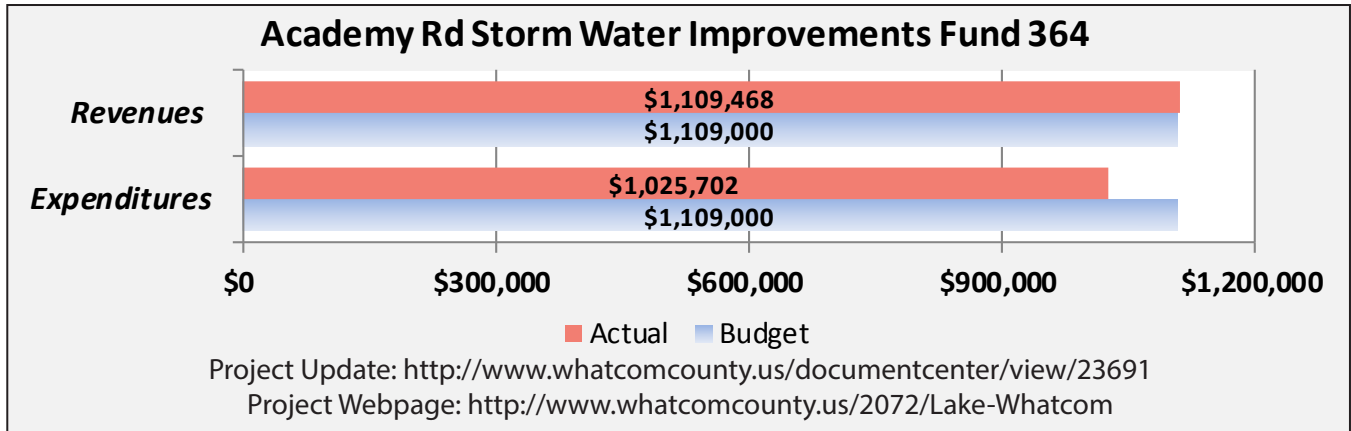


Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued



Whatcom County Third Quarter 2016 Financial Report

For the Quarter Ended September 30, 2016



Project Budget Funds, continued

