

**WHATCOM COUNTY  
EXECUTIVE'S OFFICE**

**County Courthouse**

311 Grand Avenue, Suite #108  
Bellingham, WA 98225-4082



**Pete Kremen**  
County Executive

September 30, 2010

Citizens of Whatcom County:

We are pleased to submit the Comprehensive Annual Financial Report of Whatcom County for the year ended December 31, 2009, in accordance with the provision of Chapter 36.22 of the Revised Code of Washington. The financial statements are presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by the Office of the Washington State Auditor.

The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the County. Whatcom County has established a comprehensive internal control system to provide a reasonable basis for making these representations. Internal controls are designed both to protect the government's assets from loss, theft, or misuse and to compile reliable information for the preparation of the County's financial statements in conformity with GAAP. The County's internal controls have been designed to provide reasonable assurance that the financial statements will be free from material misstatements. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operation of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the County's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Whatcom County's MD&A can be found before the basic financial statements on page 11.

## GENERAL INFORMATION

Whatcom County was created by an act of the Legislative Assembly of the Territory of Washington on March 9, 1854. In the eighteenth century, the area was visited by Spanish and British explorers; Bellingham Bay was named by Captain George Vancouver. The legislature stipulated that the Whatcom County Courthouse shall remain permanently in the settlement of Whatcom (now a part of the City of Bellingham) as the county seat. For the first few years, all business and court were transacted at the home of R.V. Peabody on the west bank of Whatcom Creek.

Whatcom County is located in the northwest corner of Washington State. Its northern border is British Columbia, Canada. On the southern border is Skagit County, east is Okanogan County and to the west is Puget Sound. The County is 2,126 square miles in size and about two thirds of the county is part of either the Mt. Baker National Forest or the North Cascades National Park. The Cascade Range runs through the central and western part of the county and Mt. Baker, a 10,775 foot peak, is in the center. All of the incorporated areas are within the western corridor. The county seat, Bellingham, is the major city of Whatcom County with about 39% of the county's total population. Bellingham is located 90 miles north of Seattle, the major metropolitan city in the State of Washington and 50 miles south of Vancouver, British Columbia. The population of Whatcom County in 2009 is estimated at 193,100.

Whatcom County operates under a Home Rule Charter adopted by the voters of the county in 1978. The County Council, which consists of six members elected by districts and one member at large, is the policy determining and legislative body of the County. The Council levies taxes, makes appropriations and adopts the budget for the County. The elected County Executive presents to the County Council an annual statement of the financial and governmental affairs of the County, the budget, and capital improvement plans. The county charter was amended in November 1993 to allow the establishment of an Administrative Services department. Effective July 1994, financial accounting and reporting responsibilities were transferred to the Administrative Services Finance division under the authority of the County Executive. At the same time, an independent internal audit function was established in the County Auditor's office. Tax collection, receipting and investment responsibilities are those of the elected County Treasurer.

The County provides a wide range of services, some to all citizens and some only to unincorporated areas. Services include road construction and maintenance, law enforcement, flood control, parks and recreation services, public health services, court services, agriculture services, tax assessment and collection, planning and zoning services, mental health services, fire inspections, animal control, criminal detention, election administration, solid waste and recycling, ambulance, medical examiner, and probation services.

Most funds in this report pertain to the entity Whatcom County Government. Certain agency funds exist to fill the County's custodial role for these agencies. Under state statute, the County Treasurer is the ex officio treasurer of most special purpose districts (fire, cemetery, water, drainage, public utility district). Money received from or for the special purpose districts is deposited in a central bank account and the Treasurer invests or disburses this money according to the instructions of the respective special purpose district's governing body or administrative officer.

## ECONOMIC CONDITION AND OUTLOOK

The County serves a rapidly expanding population, which has grown 12.1% since 2002. The County's greatest employment sector is "government." Employment of Whatcom County's workforce of approximately 100,508 includes the following sectors:

Agriculture, Forestry, Fishing and Hunting	3.60%
Mining	.17%
Utilities	.27%
Construction	8.39%
Manufacturing	10.46%
Transportation and Warehousing	2.20%
Wholesale/Retail Trade	15.95%
Professional/Technical Services	3.65%
Finance/Insurance/Real Estate	3.71%
Management of Companies & Enterprises	0.70%
Administrative/Waste Services	4.47%
Educational Services	.83%
Healthcare & Social Assistance	11.10%
Arts, Entertainment & Recreation	1.84%
Accommodation & Food Services	9.81%
Government	17.10%
Information	2.00%
Other Services, except Public Administration	3.75%

*Source: Office of Financial Management, State of Washington*

### International Transportation

Whatcom County is home to one of the highest volume border crossings between the United States and Canada. With its port, highway, rail and air facilities, Whatcom County's strategic physical location provides for an important international transportation hub.

The Port of Bellingham significantly contributes to the growing trade between Asia and North America, as well as the area's local economy. The Port has more than 1,600 acres of waterfront commercial and industrial property and it administers three federally designated foreign trade zones that promote manufacturing, warehousing and trade in the region. Over 250 companies operate on Port property.

### Higher Education

Western Washington University (WWU) is one of six state-funded, four-year institutions of higher education in Washington State. WWU maintains 91 buildings on its 212 acre main campus and 169 acres of off-campus property,

which includes a 95 acre facility in Anacortes and a 15 acre facility at nearby Lake Whatcom. The university's 2009 enrollment was 13,785. On-campus student enrollment is estimated to increase by 15 percent over the next decade. As one of the county's largest employers, WWU employed 1,664 full-time faculty and staff in the fall of 2009.

## **Retail Trade**

Between 2000 and 2009, annual taxable retail sales in Whatcom County grew by \$711 million or a 33% increase. The strong Canadian dollar makes shopping in Whatcom County attractive to residents of British Columbia. Growth in sales tax is expected to slow in the short term, due to a slow down in construction.

Since 1988, Whatcom County has been home to Bellis Fair Mall, an 800,000 square-foot regional mall with approximately 145 stores and a multi-screen cinema. Approximately 1,500 people are employed at Bellis Fair. Of the daily 35,000 mall shoppers, about 35% are Canadian.

## **Bellingham Waterfront Redevelopment**

On January 20, 2005, the Port of Bellingham acquired approximately 137 acres of waterfront property previously owned by Georgia Pacific Corporation. Acquiring the Georgia Pacific property is the first step in a long-term environmental restoration and redevelopment of Bellingham's waterfront. The Port and the City are working together to create a development plan for the property. Once the plan is approved, environmental remediation is complete, and infrastructure is installed, the properties will become available for purchase. Developers will construct the property improvements (buildings) consistent with the approved plan. The estimated value of the property once developed is \$750 million to 1 billion dollars. Full development of the project is anticipated to take approximately 20 years.

## **MAJOR INITIATIVES**

The following is a summary of major initiatives that will be implemented in the 2009-2010 Biennium.

### **Water Quality Projects/Stormwater Management**

During the 2007-2008 biennium, Whatcom County developed a prioritized countywide water resource project list. The project list was compiled from projects previously approved in several water-related strategic plans (i.e., Water Resource Inventory Plan, Drayton Harbor Shellfish Plan, Shoreline Management Plan). In order to implement projects on the list, the Council proposed and adopted a 4 cent per thousand dollars of assessed valuation Flood Fund tax increase that should generate an additional \$940,000 per year. The Council also proposed and adopted using \$500,000 per year of REET II funding during the 2009-2010 biennium for water quality projects. A new stormwater management fund has been created and is initially being funded by transfers from the Flood Fund with instructions to develop a stormwater utility district to provide permanent funding. The 2009-2010 budget also includes \$300,000 to pursue conveyance to Whatcom County of a substantial amount of Washington State Department of Natural Resources trust land located in the Lake Whatcom Watershed. We will maintain this land as

parkland for use of future generations while protecting and preserving a significant amount of the watershed. We have also received a \$443,000 grant to develop a Birch Bay watershed action plan.

### **Agriculture**

Whatcom County is investing \$110,000 per year in a Conservation Program for Agricultural Lands (CPAL), as well as budgeting \$1.8 million for purchase of development rights and land acquisitions in the Conservation Futures Fund.

### **Growth Management**

The biennial budget includes \$2,350,000 for new parks projects and parks facilities upgrades as envisioned in the Parks comprehensive plan, \$550,000 to review and update Whatcom County's comprehensive plan, the addition of a Critical Areas Ordinance planning position, and \$40,000 for Smart Trips commuter program.

### **Maintain a Safe, Secure Community**

Our county continues to have one of the highest ratios of sworn law enforcement officers to population among comparable Washington State counties. We will continue to fund public safety programs despite reductions in program related revenue. And we will continue to fund alternatives to incarceration, including jail work crews, drug court, and adult probation. A position will be added to the Jail to increase the electronic home monitoring program.

### **Facilities Investments**

In conjunction with projects envisioned in Whatcom County's Capital Improvements Plan (CIP), this budget contains funding for the initial phases of several capital projects. Our proposed budget funds high priority road and flood projects along with capital improvements to the Civic Center building. We will be reducing some lease payments by consolidating many of the Public Works staff into the Civic Center Building. Further, by exercising an option to acquire the Central Plaza Building for use by the Public Defenders Office, we will eliminate monthly lease payments that provide savings to the General Fund Budget. Parks projects include improvements to Bay Horizon, Silver Lake, South Fork, Lighthouse Marine, and Hovander Parks, as well as three trail projects. We will adopt other multi-year facilities and road capital projects in phases as capital project budgets throughout the 2009-2010 biennium.

### **Productivity Through Technology**

Over \$350,000 is budgeted for improvements in technology, which will enhance productivity. This will include automating regional lands records, enabling the Assessor's Office to maintain land records with geographic information systems instead of the current use of pen and mylar. The Administrative Services Finance office will implement electronic timekeeping that will download directly into the payroll system and decrease data entry errors. Installation of an e-mail archiving device will reduce time spent retrieving emails in response to public information requests. Enhancements to the jail records management system will decrease data entry time by using bar code scanning and decrease time spent in retrieving paper files. In addition, jail electronic files will also be available to other parts of the law & justice system. Other enhancements include Auditor's maps that will be

available on the Internet, and courtroom video recording equipment that will be upgraded and replaced.

## **Technology Infrastructure**

Whatcom County will be spending \$2.9 million to replace its 26 year old Assessor-Treasurer software system. We will also be investing another \$900,000 in various hardware component replacements, improvements and software upgrades to our system i520 and network infrastructure. These systems form the core of our computer systems upon which a myriad of applications are run.

## **Significant Changes from Prior Biennium**

The County's economy is suffering from the effects of the global recession. We are experiencing a sharp downturn in building and development activity. This negatively impacts our revenues by reducing growth in property tax from new construction. Sales tax, building and development permits, and real estate excise taxes are also negatively impacted. A major source of county revenue is interest earned on cash balances. Investment interest rates are at historic lows and Whatcom County's cash balances are declining. Interest earnings are projected to be down significantly from the prior biennium. Projected revenues were not sufficient to continue all programs and staff at the 2008 budget levels. Thirty two positions were eliminated in the 2009 – 2010 budget. In addition to the reductions included in the 2009-2010 budget at mid biennium revenues were falling behind projections therefore the administration implemented a budget stabilization plan. The plan transferred reserves to the general fund to allow time for an orderly transition to a lower level of funding. The budget stabilization plan continued a selective hiring freeze to reduce the county's work force through attrition. The budget stabilization plan also included 80 hours of unpaid furlough for most employees over the remainder of the biennium. The county's work force is projected to be down to 836 authorized positions by the end of 2010. This is 131 positions less than 2008 staffing levels.

## **OTHER INFORMATION**

### **Independent Audit**

In accordance with state statutes, Whatcom County is subject to an annual comprehensive examination by the State Auditor's office. Their examination is conducted in accordance with generally accepted auditing standards, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; the Single Audit Act of 1984 (P.L.98-502) and Circular A133, Audits of State and Local Governments, issued by the U. S. Office of Management and Budget.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Whatcom County for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate

of Achievement is valid for a period of one year only. In order to reduce State Audit costs Whatcom County will not pursue a Certificate of Achievement for 2009.

### **Distinguished Budget Presentation Award**

Whatcom County was awarded GFOA's "Distinguished Budget Presentation Award" for its 2009-2010 Budget.

### **Acknowledgments**

Preparation of this report could not have been accomplished without the professional, efficient and dedicated service of the entire staff of our Administrative Services Finance office, the County Executive's office, County Treasurer's office, Public Works accounting office and the various department heads and employees who contributed to its preparation. We also recognize the professional efforts of the State Auditor's Office in their audit, and in the direction and advice they provide to us throughout the year.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Pete Kremen", with a long horizontal flourish extending to the right.

Pete Kremen  
County Executive

## Elected Officials as of December 31, 2009

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Executive	Term Ends January, 2012	Pete Kremen
Assessor	Term Ends January, 2012	Keith Willnauer
Auditor	Term Ends January, 2012	Shirley Forslof
Prosecuting Attorney	Term Ends January, 2011	David S. McEachran
Sheriff	Term Ends January, 2012	Bill Elfo
Treasurer	Term Ends January, 2012	Steve Oliver

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### COUNTY COUNCIL

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District No. 1, Position A	Term Ends January, 2010	Ward Nelson
District No. 1, Position B	Term Ends January, 2012	Bob Kelly
District No. 2, Position A	Term Ends January, 2010	Laurie Caskey-Schreiber
District No. 2, Position B	Term Ends January, 2012	Sam Crawford
District No. 3, Position A	Term Ends January, 2010	Carl Weimer
District No. 3, Position B	Term Ends January, 2012	Barbara Brenner
Councilperson At Large	Term Ends January, 2010	Seth Fleetwood

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### SUPERIOR COURT JUDGES

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Department No. 1	Term Ends January, 2013	Ira Uhrig
Department No. 2	Term Ends January, 2013	Steven J Mura
Department No. 3	Term Ends January, 2013	Charles Synder

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### DISTRICT COURT JUDGES

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Position No. 1	Term Ends January, 2011	David Grant
Position No. 2	Term Ends January, 2011	Matthew Elich

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# Whatcom County Organizational Chart



