

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse

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



Pete Kremen
County Executive

June 30, 2005

Citizens of Whatcom County:

We are pleased to submit the Comprehensive Annual Financial Report of Whatcom County for the year ended December 31, 2004, 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. 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.

This report is presented in three sections: introductory, financial, and statistical. The introductory section includes the letter of transmittal, our County's organizational chart, and a list of elected officials. The financial section includes Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, Required Supplemental Information and Other Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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 are 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 40% 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 2004 is estimated at 177,300.

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 a finance department. Effective July 1994, financial accounting and reporting responsibilities were transferred to an administrative finance department 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 17% since 1995. The County's greatest employment sector is "retail trade." Whatcom County's workforce of approximately 92,500 people is distributed as follows:

Agriculture, Forestry, Fishing	4.20%
Mining	.13%
Construction	7.53%
Manufacturing	12.29%
Transport, Commun., Utilities	4.28%
Wholesale trade	4.40%
Retail trade	20.74%
Finance, Ins., Real estate	3.49%
Services	24.72%
Government	18.23%

International Transportation

Whatcom County is home to one of the highest volume border crossings between the United State 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 2,000 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 320 companies operate on Port property. Offering tenants a high bandwidth fiber optics connection option, the Port provides a means for top-level global communications.

Developers are planning a new deep-water, bulk-shipping terminal at Cherry Point, the last undeveloped deep draft port on the Pacific Coast, located 11 miles northwest of Bellingham. They have received all federal, state and local permits except for an aquatic land lease from the Department of Natural Resources. Plans call for construction of several major international processing, distribution and shipping operations on this 1,070 acres. The Trillium Corporation has developed plans for attracting light industrial operations to their 1,100 acres Cherry Point property. They are also planning commercial and residential developments on approximately 800 acres in the Birch Point area.

Higher Education

Western Washington University (WWU) is one of six state-funded, four-year institutions of higher education in Washington State. WWU maintains 73 permanent buildings on its 215 acre main campus, a 95 acre off-campus facility in Anacortes and an 15 acre facility at nearby Lake Whatcom. The university’s 2004 enrollment was 12,940. 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 1,842 full-time faculty and staff in the fall of 2004.

Retail Trade

Between 1995 and 2004, annual taxable retail sales in Whatcom County grew by \$888 million, a 52% increase. This was despite a significant decrease in Canadian border crossings, which fell from 18.5 million in 1995, to 10.5 million in 2004.

Supermarket chains provide a major source of employment for Whatcom County. Haggen, Inc., the largest independent grocer and one of the largest private companies in Washington, with 13 stores in Washington and Oregon (four in Whatcom County), is headquartered in Bellingham and employs over 840 workers locally. With 37 stores, Brown & Cole, Inc., also headquartered in Bellingham, employs 634 locally.

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 45,000 mall shoppers, about 35% are Canadian.

MAJOR INITIATIVES

The following is a summary of the major initiatives that will be implemented in 2005 and 2006.

Replace Existing Emergency Medical Service to Small Cities/Unincorporated Areas

Whatcom County has budgeted \$1.322 million dollars per year to provide effective emergency medical services to our citizens. A working group composed of ten fire district chiefs and commissioners, a representative from each of the small cities, led by county administration, is charged with designing a system to replace the existing Bellingham Fire Department's Medic One system, which will be discontinued effective January 2007.

Improve Courthouse Security

The 2005-2006 budget includes \$260,000 per year for enhancement to improve courthouse security. The program is designed to improve safety and effectively respond to acts that disrupt courthouse operations.

Design and Begin Construction of an Interim Jail Work Center

During 2005-2006, Whatcom County plans to integrate a new interim jail work center into the Corrections Division of the Sheriff's Office. This will improve the effectiveness of Whatcom County's criminal justice system, which has been challenged by inadequate jail capacity. The 2005 budget includes funding to complete the design of the facility, an effort that was begun in 2004. The County Council submitted a ballot measure to the public in November of 2004 to implement a one tenth of one percent sales tax to fund jail construction and jail work center operations. The ballot measure passed November 6, 2004. Funding for the construction of this facility will be added in a budget amendment in 2005.

Increase Law Enforcement Efforts

There has been an increase in the volume and complexity of child abuse and child neglect cases in Whatcom County; therefore, we have included in this budget, an additional Sheriff's detective to focus on child abuse crimes. Also, we are adding additional staff in the Prosecuting Attorney's office and the Public Defender's Office to help these offices process the growing volume of cases. We are adding additional staff to the alternatives to jail program. This will enable us to increase our capacity of the Jail Alternatives Program to accommodate more offenders.

Streamline Development Permitting

The 2005 - 2006 budget adds additional resources to expedite development and permitting processes. The Planning and Development Services Department will receive additional staff to handle increasing workloads in plan review, permitting, and inspections. An additional planner is being added to focus on wetlands and forestry issues. One hundred and twenty thousand dollars has been set aside to study the availability and quality of water on Lummi Island, so that future development can be properly planned.

Increase Productivity through Technology

Whatcom County continues to leverage technology. The 2005 -2006 budget includes continued investment in document imaging systems and geographic information systems. In 2004, we began implementation of the Law and Justice Data Integration Project. This project will improve information sharing among law and justice departments. This project receives additional funding in this budget including \$121,000 for laptop computers in Sheriff's vehicles. The budget includes funding for software to upgrade the county's maintenance management efforts. This software will improve road, parks and facilities maintenance efforts.

Improve Storm Water Treatment

The Public Works Department will upgrade its procedures and implement a program to meet the requirements of the National Pollution Discharge Elimination System requirements.

Protect Water Quality

Whatcom County will spend \$100,000 annually on programs to improve the water quality in Lake Whatcom. The biennial budget also includes funding for a storm water plan for Birch Bay, and \$85,000 per year for projects focusing on protection of marine environments including Drayton Harbor, Portage Bay, and Birch Bay.

Maintain Infrastructure

Annually, Whatcom County prepares a six-year capital improvement program as a component of our comprehensive plan. The 2005 budget for road improvements is \$16,587,000. Beginning in 2006, capital projects will be budgeted on a project basis. Budgets will be authorized when projects are approved. Budget authorization will continue until the project is complete.

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, 2003. 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award

Whatcom County was awarded GFOA's "Distinguished Budget Presentation Award" for its 2005-2006 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,

Pete Kremen
County Executive

Elected Officials

as of December 31, 2004

Executive	Term Ends January, 2008	Pete Kremen
Assessor	Term Ends January, 2008	Keith Willnauer
Auditor	Term Ends January, 2008	Shirley Forslof
Prosecuting Attorney	Term Ends December, 2006	David S. McEachran
Sheriff	Term Ends January, 2008	Bill Elfo
Treasurer	Term Ends January, 2008	Barbara Cory

COUNTY COUNCIL

District No. 1, Position A	Term Ends January, 2006	Ward Nelson
District No. 1, Position B.	Term Ends January, 2008	Daniel McShane
District No. 2, Position A	Term Ends January, 2006	Laurie Caskey-Schreiber
District No. 2, Position B.	Term Ends January, 2008	Sam Crawford
District No. 3, Position A	Term Ends January, 2006	Sharon Roy
District No. 3, Position B.	Term Ends January, 2008	Barbara Brenner
Councilperson At Large	Term Ends January, 2006	Seth Fleetwood

SUPERIOR COURT JUDGES

Department No. 1	Term Ends January, 2005	Michael Moynihan
Department No. 2	Term Ends January, 2005	Steven J Mura
Department No. 3	Term Ends January, 2005	David A. Nichols

DISTRICT COURT JUDGES

Position No. 1	Term Ends December, 2006	Ira Uhrig
Position No. 2	Term Ends December, 2006	Matthew Elich

Whatcom County Organizational Chart

