



**2003
First
Quarter
Financial
Report**

Compiled and Presented by the
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Finance Division
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Finance Manager

May 20, 2003

Whatcom County First Quarter 2003 Financial Report

For the Quarter Ended March 31, 2003



Executive Summary

The following is Whatcom County's first quarter 2003 financial report. At the end of the first quarter, the General Fund collected 16% of its budgeted revenue and spent 23.6% of its budgeted expenditures. These percentages are both approximately 2% higher than last year.

Currently the projected 2003 General Fund ending fund balance is \$12.7 million. This amount is almost \$2.5 million higher than the \$10.25 million projected in the 2003 budget. This is due to a combination of factors, including:

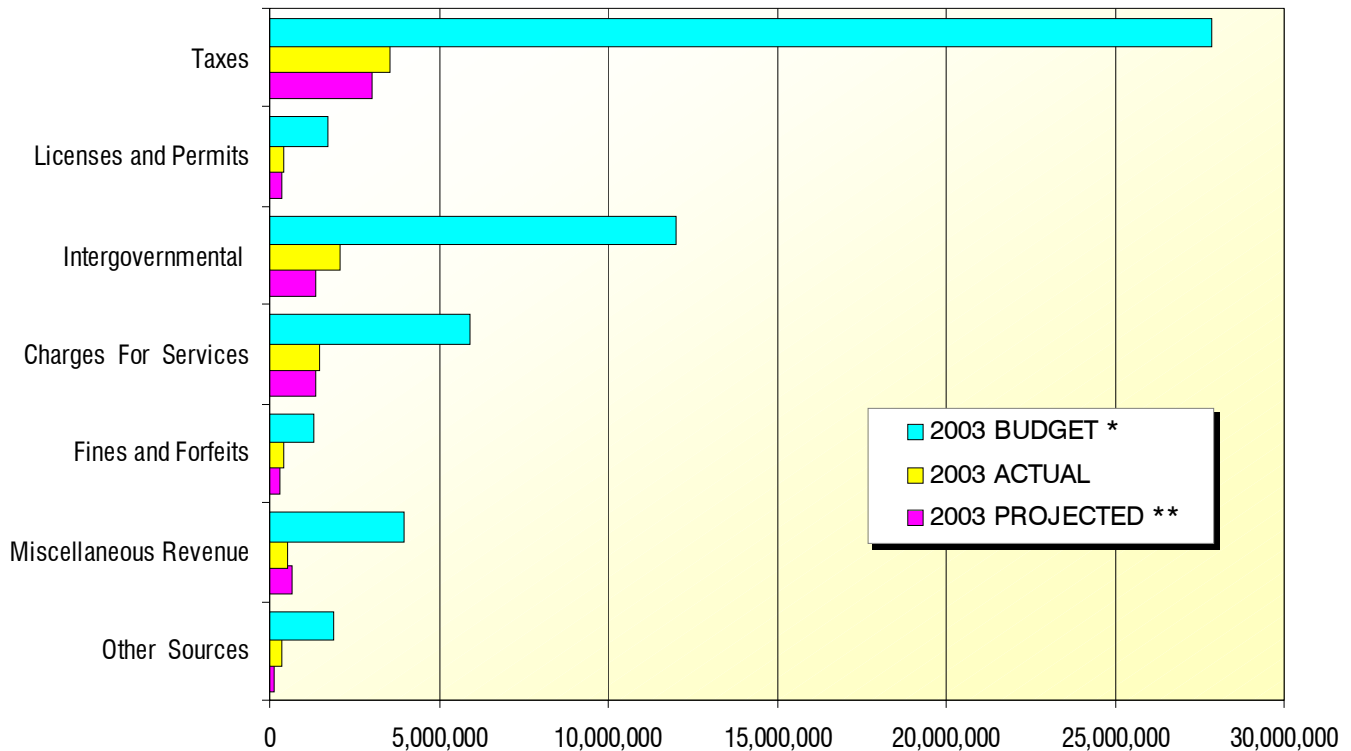
- 2002 year-end results were better than projected.
- Revised estimates of sales tax collections indicate more revenue.
- The beginning fund balance figure was revised upward \$1,000,000 due to reclassification of part of the General Fund balance from restricted to unrestricted.

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General Revenue - Budget vs. Actual



* "2003 Budget" figures represent 2003 amended budget annual amounts.

** Based on past revenue history, the "2003 Projected" figures represent portions of 2003 amended budget amounts, as projected at the end of this quarter. Projections are adjusted throughout the year as new information becomes available.

	2003 Budget Adopted	2003 Budget Supp'ls	2003 Budget Amended	Actual as of 03/31/03	% Collected To Date	Projectect as of 03/31/03
Taxes	27,868,927	0	27,868,927	3,566,024	12.80%	3,033,732
Licenses and Permits	1,724,534	0	1,724,534	386,683	22.42%	368,994
Intergovernmental	12,004,588	30,990	12,035,578	2,077,764	17.26%	1,380,959
Charges For Services	5,942,482	0	5,942,482	1,493,155	25.13%	1,381,495
Fines and Forfeits	1,312,600	0	1,312,600	387,312	29.51%	309,027
Miscellaneous Revenue	3,958,838	0	3,958,838	556,336	14.05%	649,120
Other Sources	1,847,564	60,420	1,907,984	365,598	19.16%	146,693
Total Revenue	54,659,533	91,410	54,750,943	8,832,872	16.13%	7,270,020

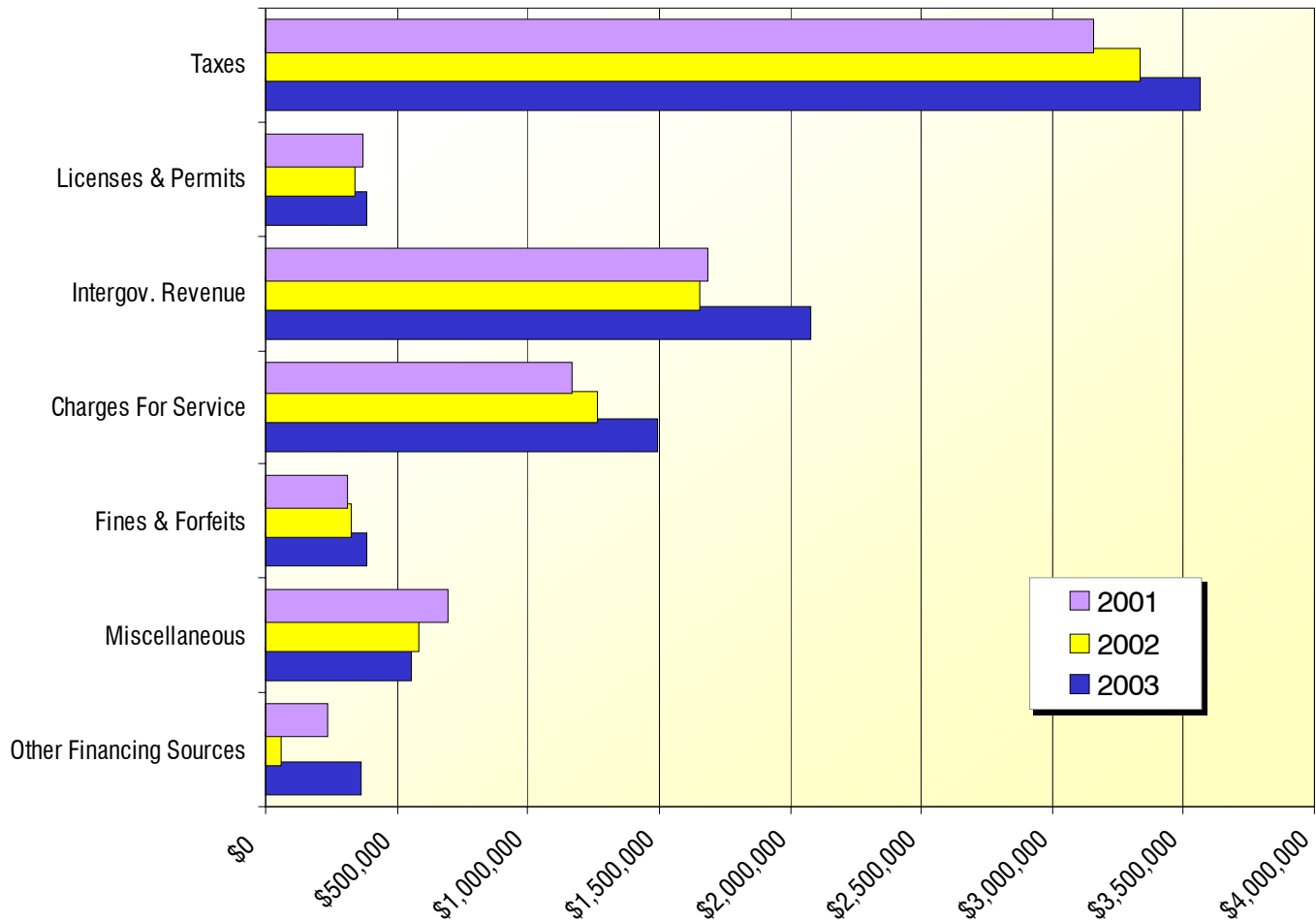
See pages 4, 5 and 6 for General Fund Revenue Notes.

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General Fund Revenue to Date - Compared to Prior Years



	2001	2002	2003
Taxes	3,153,469	3,338,157	3,566,024
Licenses & Permits	368,490	336,983	386,683
Intergov. Revenue	1,689,395	1,655,445	2,077,764
Charges For Service	1,171,876	1,260,898	1,493,155
Fines & Forfeits	310,012	322,545	387,312
Miscellaneous	697,638	586,142	556,336
Other Financing Sources	235,119	55,686	365,598
Total Revenue	7,625,999	7,555,856	8,832,872

See pages 4, 5 and 6 for General Fund Revenue Notes.

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General Fund Revenue Notes

Taxes

Property tax and retail sales tax make up 93% of Whatcom County's tax revenue.

Tax revenues were 6.8%, or \$228,000 greater than first quarter 2002. As of the end of the quarter, this revenue is 17.5% ahead of budget projections. The General Fund property tax levy for 2003 is \$17,510,307. Historically, annual property tax collections average 99% of the current year tax levy. Using this average, 2003 property tax revenues should be \$17,335,204, which is \$462,000 more than 2002 property tax collections. As there was no increase in the 2003 tax rate, the difference between 2002 collections and the 2003 projection is the result of new construction added to the tax rolls.

First quarter 2003 property tax collections were almost \$200,000 higher than first quarter 2002. This includes \$75,000 more collected in delinquent taxes than in the first quarter 2002. Interest and penalty collections (on delinquent property taxes) of \$423,883 were 43% higher than the first quarter 2002.

Total sales tax revenue collected in the first quarter of 2003 was \$2,098,737. Sales tax collections in the first quarter were \$137,600 less than first quarter 2003. This is a modest reduction in light of the fact that the Tenaska cogeneration plant made their last deferred sales tax payment of \$346,700 in 2002. Criminal Justice sales tax revenue of \$312,906 was collected in the first quarter. This amount is 10% higher than collected in the first quarter 2002.

Licenses & Permits

Building permits account for 74% of "Licenses & Permits" revenue. Health Department permits account for 22%. The balance is composed of marriage licenses and fire control permits.

As of March 31, 2003, 22% of the 2003 budget or, \$386,683 of "Licenses and Permits" revenue was collected. This is \$49,700 more than was collected in first quarter 2002, and \$17,700 greater than projections. Building permit revenues came in at \$49,000, or 20%, higher than first quarter 2002, with revenue of \$287,358 dollars. This is 24% of the budgeted \$1,197,419.

Intergovernmental Revenue

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

Revenues collected as of quarter end were 17% of budget, which is \$422,000 ahead of first quarter 2002, and almost \$700,000 ahead of revenue projections.

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General Fund Revenue Notes, continued

Intergovernmental Revenue continued

Federal and state grant revenues account for 56% of the "intergovernmental revenue" category. Actual first quarter grant revenue was \$832,131, or 40% of "intergovernmental revenue." Despite the overall grant budget being \$700,000 less than last year, this revenue was \$377,000 higher than the first quarter 2002. This is due to the following factors:

- The final billing for a Health Department grant from 2002 was recorded in January but was not budgeted in this year (\$79,000).
- Deferred revenue of \$74,000 from 2002 was recognized in 2003.
- Juvenile and Health Department ongoing grants billed during the second quarter of 2002 were billed the first quarter of 2003.

Federal, state and local entitlements made up 22% of the "Intergovernmental Revenue" annual budget and 44%, or \$918,366 of the first quarter revenue collected in this category. The final Initiative 695 replacement funding payment from the state comprises almost half of this revenue. The county also received \$101,754 in state Liquor Board profits and excise taxes. This is 72% more than was received during the first quarter 2002.

Revenue from intergovernmental services was 22% of the total "intergovernmental revenue" budget. First quarter collections of \$327,240 account for 16% of revenue recognized in this category. This amount is \$178,000 more than first quarter 2002. Prisoner room and board was \$153,000, or 175% greater than first quarter 2002. This is due to a change in an accounting practice in which revenue is recorded sooner.

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 and Human Services Department) and several other miscellaneous service fees which help cover the costs of providing specific services used by individual customers.

"Charges for Services" revenues were 25% collected as of March 31, 2003. This category was \$232,000, or 18% greater than first quarter 2002.

Auditor Filing/Recording fees were \$46,000 greater than first quarter 2002. This account has already collected 44% of its annual budget. This increase is due to continued low interest rates, which have stimulated mortgage refinance activity and therefore, greater recording fee revenues.

Off-site work release fees were \$29,500 or 114% greater than first quarter 2002. This is due to a change in an accounting practice in which revenue is recorded sooner.

Plan check fees were \$98,000, or 32% greater than first quarter 2002. This increase is due to continuing strong building industry activity and increases in the amount charged for services.

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General Fund Revenue Notes, continued

Fines and Forfeits

"Fines and Forfeits" consist principally of traffic infraction revenue and criminal traffic misdemeanor penalties, which include driving while intoxicated penalties.

"Fines and Forfeits" revenues were 29.5% percent collected at end of first quarter. This is \$65,000, or 20% greater than first quarter 2002 and \$78,500 greater than projected. Traffic infractions were \$49,000, or 29% greater than first quarter 2002. Superior Court felony penalties and Planning and Development civil penalties account for the rest of the increase over first quarter 2002.

Miscellaneous

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

First quarter "Miscellaneous" revenue was \$30,000, or 5% less than received in the first quarter 2002, and it was \$93,000, or 14% under the 2003 budget projection.

Interest earnings were approximately \$15,000 less than received in the first quarter 2002, and are at 16% of 2003 budget expectations. Though somewhat offset by a council ordinance adopted in November of 2002 that changed the allocation of interest earnings from the Flood Control Zone District and other minor funds to the General Fund, low interest rates caused an overall decrease in interest earnings.

Revenue from contributions was \$53,000 less than last year and is at 0% of 2003 budgeted amount. This is due to a \$45,000 dental grant contribution to the Health Department that was received just after the quarter closed. In addition, deferred revenue from Alcoa grants received in 2002 (to be spent in 2003), has not yet been recognized.

Other Financing Sources

"Other Financing Sources" revenue is 29% state timber revenues and 71% operating transfers from other Whatcom County funds.

Twenty percent of "Other Sources" revenue was collected by the end of the first quarter. As of the end of March, \$231,000, or 46% of the "Other Sources" annual budget was collected in state timber sales. This is an increase of \$206,000 over the \$25,000 received in the first quarter 2002.

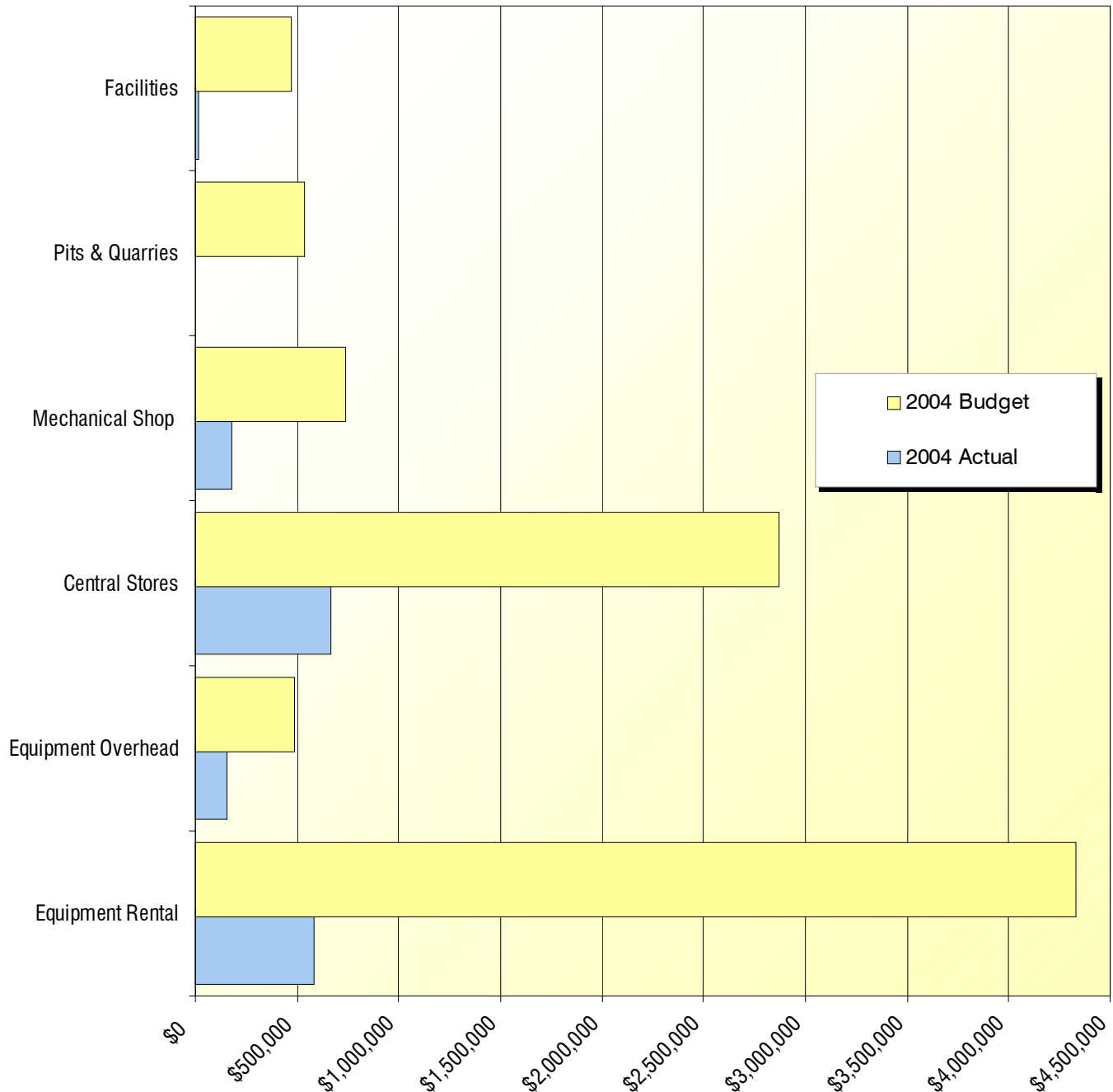
Only 8.5% of the 2003 operating transfers, or \$111,368 were recorded by the end of March. Most of the first quarter operating transfers between funds will be processed during the second quarter; however, this amount is up \$83,000 over the same time period last year.

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General Fund Expenditures - Budget vs. Actual



* "2003 Budget" figures represent 2003 amended budget annual amounts.

** Based on past expenditure history, the "2003 Projected" figures represent portions of 2003 amended budget amounts, as projected at the end of this quarter. Projections are adjusted throughout the year as new information becomes available.

See page 8 for chart detail and page 10 for General Fund Expenditure Notes.

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General Fund Expenditures - Budget vs Actual

	Adopted 2004 Budget	Budget Supplementals	Amended Budget	Actual as of 03/31/04	% Expended To Date
Equipment Rental	4,245,350	84,760	4,330,110	587,768	13.57%
Equipment Overhead	486,132	0	486,132	151,953	31.26%
Central Stores	2,854,051	12,167	2,866,218	665,016	23.20%
Mechanical Shop	735,704		735,704	180,902	24.59%
Pits & Quarries	535,900	0	535,900	4,500	0.84%
Facilities	210,316	260,000	470,316	15,091	3.21%
Total General Fund Exp	9,067,453	356,927	9,424,380	1,605,230	17.03%

	Budget	Changes	2004 Budget	2004 Actual	To Date
Equipment Rental	4,245,350	84,760	4,330,110	587,768	13.57%
Equipment Overhead	486,132	0	486,132	151,953	31.26%
Central Stores	2,854,051	12,167	2,866,218	665,016	23.20%
Mechanical Shop	735,704	0	735,704	180,902	24.59%
Pits & Quarries	535,900	0	535,900	4,500	0.84%
Facilities	210,316	260,000	470,316	15,091	3.21%
	9,067,453	356,927	9,424,380	1605230	

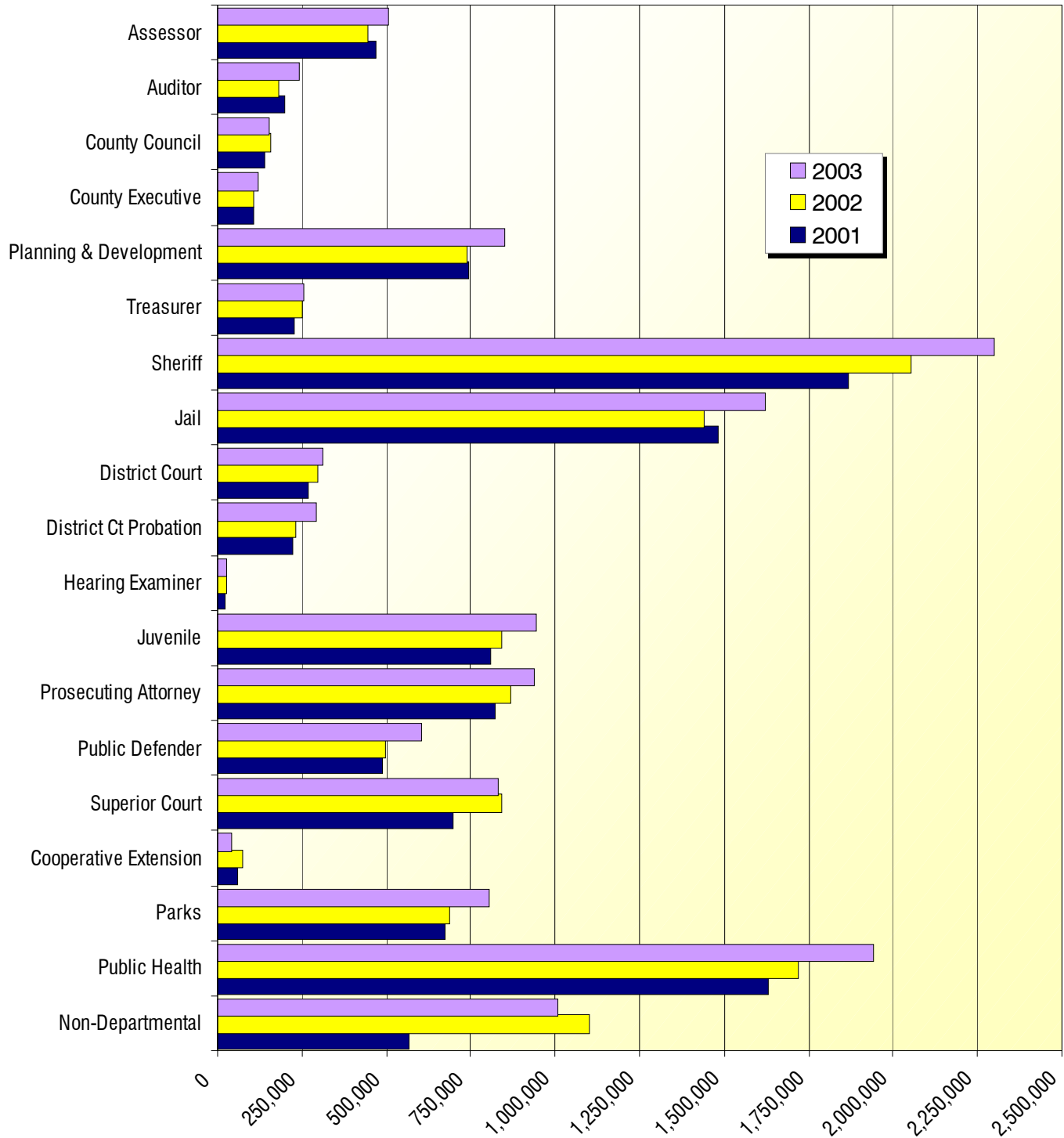
See page 10 for General Fund Expenditure Notes.

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General Fund Expenditures to Date - Compared to Prior Years



See page 10 for chart detail and General Fund Expenditure Notes.

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General Fund Expenditures to Date - Compared to Prior Years

	2001	2002	2003
Assessor	467,192	445,175	506,814
Auditor	201,650	180,391	242,882
County Council	138,540	157,058	154,504
County Executive	106,333	108,810	119,144
Planning & Development	745,053	740,221	852,171
Treasurer	226,022	249,090	256,656
Sheriff	1,868,508	2,054,209	2,300,043
Jail	1,480,919	1,440,222	1,619,660
District Court	271,651	299,252	313,547
District Ct Probation	221,221	233,263	293,651
Hearing Examiner	25,546	29,837	29,083
Juvenile	810,026	839,891	941,761
Prosecuting Attorney	822,709	867,022	938,047
Public Defender	486,725	496,510	602,312
Superior Court	699,285	838,998	833,081
Cooperative Extension	58,600	73,290	42,353
Parks	674,578	686,010	804,146
Public Health	1,631,822	1,718,099	1,941,329
Non-Departmental	569,169	1,102,366	1,010,558
TOTAL	11,505,549	12,559,714	13,801,742

General Fund Expenditure Notes

Overall expenditures for the General Fund were at 23.6% of the approved budget. At the end of the first quarter last year, expenditures were at 21.7% of the approved budget. Eleven departments have spent 25% or more of their budgets as of March 31. Due to the timing of payroll end dates, three pay periods were posted to month-end during March. Also, budget adjustments to increase departmental budgets for the effect of wage settlements have not yet been posted.

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General Fund Conclusion

	Approved Budget	Projected
Beginning Fund Balance	13,329,631	16,137,090
Revenues		
Budgeted Revenues 2003	54,659,533	54,659,533
Supplemental Budgets 2003	-	91,410
Total Revenue	54,659,533	54,750,943
Expenditures		
Budgeted Expenditures 2003	57,737,392	57,737,392
Continuing Appropriations 2003	-	621,715
Supplemental Budgets 2003	-	124,824
Total Expenditures	57,737,392	58,483,931
Adjusted Surplus (Deficit)	(3,077,859)	(3,732,988)
Other Considerations		
Projected Increase in Sales Tax		599,966
2002 Retroactive Salary Settlements		(303,298)
Ending Fund Balance	10,251,772	12,700,770
Recap of Ending Fund Balance		
Dedicated Misc. Reserve	70,036	70,036
Emergency Reserve	1,000,000	1,000,000
Cash Flow Reserve	4,000,000	4,000,000
Contingency Reserve	1,650,000	1,650,000
Unreserved Fund Balance	3,531,736	5,980,734
Ending Fund Balance	10,251,772	12,700,770

General Fund Conclusion Notes

For the first quarter of 2003, Whatcom County's revenues were ahead of projections, while expenditures were more on target. Revenues were \$1.5 million higher than expected and expenditures were slightly ahead of projections by \$250,000. Revenues were higher due to earlier than normal tax, grant, and timber sales collections, as well as higher than expected revenues from building and refinancing activity. Sales tax collections have also been greater than projected. Given the possible closure of the Intalco Aluminum plant in the fall, these trends may not continue throughout the year.

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Special Revenue Funds and Other Funds - Revenues

	2002 Actual As of 3/31/2002	2003 Actual As of 3/31/2003	2003 Budget	% Collected of 2003 Budget
County Road Fund	1,901,915	2,114,450	20,901,208	10.12%
Election Reserve Fund	17,389	24,675	493,129	5.00%
Veterans Relief	8,042	9,592	146,355	6.55%
Water Resources Fund	-	149,784	2,924,000	5.12%
Low-Income Housing Projects	-	89,667	200,000	44.83%
Solid Waste Fund	7,364	(596)	1,012,600	-0.06%
WC Convention Center Fund	32,299	33,744	115,000	29.34%
Victim/Witness Assistance Fund	28,024	31,016	118,925	26.08%
CERB fund	-	-	203,843	0.00%
Whatcom Co Drug Fund	118,762	82,373	355,903	23.14%
Auditor's O&M Fund	15,591	27,997	105,000	26.66%
Emergency Management	146,285	238,270	288,046	82.72%
Flood Control Zone Dist Fund	320,692	314,734	5,716,133	5.51%
PT Roberts Fuel Tax	3,628	4,833	20,000	24.17%
Conservation Futures Fund	42,195	51,356	797,547	6.44%
Sub-Flood Zones	8,623	11,447	117,437	9.75%
Real Estate Excise Tax Fund	208,624	257,324	1,000,000	25.73%
Rural Sales Tax Fund	457,680	500,634	1,600,000	31.29%
Whatcom Co Investment Pool	44,708	40,980	180,854	22.66%
Equipment Rental & Revolving	1,290,684	1,408,276	7,763,819	18.14%
Administrative Services Fund	2,910,101	2,463,447	11,813,475	20.85%

Notes:

Election Reserve, Road Fund, Veterans Relief: Property tax payments for the first half of year to be posted during the second quarter.

Water Resources Fund: Recorded revenue is for year-to-date expenses billed to the Flood Fund. Grant revenue has not yet been collected.

Low-Income Housing Projects: This is a new fund with limited budget experience. Revenue is generated from Auditor's recording fees.

Solid Waste Fund: Excise tax amounts received in 2003 were accrued as fourth quarter 2002 income. First quarter 2003 income will not be posted until the second quarter.

Emergency Management: Annual general fund transfer of \$102,970 recorded in the first quarter, annual billings to area municipalities also recorded in the first quarter.

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Special Revenue Funds and Other Funds - Expenditures

	2002 Actual As of 3/31/2002	2003 Actual As of 3/31/2003	2003 Budget	% Expended of 2003 Budget
County Road Fund	2,728,782	3,149,339	26,562,931	11.86%
Election Reserve Fund	199,090	106,387	645,221	16.49%
Veterans Relief	52,982	10,348	146,355	7.07%
Water Resources Fund	294,044	265,667	3,430,472	7.74%
Solid Waste Fund	114,290	126,875	1,256,557	10.10%
WC Convention Center Fund	45,250	48,750	142,000	34.33%
Victim/Witness Assistance Fund	13,609	14,003	112,126	12.49%
CERB fund	-	-	203,904	0.00%
Whatcom Co Drug Fund	51,656	112,297	720,860	15.58%
Auditor's O&M Fund	1,513	1,756	219,950	0.80%
Emergency Management	66,963	108,626	356,046	30.51%
Flood Control Zone Dist Fund	253,001	405,968	8,540,704	4.75%
Conservation Futures Fund	5,570	4,617	105,245	4.39%
Sub-Flood Zones	-	-	141,250	0.00%
Real Estate Excise Tax Fund	-	-	994,012	0.00%
Rural Sales Tax Fund	-	87,718	402,102	21.81%
Whatcom Co Investment Pool	45,058	54,438	190,354	28.60%
Equipment Rental & Revolving	967,008	1,498,789	8,247,915	18.17%
Administrative Services Fund	2,545,810	2,910,761	13,321,165	21.85%

Notes:

Election Reserves: Costs down compared to last year due to no elections held in the first quarter of 2003.

Veterans Relief: Costs down due to reorganization of how claims are handled. More claims are expected to be processed in the second quarter due to volunteer staffing of new office is now in place.

Drug Fund: Costs up due to transfers paid to other funds traditionally recorded in the second quarter were recorded in the first quarter.

Emergency Management: Costs up due to retroactive pay increases paid but budget amendment has not been recorded yet. Also, a professional service contract continued from 2002 has inflated costs about \$23,000 above normal. New computer equipment has been purchased as well.

Equipment Rental & Revolving: Prior year had adjustments removing expenses to the balance sheet of \$390,000, cost of goods sold increased \$126,000 over prior year amounts also.