



**2003
Second
Quarter
Financial
Report**

Compiled and Presented by the
Administrative Services Department,
Finance Division
Brad Bennett,
Finance Manager

September 11, 2003

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



Executive Summary

The following is Whatcom County's second quarter 2003 financial report. At the end of the second quarter, the General Fund collected 51.7% of its budgeted revenue and spent 47.5% of its budgeted expenditures. Revenue is 5.9% higher than last year at this time and expenditures are 1.7% higher.

Currently the projected 2003 General Fund ending fund balance is \$13 million. This amount is \$2,750,000 higher than the \$10.25 million projected in the 2003 budget. This is due to a combination of factors, including:

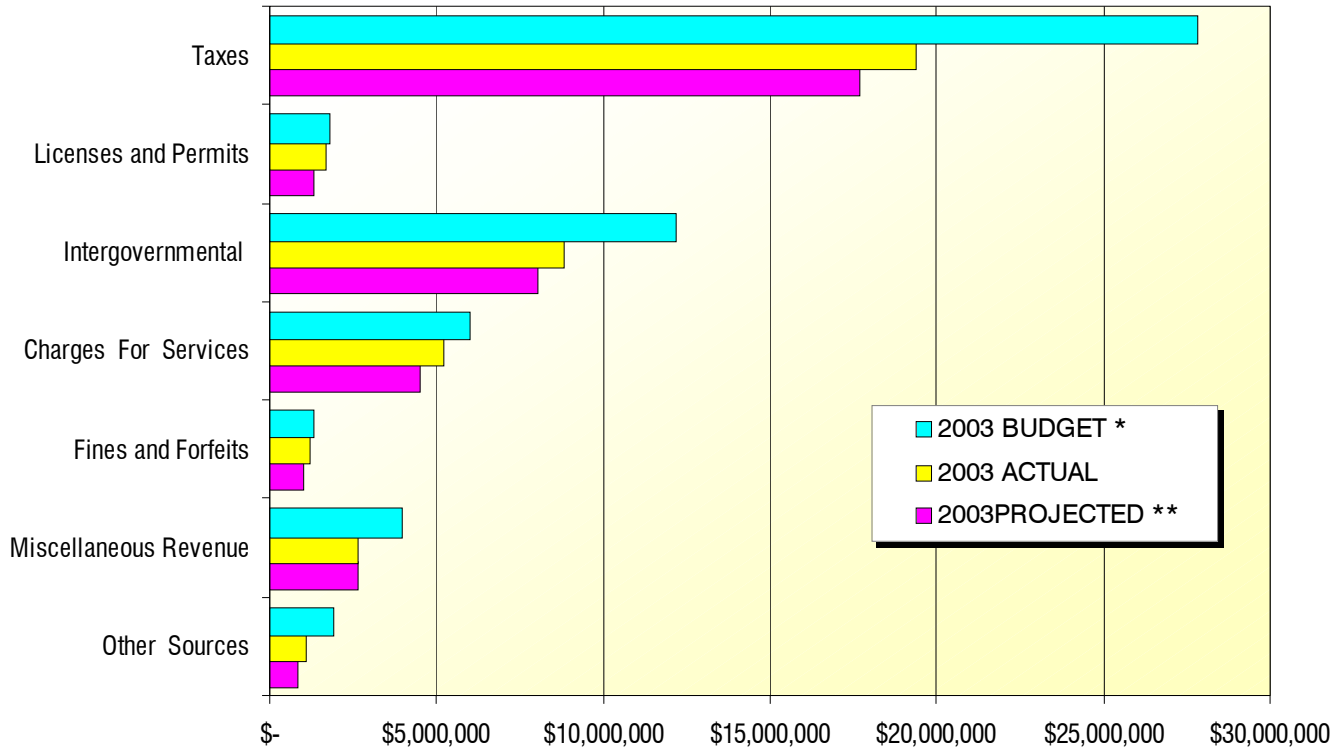
- 2002 year-end results were better than projected.
- Revised estimates of sales tax collections indicate more revenue.
- Legislative changes reinstated I-695 replacement funding.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



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 09/30/03	% Collected To Date	Projected as of 09/30/03
Taxes	27,868,927	0	27,868,927	19,351,810	69.44%	17,686,375
Licenses and Permits	1,724,534	47,955	1,772,489	1,671,765	94.32%	1,326,060
Intergovernmental	12,004,588	151,439	12,156,027	8,824,209	72.59%	8,036,279
Charges For Services	5,942,482	65,203	6,007,685	5,196,698	86.50%	4,511,912
Fines and Forfeits	1,312,600	0	1,312,600	1,211,173	92.27%	995,233
Miscellaneous Revenue	3,958,838	0	3,958,838	2,667,948	67.39%	2,617,174
Other Sources	1,847,564	79,591	1,927,155	1,062,522	55.13%	829,846
Total Revenue	54,659,533	344,188	55,003,721	39,986,125	72.70%	36,002,879

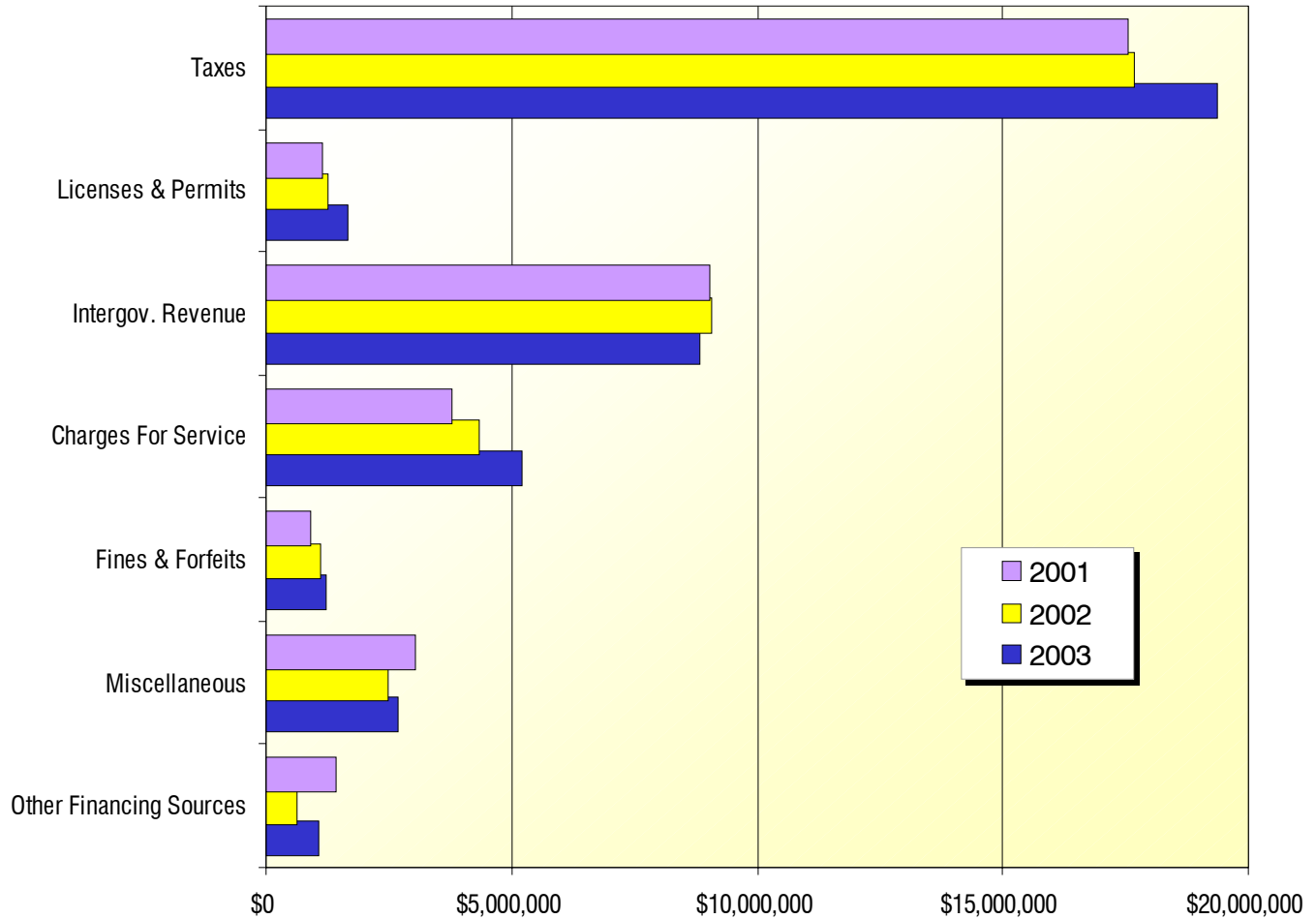
See pages 4, 5 and 6 for General Fund Revenue Notes.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



General Fund Revenue to Date - Compared to Prior Years



	2001	2002	2003
Taxes	17,570,932	17,659,009	19,351,810
Licenses & Permits	1,148,869	1,262,255	1,671,765
Intergov. Revenue	9,020,015	9,061,444	8,824,209
Charges For Service	3,798,796	4,338,539	5,196,698
Fines & Forfeits	916,017	1,094,643	1,211,173
Miscellaneous	3,021,164	2,471,275	2,667,948
Other Financing Sources	1,410,946	638,433	1,062,522
Total Revenue	36,886,739	36,525,598	39,986,125

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

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



General Fund Revenue Notes

Taxes

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

As of the end of the quarter, this revenue is 9% ahead of projections and are 7.2% , or \$1,062,000 higher than second quarter 2002. The General Fund property tax levy for 2003 is \$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.

Second quarter property tax collections are almost \$620,000 higher than second quarter 2002. This includes \$142,000 more collected in delinquent taxes than at the end of the second quarter 2002. Delinquent taxes are now \$15,000 more than the entire budget for 2003. Interest and penalty collections on delinquent property taxes are at \$1,154,905. This is 22% higher than second quarter 2002.

Although the Tenaska cogeneration plant made their last deferred sales tax payment of \$346,700 in 2002, total sales tax revenue collected in the second quarter of 2003 was \$4,152,291. This was \$123,500 higher than collected at the end of second quarter 2002. Criminal Justice sales tax revenue of \$606,980 was collected at the end of the second quarter. This amount is 10.9% higher than collected at the second 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 June 30, 2003, 59% of the 2003 budget, or \$1,013,757 of "Licenses and Permits" revenue was collected. This is \$229,000 more than was collected at the end of the second quarter 2002, and \$185,600 greater than projections.

Building permit revenues came in at \$764,063. This is \$184,500, or 32% higher than second quarter 2002. This revenue is at 63.8% of its total budget of \$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 June 30 were 43% of budget. This is \$597,000 higher than the end of second quarter 2002, and \$1.1 million higher than revenue projections.

Federal and state grant revenues account for 56% of the "intergovernmental revenue" category. As of the end of the second quarter, grant revenue was \$2,415,546. This is 46.6% of "intergovernmental revenue." Because we recognized revenue on grants carried over from 2002 and not budgeted in 2003, revenue is \$159,000 higher than this time last year.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



General Fund Revenue Notes, continued

Federal, state and local entitlements made up 22% of the "Intergovernmental Revenue" annual budget. As of the end of second quarter this category is 34% collected or \$1,766,062. This amount is made up of:

- \$437,700 from Initiative 695 replacement funding.
- \$350,000 from state assistance for criminal justice funding.
- \$383,600 from Seattle City Light in lieu of property tax payments.
- \$326,300 from the federal government in lieu of property taxes on federal forest land.

Revenue from intergovernmental services was 22% of the total "intergovernmental revenue" budget. Collections of \$1,001,336 account for 19% of revenue recognized in this category. This amount is \$230,000 more than the same period in 2002. Prisoner room and board was \$168,000 over second quarter 2002. This increase is due to a change in accounting practice, where we now accrue revenue on a monthly basis.

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 58% collected as of June 30, 2003. This category is higher \$639,000, or 22.7% than second quarter 2002.

Auditor Filing/Recording fees are \$119,000 greater than second quarter 2002. This account has already collected 96% of its annual budget. The increase is due to the continuation of low interest rates, which have stimulated mortgage refinance activity and, therefore, greater recording fee revenues.

Off-site work release fees were \$50,000, or 62.6% greater than second quarter of 2002. This increase is due to a change in accounting methods (from cash to accrual) and a larger work release population.

Plan check fees were \$299,000, or 42%, greater than second quarter 2002. This increase is due to strong building industry activity and increases in the amount charged for services.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



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 are 61.5% percent collected at the end of the second half. This is \$111,000, or 16% higher than last year, and is \$145,000 higher than projections. Traffic infractions are \$52,500, or 13.6% higher than second quarter 2002. Superior Court felony penalties and Planning and Development civil penalties account for the rest of the increase over second quarter 2002.

Miscellaneous

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

Second quarter "Miscellaneous" revenues fell short of 2002 collections by \$36,000, and fell short of projections by \$136,000 or 8.5%.

The County Council approved a resolution to allocate the interest earnings of the Flood Control Zone District and other minor funds to the General Fund in 2003. In spite of this, interest earnings were \$102,000 less than received at the end of the second quarter 2002, and are at 39% of budget expectations. This decline is due to overall low interest rates.

Revenue from contributions are even with 2002, but only 12% of budget. This is because deferred revenue from Alcoa grants received in 2002 (which will 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.

Thirty-nine percent of "Other Sources" revenue was collected by of the end of the second quarter. As of the end of June, \$445,452, or 83%, of its annual budget was collected for state timber sales. At the end of the second quarter 2003 "Other Sources" revenue is \$277,592 higher than second quarter 2003.

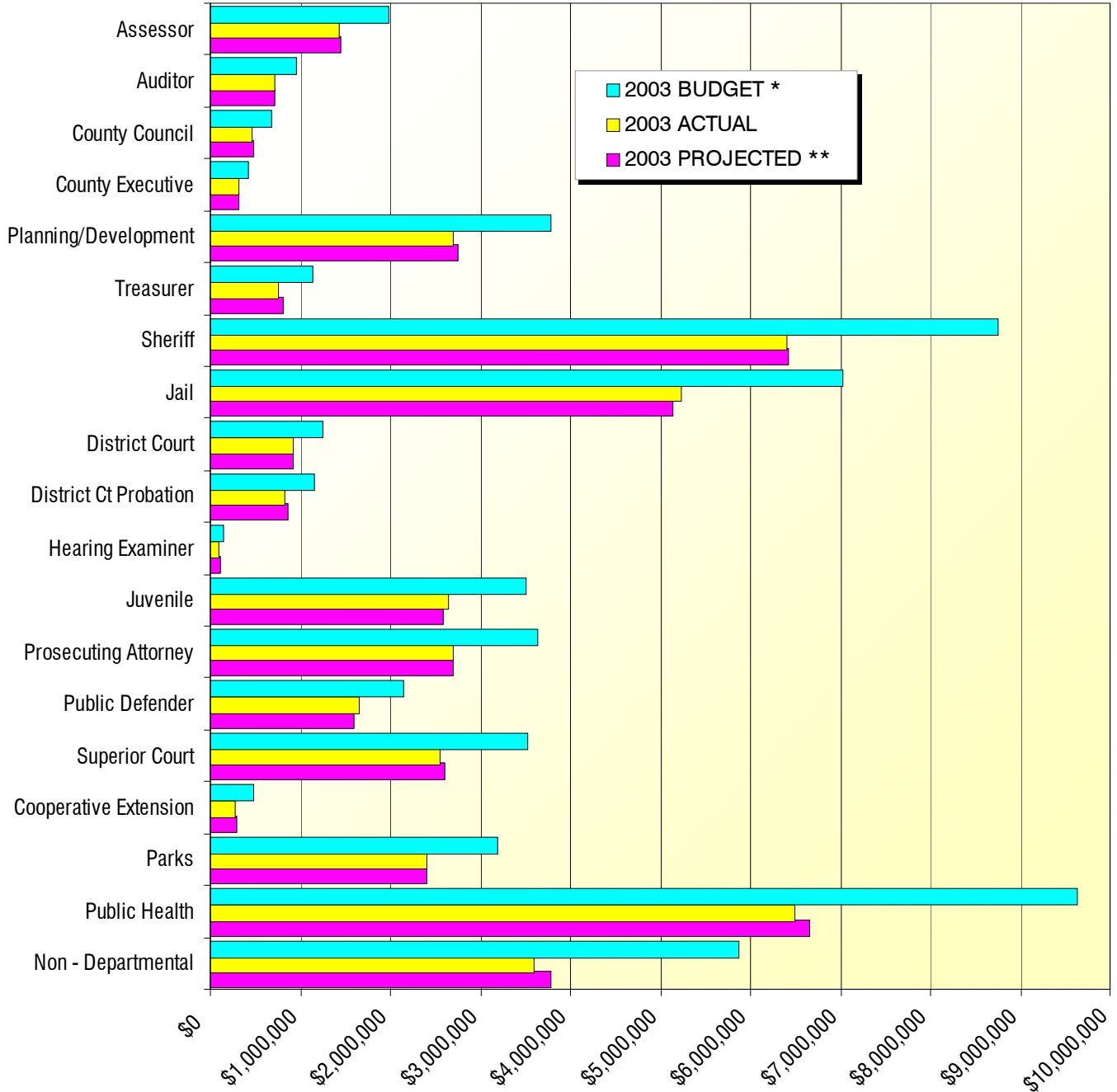
Only 21.6% of the 2003 operating transfers, or \$299,647, have been recorded at the end of June. Most quarterly operating transfers between funds lag by one quarter; however, this amount is \$88,000 greater than the same time period last year.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



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.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



General Fund Expenditures - Budget vs Actual

	Adopted 2003 Budget	Budget Supplementals	Amended Budget	Actual as of 09/30/03	% Expended To Date	Projected as of 09/30/03
Assessor	1,871,585	101,252	1,972,837	1,426,702	72.32%	1,455,782
Auditor	891,769	70,173	961,942	711,856	74.00%	716,623
County Council	661,732	12,386	674,118	465,697	69.08%	483,596
County Executive	414,241	11,936	426,177	316,548	74.28%	319,379
Planning & Development	3,373,626	414,005	3,787,631	2,696,898	71.20%	2,757,802
Treasurer	1,013,883	131,656	1,145,539	752,876	65.72%	803,549
Sheriff	8,591,225	155,423	8,746,648	6,401,957	73.19%	6,420,335
Jail	6,776,557	255,868	7,032,425	5,225,463	74.31%	5,140,876
District Court	1,166,734	72,698	1,239,432	918,221	74.08%	919,364
District Court Probation	1,147,987	5,365	1,153,352	833,643	72.28%	855,611
Hearing Examiner	149,313	4,402	153,715	93,223	60.65%	112,763
Juvenile	3,358,165	140,876	3,499,041	2,646,261	75.63%	2,587,304
Prosecuting Attorney	3,473,646	165,669	3,639,315	2,706,276	74.36%	2,702,915
Public Defender	2,053,755	97,752	2,151,507	1,652,303	76.80%	1,594,590
Superior Court	3,462,017	63,190	3,525,207	2,550,329	72.35%	2,609,047
Cooperative Extension	402,584	77,421	480,005	276,191	57.54%	288,197
Park	2,985,032	206,621	3,191,653	2,405,400	75.37%	2,399,628
Public Health	9,277,875	360,053	9,637,928	6,489,881	67.34%	6,664,492
Non - Departmental	6,665,666	(802,578)	5,863,088	3,588,917	61.21%	3,773,348
Total General Fund Exp	57,737,392	1,544,168	59,281,560	42,158,642	71.12%	42,605,201

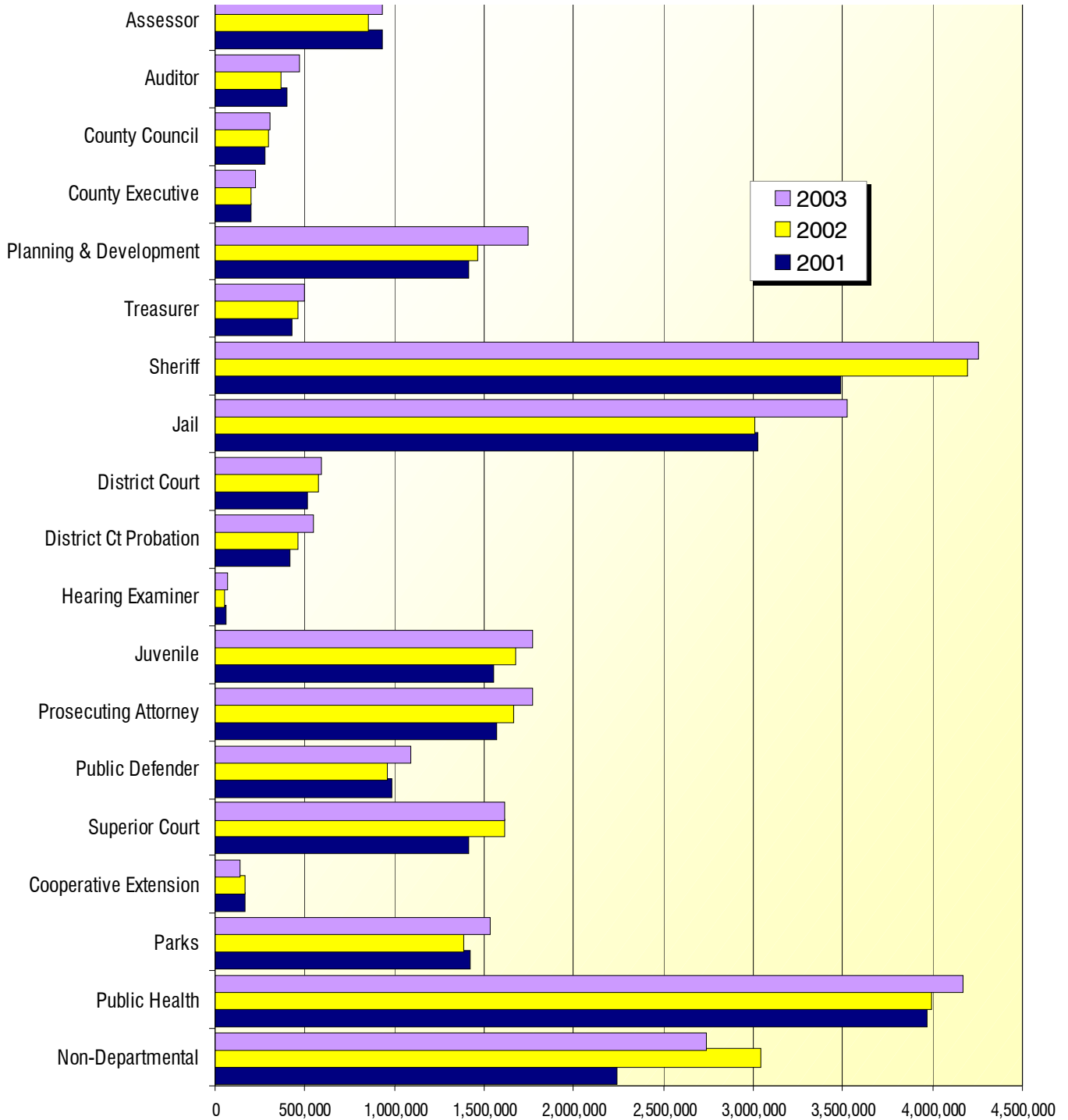
See page 10 for General Fund Expenditure Notes.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



General Fund Expenditures to Date - Compared to Prior Years



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

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



General Fund Expenditures to Date - Compared to Prior Years

	2001	2002	2003
Assessor	930,503	856,253	936,024
Auditor	404,778	367,236	469,072
County Council	282,295	299,609	305,771
County Executive	201,891	204,829	224,070
Planning & Development	1,409,328	1,468,250	1,746,707
Treasurer	429,190	458,661	498,987
Sheriff	3,490,917	4,195,015	4,256,811
Jail	3,026,810	3,008,041	3,524,927
District Court	514,705	573,640	596,966
District Ct Probation	420,014	459,465	550,595
Hearing Examiner	60,467	53,804	65,991
Juvenile	1,554,295	1,675,183	1,770,886
Prosecuting Attorney	1,572,410	1,665,130	1,770,888
Public Defender	987,768	956,631	1,089,649
Superior Court	1,416,465	1,612,997	1,612,902
Cooperative Extension	163,871	163,892	139,992
Parks	1,423,391	1,390,566	1,535,947
Public Health	3,970,014	3,993,926	4,170,255
Non-Departmental	2,237,219	3,045,505	2,742,481
TOTAL	24,496,331	26,448,633	28,008,921

General Fund Expenditure Notes

As of the end of the second quarter, overall expenditures for the General Fund are at 47.5% of the approved budget. At the end of the second quarter 2002, expenditures were at 45% of the approved budget. All departments, except the County Executive, Juvenile Services, and the Public Defender have expended 50% or less of their budgets. The County Executive's Office has spent 52.6% of its 2003 budget and has exceeded expenditure projections by \$10,000. This overage is due to an error in charging a portion of the Director of Administrative Services' salary and benefits to the General Fund instead of the Administrative Services Fund. This will be corrected in third quarter. Juvenile Services has spent 50.6% of its budget and its expenditures are \$70,000 higher than projected. This is due to spending on grants that ended June 30, 2003. The Public Defender's Office has spent 51.4% of its budget and its expenditures are \$62,000 higher than projected. This is due to leave payouts for employees who resigned or retired in the first half of 2003. Also, contracted services and professional services for polygraphs, expert witnesses, and evaluations are already at 70% of the total budget for these services. In contrast, Cooperative Extension has only spent 29% of its budget. This is because billings for intergovernmental professional services from Washington State University are lagging behind. Only 17% of Cooperative Extension's \$209,606 budget has been invoiced to date.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



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	-	200,533
Total Revenue	54,659,533	54,860,066
Expenditures		
Budgeted Expenditures 2003	57,737,392	57,737,392
Continuing Appropriations 2003	-	621,715
Supplemental Budgets 2003	-	629,989
Total Expenditures	57,737,392	58,989,096
Adjusted Surplus (Deficit)	(3,077,859)	(4,129,030)
Other Considerations		
Projected Increase in Sales Tax		599,966
Increased I-695 Replacement Funds for Health		427,616
Ending Fund Balance	10,251,772	13,035,642
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	6,315,606
Ending Fund Balance	10,251,772	13,035,642

General Fund Conclusion Notes

For the first half of 2003 Whatcom County's revenues are well ahead of projections, while expenditures are on target with projections. Revenues are \$3,363,712 higher than expected. Expenditures are slightly ahead of projections by \$163,732. Tax revenues are higher due to greater than expected sales tax and delinquent tax payments. Building and refinancing activities have been driving up permit and plan check and review fee revenues. It is unknown if this trend will continue through the remainder of the year. The only revenue category that was below projections is investment earnings. This is due to continued low interest rates. Whatcom County's economy faces an uncertain future with the likely closure of the Intalco Aluminum plant this fall.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



Special Revenue Funds and Other Funds - Revenues

	2002 Actual As of 6/30/2002	2003 Actual As of 6/30/2003	2003 Budget	% Collected of 2003 Budget
County Road Fund	9,412,826	10,277,370	20,901,208	49.17%
Election Reserve Fund	345,867	210,504	493,129	42.69%
Veterans Relief	80,527	82,131	146,355	56.12%
Water Resources Fund	1,124,848	1,192,934	2,924,000	40.80%
Low-Income Housing Projects	12,101	192,928	200,000	96.46%
Solid Waste Fund	187,564	275,364	1,012,600	27.19%
WC Convention Center Fund	59,534	64,033	115,000	55.68%
Victim/Witness Assistance Fund	65,408	60,152	118,925	50.58%
CERB fund	-	-	203,843	0.00%
Whatcom Co Drug Fund	223,997	169,601	355,903	47.65%
Auditor's O&M Fund	33,121	60,182	105,000	57.32%
Emergency Management	173,507	238,395	288,046	82.76%
Flood Control Zone Dist Fund	2,404,223	2,341,080	5,716,133	40.96%
PT Roberts Fuel Tax	7,403	12,061	20,000	60.31%
Conservation Futures Fund	412,376	442,452	797,547	55.48%
Real Estate Excise Tax Fund	569,765	623,457	1,000,000	62.35%
Rural Sales Tax Fund	881,237	975,052	1,600,000	60.94%
Whatcom Co Investment Pool	92,951	86,162	180,854	47.64%
Equipment Rental & Revolving	3,342,546	3,315,611	7,763,819	42.71%
Administrative Services Fund	6,211,036	5,777,275	11,813,475	48.90%
Sub-Flood Zones	68,168	69,643	117,437	59.30%

Notes:

Road Improvement Districts, Capital Project Funds and Debt Service Funds are not shown on this list.

Election Reserve : prior year number included payments for elections held during the first half of 2002, no elections have been held in 2003 to date.

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

Solid Waste Fund: current receipts are higher than prior year due to Department of Ecology grants received.

Emergency Management: total 2003 general fund transfer of \$102,970 completely recorded in the first half, annual billings to area municipalities also recorded in the first half.

Auditor's O&M, Real Estate Excise Tax, and Rural Sales Tax Funds are all affected positively by Whatcom County's current building and refinancing growth.

Whatcom County Second Quarter 2003 Financial Report

For the Quarter Ended June 30, 2003



Special Revenue Funds and Other Funds - Expenditures

	2002 Actual As of 6/30/2002	2003 Actual As of 6/30/2003	2003 Budget	% Expended of 2003 Budget
County Road Fund	7,644,966	8,135,105	26,686,514	30.48%
Election Reserve Fund	321,677	206,648	649,396	31.82%
Veterans Relief	72,906	48,742	146,355	33.30%
Water Resources Fund	688,586	1,418,872	3,438,198	41.27%
Solid Waste Fund	416,674	416,651	1,258,898	33.10%
WC Convention Center Fund	45,250	71,499	142,000	50.35%
Victim/Witness Assistance Fund	25,701	26,202	112,798	23.23%
CERB fund	-	-	203,904	0.00%
Whatcom Co Drug Fund	188,732	170,353	720,860	23.63%
Auditor's O&M Fund	3,441	7,517	237,121	3.17%
Emergency Management	148,493	201,369	356,046	56.56%
Flood Control Zone Dist Fund	1,956,486	1,900,190	8,540,704	22.25%
Conservation Futures Fund	5,570	24,617	105,245	23.39%
Real Estate Excise Tax Fund	191,845	564,966	994,012	56.84%
Rural Sales Tax Fund	-	210,442	758,102	27.76%
Whatcom Co Investment Pool	85,039	92,991	190,354	48.85%
Equipment Rental & Revolving	3,279,377	3,091,980	8,268,342	37.40%
Administrative Services Fund	5,242,791	6,253,784	13,639,726	45.85%
Sub-Flood Zones	-	-	141,250	0.00%

Notes:

Road Improvement Districts, Capital Project Funds and Debt Service Funds are not shown on this list.

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

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

Water Resources: costs are up over last year due to a \$788,000 transfer to the Watershed Management Project Joint Board in the first half of 2003.

Convention Center Fund: costs are up due to five additional contracts were awarded this year to promote tourism.

Emergency Management: a professional service contract continued from 2002 has inflated costs about \$23,000 above normal. New computer equipment has been purchased as well.

Real Estate Excise Tax Fund: prior year amounts were misstated due to a bond payment classification error corrected in November 2002.

Rural Sales Tax: costs include \$65,000 to fund a remodel on the second floor of the Courthouse and \$145,000 to fund payments to consultants for master facilities planning.

Administrative Services: includes payments for capital improvements to the Jail booking area, fifth floor of the Courthouse conference rooms, and remodeling in the basement of the Courthouse.