



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

Whatcom County

For the period January 1, 2017 through December 31, 2017

Published September 27, 2018

Report No. 1022225





**Office of the Washington State Auditor
Pat McCarthy**

September 27, 2018

Council
Whatcom County
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Whatcom County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Whatcom County January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Whatcom County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
11.463	Habitat Conservation
93.563	Child Support Enforcement

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The County qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2017-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Whatcom County

January 1, 2017 through December 31, 2017

2017-001 The County's accounting and financial statement preparation controls were not adequate to ensure accurate reporting for external investment pool and tax receivable activity.

Background

County councilmembers, state and federal agencies, and the public rely on the information included in the financial statements and report to make decisions. County management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Our audit identified significant deficiencies in internal controls over financial reporting that affected the County's ability to produce financial statements in accordance with accounting standards.

Governmental Auditing Standards, prescribed by the Comptroller General of the United States, requires the auditor to communicate significant deficiencies, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

External Investment Pool

The County is the ex-officio treasurer for special-purpose districts in Whatcom County and invests special-purpose districts' funds in the County's External Investment Pool Trust Fund. The County uses Investment Trust Funds to report investment activity conducted on behalf of legally separate entities.

Agency Funds are clearing accounts employed to account for assets the County holds in its capacity as custodian or agent, and are offset by equal and related liabilities.

The County reported assets for the Investment Trust Fund on the Statement of Fiduciary Net Position in both the Investment Trust Fund and the Agency Funds. The special-purpose districts' investments should have been reported only in the Investment Trust Fund of the Statement in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Accrual of Tax Revenue and Receivable

As defined in GASB Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*, local governments earn derived tax revenues, such as sales taxes, when the underlying sales transaction takes place. The State Treasurer collects sales taxes and remits monthly to local governments about two months after the underlying sales transactions.

The County did not properly accrue and record tax revenue or the related receivables in the governmental funds for amounts received in January and February 2018 that were for November and December 2017 taxes. While Sales and Use Tax represents the most material portion, other taxes such as Criminal Justice, Hotel/Motel, and Motor Vehicle Fuel taxes were also affected.

Cause of Condition

External Investment Pool

When GASB 31 took effect, the County implemented the requirements for reporting the external investment pool in the Investment Trust Funds of the Statement of Fiduciary Net Position. However, the County also continued to show the Investment Trust Fund balances in the Agency Funds, believing this was appropriate and allowed greater transparency for the special-purpose districts.

Accrual of Tax Revenue and Receivable

The County was aware of the potential that state distributions were delayed from the month earned but considered each month's distribution relatively equal, recognizing each month's receipts as that month's revenue. The County presented financial statements asserting that the overall revenue was not materially misstated for this reason. The County did not consider the related receivable for amounts measurable and available at year-end but not collected for two months.

Effect of Condition

External Investment Pool

Agency Funds' assets of \$240,642,415 were reported twice on the Statement of Fiduciary Net Position. The County corrected this on the final version of the financial statements.

Accrual of Tax Revenue and Receivable

The County did not report receivables for taxes that are measureable and available but not yet collected as of year-end. This included a \$2,758,454 receivable in the

General Fund, \$689,518 in the County Road Fund, \$717,291 in the Public Utilities Improvement Fund, and \$2,157,449 in the Other Governmental Funds. The net effect for the Governmental Activities was \$6,322,712.

In addition, related revenues for the Governmental Activities were underreported by \$432,121 in aggregate.

The County corrected this on the final version of the financial statements.

Recommendation

We recommend the County perform necessary research and use available resources to make sure it has considered all relevant information regarding implementation of GASB standards. Specifically, we recommend the County implement internal controls to ensure it properly reports investment pool activity and accrues revenues and receivables in accordance with applicable GASB standards.

County's Response

The County would like to thank the Washington State Auditor's Office for its communications and collaboration during the audit. As acknowledged by the Auditor, the County has already corrected the issues identified in this finding.

External Investment Pool

The County accepts the Auditor's recommendations; however, we do not agree that our original disclosure did not comply with Governmental Accounting Standards Board (GASB) Statement No. 31. Based on our research and correspondence with your office it is apparent the published standards on this disclosure area are not clear. We feel our original disclosure was logical and accurately presented the information

For the past 11 years, the County has been presenting this technical information about special purpose districts in the same way based on our understanding of the GASB standard and our responsibility to disclose all special purpose districts' assets and liabilities. This way, readers of the CAFR could easily see all special district resources in a single place.

The County offers the following additional information to explain the impact of this technical presentation issue. In governmental accounting, agency funds' assets and liabilities have been traditionally reported in the statement of fiduciary net position in the CAFR. The state of Washington has a unique regulation that mandates counties to be the ex officio treasurers of special purpose districts located within the government's political boundaries. For effective cash management, the County

pools resources from these special purpose districts for investment purposes. Two GASB standards apply in this situation. The GASB 34 standard applies to how special districts must be accounted for by the County as custodial funds in its CAFR. The GASB 31 standard states that external investment pools should be reported as an investment trust fund, a separate fiduciary fund. The County satisfied the GASB 31 standard by reporting an external investment trust fund for the special districts' portion of the investment pool; and the GASB 34 standard by reporting all special district funds' assets (including pool investments) and liabilities in the Agency Funds. The County has done it this way since the 2006 CAFR. In this method, the assets of the special districts were reported in two separate columns of the fiduciary funds statements, but there were no totals or sub-totals presented anywhere in the CAFR for those two balances. Furthermore, there was sufficient disclosure to alert the reader that the investment trust fund consists of some of the same information presented in the agency fund statements.

Accrual of Tax Revenue and Receivable

Sales Tax

The State of Washington collects sales tax on behalf of all jurisdictions in the state. The state holds the sales tax revenue for two months before it distributes it to local jurisdictions. Whatcom County has always reported sales tax based on taxes received within the calendar year. The underlying transactions that generated the sales revenues the county receives in the calendar year occur October through September. We agree with the auditors findings that sales tax revenue should be recorded based on the underlying transactions that occurred within the calendar year. Our financial statements reflect this correction and we will continue make these adjustments to recognize sales tax revenue in the future.

Property Tax

Whatcom County collects small amounts of delinquent property taxes in January and February. According to the County's policy for revenue recognition under the modified accrual basis of accounting payments of outstanding balances received within sixty days after year-end should be reported as revenue in the previous year's financial statements. Our 2017 financial statements reflect property taxes collected in January and February of 2018 and we will continue to recognize property tax collection of outstanding property taxes in January and February as revenue in the previous year's financial statements.

Auditor's Remarks

We appreciate the steps the County took to resolve this issue and its commitment to strengthening its policies and procedures. We are committed to providing any help we can to ensure strong control systems are in place.

Applicable Laws and Regulations

Government Accounting Standards Board Statement No. 31

Government Accounting Standards Board Statement No. 33

Government Auditing Standards, December 2011 Revision, paragraph 4.23

The American Institute of Certified Public Accountants Codification of Statements on Auditing Standards, section 265

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Whatcom County
January 1, 2017 through December 31, 2017**

Council
Whatcom County
Bellingham, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Whatcom County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 14, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of County's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 14, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Whatcom County
January 1, 2017 through December 31, 2017**

Council
Whatcom County
Bellingham, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Whatcom County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended December 31, 2017. The County’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

September 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Whatcom County **January 1, 2017 through December 31, 2017**

Council
Whatcom County
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Whatcom County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 20.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Whatcom County, as of December 31, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 14, 2018

FINANCIAL SECTION

Whatcom County January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2017

Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 2017

Statement of Cash Flows – Proprietary Funds – 2017

Statement of Fiduciary Funds – 2017

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual General Fund – 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual County Road Fund – 2017

Notes to the Budgetary Comparison Schedule – 2017

LEOFF 1 Retiree Medical Benefits – Schedule of Funding Progress – 2017

Schedule of Proportionate Share of Net Pension Liability – [PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2] – 2017

Schedule of Employer Contributions – [PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2]
– 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2017

Whatcom County's discussion and analysis provides a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2017.

Financial Highlights

- The County is in good financial condition and our financial growth is back to prerecession levels.
- Overall revenues are up \$12.2 million. A new property tax levy for emergency medical services accounts for \$7.8 million of this increase.
- Assessed valuation of property increased 5.4 percent from 2016 to 2017.
- Building activity is increasing. Building permit revenues were up and have increased 2.0 percent from 2016 to 2017.
- Total retail sales increased 10.3 percent from 2016 to 2017.
- At the end of 2017, the unassigned fund balance for the General Fund was \$19,719,446, or approximately 27.0 percent of total General Fund expenditures. Total fund balance for the General Fund increased 8.8 percent for the year.
- As of December 31, 2017, the County's governmental funds reported combined ending fund balances of \$144.3 million.
- The County's outstanding general obligation debt total \$2.8 million at the end of 2017.

Government-wide Financial Statement Highlights

- Whatcom County's revenue for governmental activities increased \$11.9 million or 8.3 percent between 2016 and 2017.
- The County's long-term debt totaled \$54.1 million. This includes general obligation bonds totaling \$2.3 million, pension obligations totaling \$35.2 million, OPEB obligations totaling \$4.3 million, compensated absences totaling \$7.2 million, and projected self-insurance claims of \$4.3 million. Long-term debt decreased \$9.6 million, or 15.1 percent. The decrease was primarily related to decreased pension obligations.
- Whatcom County's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) by \$373,976,307 as compared to \$352,698,504 in 2016 (\$21.3 million increase). For 2017, unrestricted net position increased \$6.7 million from last year. Unrestricted net position indicates resources that may be used to meet the government's ongoing obligations to citizens and creditors as defined by the Government Accounting Standards Board (GASB). Details of factors contributing to the increase in net position are discussed later within this management's discussion and analysis.

Overview of the Financial Statements

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. The statements report information about the County as a whole using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. The statements distinguish functions of Whatcom County that are principally supported by taxes and intergovernmental revenues ("government activities") from functions that are intended to recover all or a significant portion of their cost through user fees and charges ("business-type activities"). Governmental Activities include services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; criminal prosecution and indigent defense; jails and corrections programs; road construction and maintenance; storm water management; flood control; community planning and development; parks and open space preservation; protection of public health; elections; property assessment and tax collection. Business-type activity includes Whatcom County's ferry system and the Treasurer's investment pool.

The Statement of Net Position presents information on all the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of financial health of the County. Other indicators include the condition of the County's capital assets (roads, buildings, bridges, etc.), changes in the property tax base, and general economic conditions within the County.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The governmental-wide financial statements can be found on pages 18-19 of this report.

Fund financial statements. The fund financial statements provide detailed information about the most significant funds-not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds:** Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and

the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

- **Proprietary funds:** When the County charges customers for the cost of the services it provides whether to outside customers or to other units of the County, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise funds (one type of proprietary fund) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other type of proprietary fund), such as the County's Administrative Services Fund, to report activities that provide supplies and services to the County's other programs and activities.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

- **Fiduciary funds:** The County uses these funds to account for resources held for the benefit of parties outside the government. Fiduciary funds include investment trust funds, used to report investment activity conducted by the County on behalf of legally separate entities, such as special purpose districts that are not part of the County's reporting entity, and agency funds. Since these are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-74 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information can be found on page 75-88 of this report.

The combining statements are presented in a separate section immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 89-215 of this report.

Government-wide Financial Analysis

The table on the following page reflects a condensed Statement of Net Position.

Table MDA1 - Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$190,406,620	\$169,758,949	\$3,100,205	\$2,783,746	\$193,506,825	\$172,542,695
Capital assets	252,529,976	250,193,719	1,659	2,300	252,531,635	250,196,019
Total assets	442,936,596	419,952,668	3,101,864	2,786,046	446,038,460	422,738,714
Deferred outflows of resources	5,777,615	8,881,604	102,177	153,028	5,879,792	9,034,632
Long-term debt	53,322,366	62,717,034	813,663	1,017,832	54,136,029	63,734,866
Other liabilities	12,055,658	10,225,639	140,427	85,181	12,196,085	10,310,820
Total liabilities	65,378,024	72,942,673	954,090	1,103,013	66,332,114	74,045,686
Deferred inflows of resources	11,493,502	5,001,604	116,329	27,552	11,609,831	5,029,156
Net position:						
Net investment in capital assets	249,804,468	247,592,484	1,659	2,300	249,806,127	247,594,784
Restricted	120,343,165	108,006,250	-	-	120,343,165	108,006,250
Unrestricted	1,695,052	(4,708,739)	2,131,963	1,806,209	3,827,015	(2,902,530)
Total net position	\$371,842,685	\$350,889,995	\$2,133,622	\$1,808,509	\$373,976,307	\$352,698,504

For more detailed information see page 18 for the Statement of Net Position.

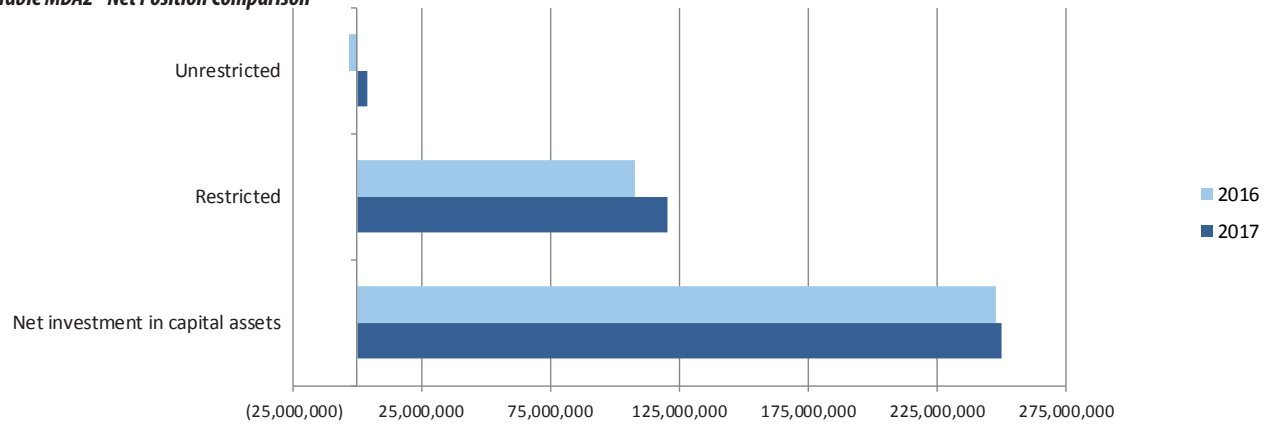
Net position may serve over time as a useful indicator of a government's financial position. Whatcom County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$373,976,307 at the close of 2017; this is an increase of \$21.3 million from 2016 net position. Governmental activities increased Whatcom County's net position by \$21.0 million, thereby accounting for 98.6 percent of the increase in the net position of Whatcom County. Business-type activities increased net position \$325,113.

The largest portion of Whatcom County's net position (66.8 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less any outstanding debt used to acquire those assets. Whatcom County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Whatcom County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased net position by \$2.2 million. Whatcom County invested \$7.5 million in infrastructure, \$4.0 million in equipment, \$1.1 million in land, \$769,000 in construction in progress, \$258,000 in improvements, and \$34,000 in buildings. Net investment in capital assets is also increased by repayment of debt related to capital assets and reduced by depreciation charged against capital assets.

Restricted net position totals \$120,343,165 or 32.2 percent of net position. Restricted net position is subject to external restrictions on how it may be used. Restrictions are imposed by legislation, grantors, bondholders, higher levels of government, or through constitutional provisions. Restricted net position is greater than last year by \$12.3 million.

The remaining balance of net position, unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The balance of unrestricted net position is \$3.8 million.

Table MDA2 - Net Position Comparison



Whatcom County

WASHINGTON

Table MDA3 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenue:						
Charges for services	\$25,700,325	\$25,508,129	\$1,882,244	\$1,809,806	\$27,582,569	\$27,317,935
Operating grants & contributions	20,533,655	19,115,601	316,769	132,026	20,850,424	19,247,627
Capital grants & contributions	5,671,252	8,904,416	-	-	5,671,252	8,904,416
General revenue:						
Property taxes	61,426,749	51,789,000	-	-	61,426,749	51,789,000
Retail taxes	31,608,063	28,656,766	-	-	31,608,063	28,656,766
Business and occupation taxes	31,576	27,402	-	-	31,576	27,402
Excise taxes	6,073,543	5,411,302	-	-	6,073,543	5,411,302
Other	5,036,404	4,730,538	4,990	(11,536)	5,041,394	4,719,002
Total revenues	156,081,567	144,143,154	2,204,003	1,930,296	158,285,570	146,073,450
Expenses						
General government	31,165,548	33,346,649	-	-	31,165,548	33,346,649
Public safety	49,404,289	47,902,859	-	-	49,404,289	47,902,859
Utilities	-	719,438	-	-	-	719,438
Transportation	24,159,637	26,254,000	-	-	24,159,637	26,254,000
Natural and economic environment	10,927,586	8,013,891	-	-	10,927,586	8,013,891
Social services	19,819,560	18,673,421	-	-	19,819,560	18,673,421
Culture and recreation	4,258,868	4,948,161	-	-	4,258,868	4,948,161
Interest on long-term debt	128,083	109,862	-	-	128,083	109,862
Whatcom Co. Investment Pool	-	-	307,898	295,038	307,898	295,038
Ferry System	-	-	2,686,841	2,604,367	2,686,841	2,604,367
Total expenses	139,863,571	139,968,281	2,994,739	2,899,405	142,858,310	142,867,686
Change in net position before transfers	16,217,996	4,174,873	(790,736)	(969,109)	15,427,260	3,205,764
Transfers	(1,115,849)	(1,058,166)	1,115,849	1,058,166	-	-
Change in net position	15,102,147	3,116,707	325,113	89,057	15,427,260	3,205,764
Net position-beginning	350,889,995	347,773,288	1,808,509	1,719,452	352,698,504	349,492,740
Prior period adjustment	5,850,543	-	-	-	5,850,543	-
Net position-beginning (restated)	356,740,538	347,773,288	1,808,509	1,719,452	358,549,047	349,492,740
Net position-ending	\$371,842,685	\$350,889,995	\$2,133,622	\$1,808,509	\$373,976,307	\$352,698,504

For more detailed information see page 19 for the Statement of Activities.

Overall revenues are up \$12.2 million.

Property tax revenue is up \$9.6 million or 18.6 percent over last year. A new property tax levy for emergency medical services accounts for \$7.8 million of this increase.

Sales tax revenue is up \$3.0 million or 10.3 percent from 2016.

Charges for services are slightly greater than 2016 (\$265,000).

Operating grants and contributions increased \$1.6 million from last year. This is attributed to an increase in flood control related grants for 2017.

Capital grants and contributions are \$3.2 million less than 2016. These revenues fluctuate based on the capital projects that are underway during the year.

Excise tax increased \$662,000 or 12.2 percent from 2016. This is principally the result of increased real estate excise tax collections.

Other revenues are \$322,000 greater than last year.

Expenses ended up at \$142.9 million and are about the same as 2016.

Net position increased \$21.3 million from 2016.

Table MDA4 - Revenues by Source-Governmental Activities

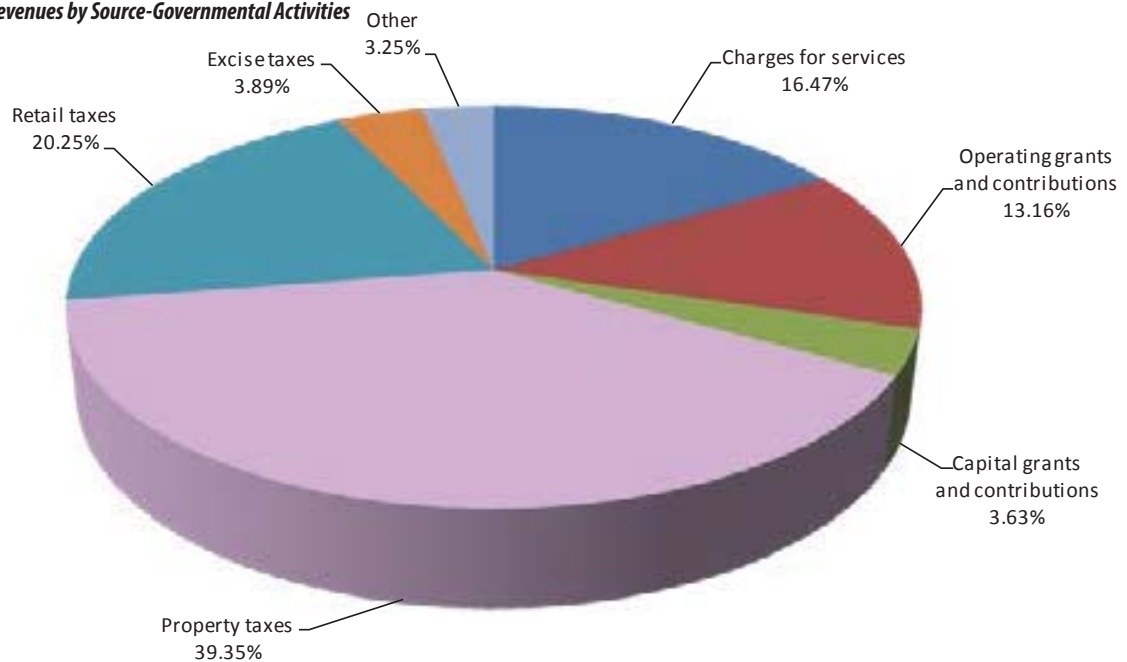
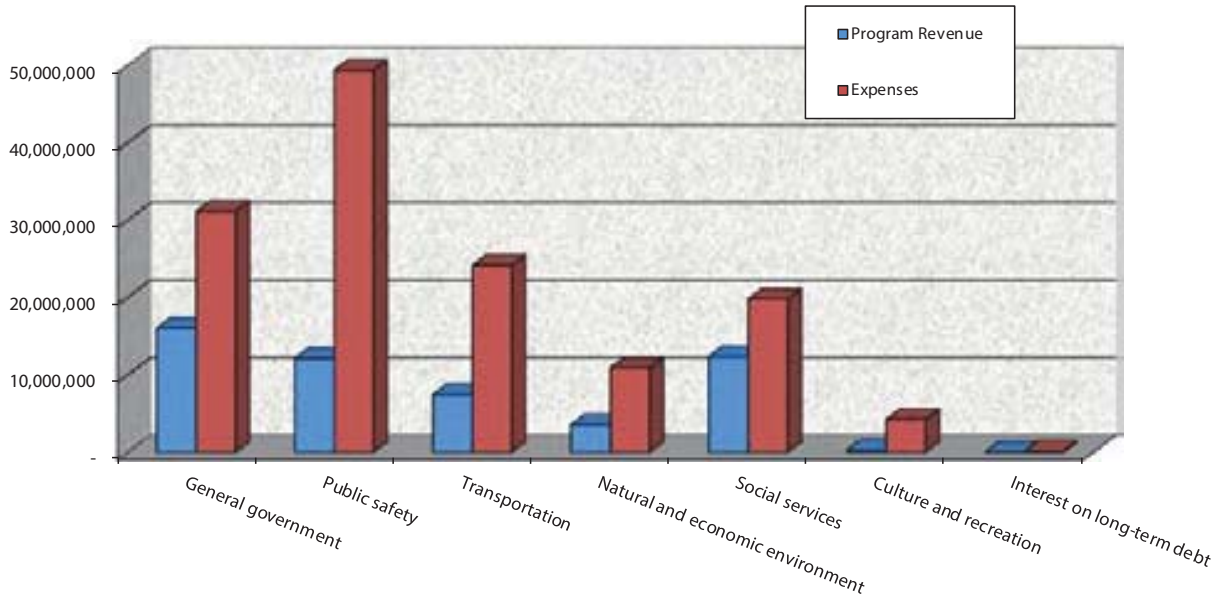


Table MDA5 - Expenses and Program Revenues-Governmental Activities



Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements.

As of December 31, 2017, the County's governmental funds reported combined fund balances of \$144.3 million; this is an increase of \$10.5 million over 2016 or 7.8 percent. Overall, the funds collected 96.8 percent of their budgeted revenues and expended 73.5 percent of their budgeted expenditures.

Unassigned fund balance is \$19.7 million or approximately 13.7 percent. Unassigned fund balance is available for spending for any purpose. Assigned fund balance is \$2.0 million or approximately 1.4 percent. Assigned fund balance represents resources Whatcom County intends to use for specific purposes. Committed fund balance totals \$16.0 million or approximately 11.1 percent. Committed fund balance has been restricted for a specific use by the County Council. The remainder of the County's fund balances is classified as restricted. Restricted fund balance totals \$106.6 million or approximately 73.8 percent. Restricted fund balance may only be used for specific purposes. Restrictions are imposed by legislation, grantors, bondholders, higher levels of government, or through constitutional provisions.

The General Fund is the primary operating fund for Whatcom County. At the end of 2017, unassigned fund balance of the General Fund was \$19.7 million, while total fund balance increased to \$21.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 27.0 percent of total General Fund expenditures, while total fund balance represents approximately 28.9 percent of that same amount.

During 2017, the fund balance of the General Fund increased by \$1.7 million. Revenues exceeded the amended budget. The increased revenues are from higher than budgeted sales tax revenues.

Under GASB Statement No. 54, certain Special Revenue Funds are required to be reported in the General Fund. For 2017, the LEOFF I Healthcare Fund is combined into the General Fund.

The County Road Fund had a fund balance of \$22.5 million in 2017, which is \$6.9 million less than 2016. Fund balance was projected to be \$9.0 million less at year end; however, expenditures for capital projects were significantly below budget.

The fund balance for the Public Utilities Improvement Fund increased \$2.5 million. This is about \$1.0 million higher than expected. A \$1.1 million grant to the City of Bellingham for a waterfront project was not spent in 2017.

The Triage Center Expansion is a new major fund for 2017 and as of the end of the year; the fund balance was a negative \$19,512. \$2.5 million of revenue received in 2017 was deferred; however, the fund received a portion of the County's unrealized loss based on pooled investments. This resulted in the fund having a negative fund balance.

General Fund Budgetary Highlights

The following table shows a condensed Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Fund for the year ended December 31, 2017.

Table MDA6 - Condensed General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$44,312,831	\$44,312,831	\$45,510,508
Intergovernmental	14,260,289	16,185,116	15,329,143
Other	17,136,836	17,298,291	17,991,647
Total revenues	75,709,956	77,796,238	78,831,298
Expenditures:			
Expenditures	74,807,476	77,358,690	72,978,492
Other financing sources (uses)	(5,775,038)	(6,220,374)	(4,153,723)
Total expenditures	80,582,514	83,579,064	77,132,215
Change to fund balance	\$(4,872,558)	\$(5,782,826)	\$1,699,083

General Fund actual revenues are greater than budgeted revenues by \$1.0 million. Tax revenues are greater than

budgeted amounts by \$1.2 million. Intergovernmental revenue received was \$856,000 less than budgeted revenue. Miscellaneous revenues exceed budgeted amounts by \$693,000.

Overall expenditures for the General Fund are 94.3 percent of the approved budget at year-end. All departments had expenditures within their budgeted authority.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$252.5 million (net of accumulated depreciation). This investment in capital assets includes land, right-of-way, easements and development rights, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in capital assets over 2016 was \$2.3 million.

Major capital asset events during 2017 included the following:

- New equipment purchases totaled \$4.0 million, which included vehicles and road maintenance equipment.
- \$540,000 was spent on improvements to County parks and trails.
- The County purchased conservation easements totaling \$167,000.
- New permit system (2017 costs totaled \$123,000).
- Various projects related to roads, bridges, road-related improvements, and drainage systems totaled \$7.5 million.

Table MDA7 - Capital Assets

	Governmental Activities	
	2017	2016
Land	\$103,073,493	\$101,995,231
Construction in progress	3,624,864	2,855,847
Intangible assets	50,400	50,400
Buildings	43,333,608	44,838,175
Improvements	5,803,924	5,977,691
Equipment	13,154,389	11,316,489
Infrastructure	83,489,298	83,159,886
Totals	\$252,529,976	\$250,193,719

For more detailed information see page 49 for Capital Assets Activity.

Long-term debt. At year-end, the County had \$53,322,366 in outstanding debt compared to \$62,717,034 last year. That is a decrease of \$9.4 million, which is primarily the result of a decrease in pension liability. The County's outstanding general obligation debt totaled \$2.8 million. See Note 9 to the financial statements.

Table MDA8 - Outstanding Debt

	Governmental Activities	
	2017	2016
General obligation bonds	\$2,375,574	\$2,745,521
Capital leases	427,766	270,096
Estimated self-insurance claims	4,347,064	4,588,227
Pension payable	34,514,197	44,254,283
Other postemployment benefits payable	4,291,565	3,627,131
Compensated absences	7,116,200	6,981,776
Other long-term liabilities	250,000	250,000
	<u>\$53,322,366</u>	<u>\$62,717,034</u>

State statutes limit the amount of general obligation debt the County may issue to 2.5 percent of assessed value with a vote, and 1.5 percent of assessed value with no vote required. The current debt limitation for Whatcom County is \$704 million with a vote and \$416 without a vote, both of which are significantly in excess of the County's outstanding general obligation debt of \$2.8 million.

Additional information on Whatcom County's long-term debt can be found in Note 9 on pages 64-68 of this report.

Economic Factors

Whatcom County's local economy is growing steadily. Retail sales are up 8.9 percent over 2016. The unemployment rate has dropped to 4.9 percent for 2017. It has not been that low since 2007. The population of Whatcom County has grown 14.9 percent over ten years ago. Per capita income of Whatcom County has been growing in recent years at approximately 2.6 percent. For 2017, the assessed valuations of property increased 5.4 percent over 2016.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Whatcom County Administrative Services Finance Office at 311 Grand Avenue, Bellingham, Washington, 98225.

Statement of Net Position
December 31, 2017

Whatcom County

W A S H I N G T O N

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$147,229,159	\$1,256,262	\$148,485,421
Cash with fiscal agent	13,410	-	13,410
Investments	10,383,812	-	10,383,812
Receivables, net	2,011,838	1,403,139	3,414,977
Receivables-court, net	2,161,346	-	2,161,346
Due from other governments	23,962,048	-	23,962,048
Internal balances	(440,804)	440,804	-
Inventories	1,235,903	-	1,235,903
Capital assets:			
Non-depreciable	106,748,757	-	106,748,757
Depreciable, net	145,781,219	1,659	145,782,878
Pension asset, net	3,849,908	-	3,849,908
Total assets	442,936,596	3,101,864	446,038,460
Deferred outflows of resources			
Pensions	5,777,615	102,177	5,879,792
Total deferred outflows of resources	5,777,615	102,177	5,879,792
Liabilities			
Accounts payable and accrued expenses	11,684,257	137,312	11,821,569
Due to other governments	165,238	-	165,238
Unearned revenue	206,163	-	206,163
Noncurrent liabilities (Note 9):			
Due within one year	11,884,416	110,790	11,995,206
Due in more than one year	6,923,753	-	6,923,753
Pension liability, net	34,514,197	705,988	35,220,185
Total liabilities	65,378,024	954,090	66,332,114
Deferred inflows of resources			
Pensions	6,818,661	116,329	6,934,990
Court receivables	2,161,346	-	2,161,346
Grants received in advance	2,513,495	-	2,513,495
Total deferred inflows of resources	11,493,502	116,329	11,609,831
Net position			
Net investment in capital assets	249,804,468	1,659	249,806,127
Restricted for:			
General government	1,201,860	-	1,201,860
Public safety	4,482,832	-	4,482,832
Transportation	23,449,616	-	23,449,616
Natural and economic environment	18,918,988	-	18,918,988
Social services	11,397,797	-	11,397,797
Culture and recreation	1,630,494	-	1,630,494
Debt service	1,004	-	1,004
Capital projects	59,260,574	-	59,260,574
Unrestricted (deficit)	1,695,052	2,131,963	3,827,015
Total net position	\$371,842,685	\$2,133,622	\$373,976,307

Notes to the financial statements are an integral part of this statement.

Statement of Activities
Year Ended December 31, 2017

Whatcom County

W A S H I N G T O N

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position - Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$31,165,548	\$8,332,666	\$7,713,666	\$-	\$(15,119,216)	\$-	\$(15,119,216)
Public safety	49,404,289	10,914,642	1,241,890	-	(37,247,757)	-	(37,247,757)
Transportation	24,159,637	1,801,653	-	5,671,252	(16,686,732)	-	(16,686,732)
Natural and economic environment	10,927,586	415,297	3,151,060	-	(7,361,229)	-	(7,361,229)
Social services	19,819,560	3,973,395	8,406,066	-	(7,440,099)	-	(7,440,099)
Culture and recreation	4,258,868	262,672	20,973	-	(3,975,223)	-	(3,975,223)
Interest on long-term debt	128,083	-	-	-	(128,083)	-	(128,083)
Total government activities	139,863,571	25,700,325	20,533,655	5,671,252	(87,958,339)	-	(87,958,339)
Business-type activities:							
Whatcom Co Investment Pool	307,898	341,556	-	-	-	33,658	33,658
Ferry System	2,686,841	1,540,688	316,769	-	-	(829,384)	(829,384)
Total business-type activities	2,994,739	1,882,244	316,769	-	-	(795,726)	(795,726)
Total primary government	\$142,858,310	\$27,582,569	\$20,850,424	\$5,671,252	(87,958,339)	(795,726)	(88,754,065)
General Revenues:							
Taxes:							
Property taxes					61,426,749	-	61,426,749
Retail taxes					31,608,063	-	31,608,063
Business and occupation taxes					31,576	-	31,576
Excise taxes					6,073,543	-	6,073,543
Unrestricted investment earnings and unrealized gains/ (losses)					1,258,506	4,990	1,263,496
Gain/loss on sale of capital assets					450,255	-	450,255
Miscellaneous					3,327,643	-	3,327,643
Transfers					(1,115,849)	1,115,849	-
Total general revenues and transfers					103,060,486	1,120,839	104,181,325
Change in net position					15,102,147	325,113	15,427,260
Net position-beginning					350,889,995	1,808,509	352,698,504
Prior period adjustments					5,850,543	-	5,850,543
Net position-beginning (restated)					356,740,538	1,808,509	358,549,047
Net position-ending					\$371,842,685	\$2,133,622	\$373,976,307

Notes to the financial statements are an integral part of this statement.

	General	County Road	Public Utilities Improvement	Triage Center Expansion	Other Governmental Funds	Total Governmental Funds
Assets						
Cash, cash equivalents and pooled investments	\$19,883,417	\$24,074,601	\$11,101,126	\$2,480,488	\$65,857,449	\$123,397,081
Deposits with fiscal agent	7,410	-	-	-	-	7,410
Investments	-	-	-	-	10,383,812	10,383,812
Taxes receivable, net	618,181	497,371	-	-	208,809	1,324,361
Accounts receivable, net	504,535	52,857	1,000,508	-	260,840	1,818,740
Accounts receivable-court, net	2,042,022	-	-	-	119,324	2,161,346
Special assessments, net	-	-	-	-	50,218	50,218
Notes receivable, net	-	-	-	-	148,509	148,509
Interfund receivable	1,412,269	20,368	-	-	1,110,149	2,542,786
Interfund loan receivable	-	131,004	-	-	700,000	831,004
Due from other governments	4,892,427	722,576	12,653,985	-	5,679,179	23,948,167
Employee advances	7,581	56	-	-	150	7,787
Prepayments	22,713	240	-	-	1,044	23,997
Advances to other funds	-	400,924	-	-	-	400,924
Total assets	\$29,390,555	\$25,899,997	\$24,755,619	\$2,480,488	\$84,519,483	\$167,046,142
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$1,790,390	\$616,571	\$28,125	\$-	\$4,930,295	\$7,365,381
Interfund payable	449,743	1,890,022	-	-	1,919,179	4,258,944
Interfund loans payable	1,489,360	-	-	-	700,000	2,189,360
Revenue collected in advance	55,363	-	-	-	-	55,363
Due to other governments	155,890	-	-	-	9,348	165,238
Other accrued liabilities	1,781,799	481,954	-	-	341,366	2,605,119
Other current liabilities	9,105	16,650	-	-	-	25,755
Unearned revenue	782	-	-	-	205,381	206,163
Total liabilities	5,732,432	3,005,197	28,125	-	8,105,569	16,871,323
Deferred inflows of resources						
Deferred property tax	513,014	419,587	-	-	208,809	1,141,410
Court receivables	2,042,022	-	-	-	119,324	2,161,346
Special assessments	-	-	-	-	50,219	50,219
Grants received in advance	13,495	-	-	2,500,000	-	2,513,495
Total deferred inflows of resources	2,568,531	419,587	-	2,500,000	378,352	5,866,470
Fund balances:						
Restricted	1,370,146	22,475,213	24,727,494	-	57,985,669	106,558,522
Committed	-	-	-	-	16,059,213	16,059,213
Assigned	-	-	-	-	1,990,680	1,990,680
Unassigned	19,719,446	-	-	(19,512)	-	19,699,934
Total fund balances	21,089,592	22,475,213	24,727,494	(19,512)	76,035,562	144,308,349
Total liabilities, deferred inflows of resources and fund balances	\$29,390,555	\$25,899,997	\$24,755,619	\$2,480,488	\$84,519,483	\$167,046,142

Notes to the financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds
Balance Sheet
to the Statement of Net Position
December 31, 2017



Fund balance - total governmental funds	\$144,308,349
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	240,937,417
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	26,716,939
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	10,222,281
Liabilities, including \$3,023,034 of bonds/ loans payable, \$6,498,481 of compensated absences and \$40,820,786 of pension and other postemployment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.	(50,342,301)
Net position of governmental activities	<u>\$371,842,685</u>

Notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2017

Whatcom County
W A S H I N G T O N

	General	County Road	Public Utilities Improvement	Triage Center Expansion	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$45,510,508	\$19,112,872	\$4,001,887	\$-	\$30,609,109	\$99,234,376
Licenses and permits	3,680,204	108,226	-	-	-	3,788,430
Intergovernmental	15,329,143	5,192,733	-	-	5,226,730	25,748,606
Charges for service	8,494,703	725,537	-	-	9,165,433	18,385,673
Fines and penalties	2,057,707	-	-	-	471,933	2,529,640
Miscellaneous	3,759,033	174,109	97,561	(19,512)	1,804,197	5,815,388
Total revenues	78,831,298	25,313,477	4,099,448	(19,512)	47,277,402	155,502,113
Expenditures						
Current:						
General government	28,681,168	554,632	6,915	-	1,964,761	31,207,476
Public safety	24,358,755	-	-	-	24,646,449	49,005,204
Transportation	-	19,445,316	-	-	36,267	19,481,583
Natural and economic environment	2,027,268	-	118,313	-	8,566,146	10,711,727
Social services	13,692,335	-	-	-	6,398,555	20,090,890
Culture and recreation	3,880,440	-	-	-	199,381	4,079,821
Capital outlay	320,549	4,523,159	-	-	4,331,180	9,174,888
Debt service:						
Principal	-	-	-	-	355,000	355,000
Interest	17,977	-	-	-	121,013	138,990
Total expenditures	72,978,492	24,523,107	125,228	-	46,618,752	144,245,579
Excess (deficiency) of revenues over expenditures	5,852,806	790,370	3,974,220	(19,512)	658,650	11,256,534
Other financing sources (uses)						
Sales of capital assets	171,858	217,876	-	-	60,521	450,255
Transfers in	3,913,764	2,175,598	-	-	22,908,269	28,997,631
Transfers out	(8,480,748)	(10,092,757)	(1,504,312)	-	(10,414,398)	(30,492,215)
Capital lease proceeds	241,403	19,110	-	-	25,402	285,915
Total other financing sources (uses)	(4,153,723)	(7,680,173)	(1,504,312)	-	12,579,794	(758,414)
Net change in fund balances	1,699,083	(6,889,803)	2,469,908	(19,512)	13,238,444	10,498,120
Fund balances-beginning	16,888,871	28,683,606	21,581,886	-	60,805,323	127,959,686
Prior period adjustments	2,501,638	681,410	675,700	-	1,991,795	5,850,543
Fund balance as of January 1 (restated)	19,390,509	29,365,016	22,257,586	-	62,797,118	133,810,229
Fund balances-ending	\$21,089,592	\$22,475,213	\$24,727,494	\$(19,512)	\$76,035,562	\$144,308,349

Notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2017



Net change in fund balances-total governmental funds	\$10,498,120
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$10,384,382) exceeded depreciation expense (\$9,560,924) in the current period.	823,458
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	1,421,936
Revenues in the funds that are related to prior periods are not revenues in the statement of activities.	(395,100)
In the statement of activities, certain operating expenses are measured by the amount earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	2,398,733
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	355,000
Change in net position of governmental activities	<u>\$15,102,147</u>

Notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
December 31, 2017

Whatcom County

W A S H I N G T O N

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	Enterprise Funds	Internal Service Funds
Assets		
Current assets		
Cash, cash equivalents and pooled investments	\$1,256,262	\$23,832,078
Deposits with fiscal agent	-	6,000
Receivables, net	-	9,238
Interfund receivable	1,403,076	354,919
Due from other governments	-	13,881
Interfund loan receivable	-	790,139
Employee advances	50	243
Inventories	-	1,235,903
Prepayments	13	324
Total current assets	2,659,401	26,242,725
Noncurrent assets		
Interfund loan-long-term	-	167,293
Capital assets:		
Land	-	439,864
Building and structures, net	-	1,042,468
Capital leases, net	-	34,120
Other improvements, net	-	373,849
Machinery and equipment, net	1,659	9,651,858
Intangible assets, net	-	50,400
Total capital assets, net	1,659	11,592,559
Total noncurrent assets	1,659	11,759,852
Total assets	2,661,060	38,002,577
Deferred outflows of resources		
Pension	102,177	596,871
Total deferred outflows of resources	102,177	596,871
Liabilities		
Current liabilities		
Accounts payable	59,650	1,375,936
Claims cost payable	-	4,287,242
Interfund payable	29,409	12,428
Compensated absences	110,790	617,719
Other accrued liabilities	48,253	252,888
Total current liabilities	248,102	6,546,213
Noncurrent liabilities		
Other noncurrent liabilities	-	93,943
Pension liability, net	705,988	4,124,090
Total noncurrent liabilities	705,988	4,218,033
Total liabilities	954,090	10,764,246

Notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
December 31, 2017

Whatcom County
W A S H I N G T O N

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	Enterprise Funds	Internal Service Funds
Deferred inflows of resources		
Pension	116,329	679,547
Total deferred inflows of resources	116,329	679,547
Net position		
Net investment in capital assets	1,659	11,592,559
Unrestricted	1,691,159	15,563,096
Total net position	1,692,818	\$27,155,655
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.	440,804	
Net position of business-type activities	\$2,133,622	

Notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2017

Whatcom County

W A S H I N G T O N

	Enterprise Funds	Internal Service Funds
Operating revenues		
Intergovernmental	\$316,769	\$-
Charges for service	1,521,089	25,793,087
Rents and parking	-	5,439,066
Fines and forfeits	-	910
Miscellaneous	361,155	62,350
Total operating revenues	2,199,013	31,295,413
Operating expenses		
General operations	2,831,277	28,288,085
General administration	217,092	493,758
Depreciation	642	1,589,181
Total operating expenses	3,049,011	30,371,024
Operating income (loss)	(849,998)	924,389
Non-operating revenues (expenses)		
Gain (loss) on sale of capital assets	-	18,165
Interest revenue	-	11,360
Interest expense	-	(225)
Unrealized gain (loss) on investments	4,990	(39,482)
Insurance recoveries	-	111,318
Total non-operating revenues (expenses)	4,990	101,136
Income (loss) before transfers	(845,008)	1,025,525
Capital contributions	-	71,948
Transfers in	1,382,155	935,354
Transfers out	(266,306)	(556,619)
Changes in net position	270,841	1,476,208
Total net position-beginning		25,679,447
Total net position-ending		\$27,155,655
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.	54,272	
Change in net position of business-type activities	\$325,113	

Notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

Whatcom County
W A S H I N G T O N

	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$886,592	\$31,549,308
Payments for goods and services	(1,648,923)	(21,971,715)
Payments to employees	(1,459,594)	(7,225,065)
Net cash provided (used) by operating activities	(2,221,925)	2,352,528
Cash flows from non-capital financing activities:		
Transfers in	1,382,155	648,449
Transfers out	(266,306)	(556,619)
Interest revenue	-	11,360
Insurance recoveries	-	111,318
Net cash provided (used) by non-capital financing activities	1,115,849	214,508
Cash flows from capital financing activities:		
Interest paid on capital debt	-	(225)
Transfers in	-	286,905
Proceeds from sale of assets	-	94,993
Purchases of capital assets	-	(3,106,864)
Net cash provided (used) by capital financing activities	-	(2,725,191)
Cash flows from investing activities:		
Unrealized gain (loss) on investments	4,990	(39,482)
Net cash provided (used) by investing activities	4,990	(39,482)
Net increase (decrease) in cash and cash equivalents	(1,101,086)	(197,637)
Balances - beginning of the year	2,357,348	24,029,715
Balances - end of the year	\$1,256,262	\$23,832,078
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$(849,998)	\$924,389
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	642	1,589,181
Change in assets and liabilities:		
Receivables, net	(1,312,421)	253,897
Inventories	-	168,979
Accounts and other payables	(50,738)	(594,393)
Accrued expenses	(9,410)	10,475
Net cash provided by operating activities	\$(2,221,925)	\$2,352,528
Noncash capital financing activities:		
Internal Service Funds received \$78,376 of capital assets from other funds and had capital leases totaling \$22,039 for 2017.		

Notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

Whatcom County
W A S H I N G T O N

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$-	\$22,550,002
Deposits with fiscal agent	-	251,535
Investments	240,642,415	-
Accounts receivable, net	-	(3,071)
Total assets	240,642,415	22,798,466
Liabilities		
Warrants payable	-	10,633,192
Accounts payable	-	318,153
Other accrued liabilities	-	21,841
Revenue collected in advance	-	136,957
Custodial accounts	-	11,688,323
Total liabilities	-	22,798,466
Net position		
Held in trust for pool participants	\$240,642,415	\$-

Notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2017



	Investment Trust Fund
Additions	
Contributions	\$248,045,053
Investment earnings:	
Interest	2,798,487
Net increase (decrease) in fair value of investments	(443,770)
Total additions	250,399,770
Deductions	
Distributions	290,683,864
Total deductions	290,683,864
Change in net position	(40,284,094)
Net position-beginning	280,926,509
Net position-ending	\$240,642,415

Notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Whatcom County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. REPORTING ENTITY

Whatcom County was incorporated on March 3, 1854 and operates under the laws of the State of Washington applicable to a home-rule charter county with a full-time, nonpartisan, elected County Executive and a seven member, part-time, County Council.

Whatcom County is a general purpose government providing public safety, fire inspection, road improvement, parks and recreation, judicial administration, health, social, and general administrative services. In addition, the County owns and operates a ferry.

As required by the generally accepted accounting principles the financial statements present Whatcom County- the primary government and two blended component units for which the County is financially accountable. Blended component units are legally separate entities, but are in substance a part of the County's operations and therefore the data from these units is combined with the data from the primary government.

Blended Component Units: The Flood Control Zone District was established in 1991 to implement and oversee the river improvement program and flood hazard management program. The current County Council serves as the entire governing body. The Flood Control Zone District is reported as a special revenue fund.

The Point Roberts Transportation Benefit District was established in 1991 to address the transportation needs of the Point Roberts area. The current County Council serves as the entire governing body. The Point Roberts Transportation Benefit District is reported as a special revenue fund.

B. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In March 2016, Government Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues. This Statement addresses certain issues that have been raised with respect Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and amendments to certain provisions of GASB Statement 67 and 68. Specifically, this Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The County has implemented this statement for the year ended December 31, 2017.

The County government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the County are not included in these statements.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position and demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Under the accrual basis of accounting, revenues are recognized in the period which they are earned while expenses are recognized in the period in which the liability is incurred.

Eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated.

When both restricted and unrestricted resources are available for use, it is County policy to use restricted resources first, then unrestricted resources as needed.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The County reports the following major governmental funds:

- **General Fund:** This fund is the general operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **County Road Fund:** This fund finances the design, construction, and maintenance of county roads. Revenue consists primarily of property taxes, motor vehicle fuel tax and grants.
- **Public Utilities Improvement Fund:** This fund accounts for the collection of a rural county sales or use tax

(pursuant to RCW 82.14.370) that provides funds for financing public facilities.

- **Triage Center Expansion Fund:** This fund accounts for the revenues and expenditures for the expansion of the Triage Center. This project includes plan design, architectural services and public outreach efforts.

Governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property tax, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, capital assets are reported as expenditures when purchased and debt service and compensated absences are recorded as expenditures when paid.

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

The County reports the following non-major proprietary funds:

- **Enterprise funds:** These funds are used to report any activity for which a fee is charged to external users for goods or services. The Whatcom County Investment Pool and the Ferry System are the County's enterprise funds.
- **Internal service funds:** These funds account for operations that provide goods or services to other departments or funds of the County on a cost reimbursement basis. The County's internal service funds are Equipment Rental and Revolving and Administrative Services.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that

are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position (for Investment Trust Funds). Fiduciary funds are accounted for using the accrual basis of accounting, as are proprietary funds explained above. Whatcom County has two types of fiduciary funds: investment trust funds and agency funds.

Investment trust funds are used to report investment activity conducted by Whatcom County on behalf of legally separate entities such as special purpose districts that are not part of the County's reporting entity. Agency funds account for cash received and disbursed in the County's capacity as ex officio treasurer or collection agent for special purpose districts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. BUDGETARY INFORMATION

Annual appropriated budgets are adopted on the modified accrual basis of accounting for all funds except the following special revenue funds: Tax Refund, REET Technology, Community Development, and Emergency Communications; debt service funds: CRID No. 9 General Debt and 2003 Ltd. Tax General Obligation Bond; and capital project fund: County Parks Improvement, which are not budgeted. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles.

Annual appropriated budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Whatcom County implemented project budgeting in 2006. Project budgets are limited to capital appropriations. Project budgets may be adopted by project phase or for the entire project. Once adopted, project budgets continue until the project is complete, abandoned, or until no expenditures have been made for three years.

Except for project budgets, appropriations for all funds lapse at year-end. Expenditure authority for contracts extending beyond one year is granted through a continuing appropriation procedure.

Amending the Budget: The County Executive is authorized to approve transfers between accounts. However, any revisions that alter total expenditures of a fund, department, or that affect the number of authorized employee positions must be approved by the County Council.

When the County Council determines that it is in the best interest of the County to increase or decrease the appropriations for a particular fund or department, it may do so by ordinance approved by a simple majority.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by legally authorized supplemental appropriations.

D. ASSETS, LIABILITIES, AND EQUITIES

Cash and Cash Equivalents: Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County follows the practice of pooling cash and investments of all funds held by the County Treasurer, except when otherwise requested, in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Balances in cash and pooled investments are available on a demand basis to each fund. Earnings on cash and cash equivalents accrue to the County's General Fund, with the exception of the Veterans' Relief Fund, Whatcom County Trial Court Improvement Fund, Drug Fund, Ferry System Fund, Behavioral Health Program Fund, Countywide Emergency Medical Services Fund, Flood Control Zone District Fund, Sub-Zone Funds, County Park Improvement Fund and 2010 Jail Improvement Fund. Investments are shown on the balance sheet at fair value.

Temporary Investments: See Note 4.

Receivables: Taxes receivable consist of property taxes due as of December 31 (See Note 5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Court receivables consist of amounts owed Whatcom County as a result of court decisions in Superior Court and District Court. Court receivables include criminal penalties, infraction, and probation fees. Receivables are shown net of allowances for uncollectible accounts. Court receivables are offset by deferred inflows of resources and therefore are not reported as revenue on Whatcom County's Statement of Activities or on Whatcom County's Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds.

Notes receivable consist of amounts due from private individuals for home improvement loans granted through the Federal Community Development Block Grant Program, and loans to pay impact fees related to low-income housing from the Public Utilities Improvement Fund. Repayment of these loans is due upon sale or exchange of the property. Notes receivable also include amounts due from private individuals for on-site sewage system repairs. These loans are funded through Washington State Department of Ecology. All loans are secured by liens on the benefited properties and all are considered ultimately collectible.

Amounts Due to and from Other Governmental Units: These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes, and charges for services. Amounts due to other governmental units also reflect the liability for net monetary assets being held by the County in its trustee or agency capacity.

Amounts Due to and from Other Funds; Interfund Loans: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “interfund loans receivable/payable.” All other outstanding balances between funds are reported as “interfund receivable/interfund payable.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” A separate schedule of interfund loans receivable and payable is furnished in Note 12 (Interfund Balances and Transfers).

Inventories: Inventories are stated at cost. Inventories in proprietary funds are valued at First In First Out inventory basis. The County has no inventory in governmental funds.

Capital Assets and Depreciation: See Note 6. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable government or business-type columns in the government-wide financial statements. Capital assets purchased or acquired are valued at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Table FN1 - Capital Assets Depreciation

Capital Asset	Useful Life	Capitalization Threshold
Buildings	50 years	\$ 5,000
Capital Leases	3-30 years	\$ 5,000
Improvements	5-30 years	\$ 5,000
Machinery and Equipment	3-10 years	\$ 5,000
Infrastructure	20-50 years	\$ 50,000

Custodial Accounts: This account reflects the liability for net monetary assets being held by the County in its trustee or agency capacity.

Deferred Outflows of Resources: These accounts include a consumption of net assets that are applicable to a future reporting period. Pensions are included in these accounts.

Deferred Inflows of Resources: These accounts include acquisitions of net assets that are applicable to a future reporting period. Pensions, grants received in advance, deferred property taxes, property tax advance payments, court receivables, and special assessments are included in these accounts.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with

the benefit terms. Investments are reported at fair value.

Compensated Absences: The County records all accumulated unused vacation and sick leave. Vacation pay, which may be accumulated up to 30 days (employees with paid time off may accumulate up to 41 days), is payable upon resignation, retirement or death. Sick leave may accumulate up to 120 days. Employees hired before May 15, 1984 can receive a cash payout of 50 percent of their accrued sick leave balance. An employee hired after that date with three years of service can receive 25 percent of their accrued sick leave. The amount reported for the employee leave benefit accrual includes 100 percent of the vacation leave accrual as of December 31, 2017. Sick leave accruals are recorded at 50 percent if hired prior to May 15, 1984 or 25 percent sick leave accrual if hired after.

All vacation and sick pay is accrued when incurred in the governmental-wide and proprietary fund financial statements.

Other Accrued Liabilities: These accounts consist of accrued wages and accrued employee benefits.

Unearned Revenues: This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met (See Note 1B).

Long-Term Debt: See Note 9.

Fund Balance Classifications: The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance consists of amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. The County Council is the highest level of decision-making authority for the County and can commit fund balance by adoption of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- Assigned fund balance are amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed. The County Council has authority to assign fund balance.
- Unassigned fund balance are amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund Balance Details:*Table FN2 - Fund Balance Details*

	General	County Road	Public Utilities Improvement	Triage Center Expansion	Other Govt'l Funds	Total
Fund balances:						
Restricted for:						
Boating safety	50,874					50,874
Historical document preservation	324,165					324,165
Developmental disability mileage	995,107					995,107
County roads		22,475,213				22,475,213
Public facilities projects			24,727,494			24,727,494
Debt service					1,004	1,004
Capital projects					20,910,364	20,910,364
Parks and recreation					98,421	98,421
Chemical dependency/ mental health					8,080,088	8,080,088
Emergency medical/ criminal justice					3,972,829	3,972,829
Flood control/ stormwater					13,623,690	13,623,690
Land purchases					3,638,331	3,638,331
Social services					913,752	913,752
Solid waste					2,543,639	2,543,639
Tourism promotion					1,500,401	1,500,401
Other purposes					2,703,150	2,703,150
Committed to:						
Elections					905,918	905,918
Parks and recreation					1,489,579	1,489,579
Capital projects					13,663,716	13,663,716
Assigned to:						
Corrections					1,767,072	1,767,072
Parks and recreation					43,750	43,750
Emergency management					179,858	179,858
Unassigned:	19,719,446			(19,512)		19,699,934
Total fund balances	<u>\$21,089,592</u>	<u>\$22,475,213</u>	<u>\$24,727,494</u>	<u>\$(19,512)</u>	<u>\$76,035,562</u>	<u>\$144,308,349</u>

Minimum Fund Balance: The County has established a minimum fund balance policy. This policy applies to the General Fund, County Road Fund, and Flood Control Zone District Fund. Per the policy, the Executive will only propose budgets or budget revisions that result in an ending fund balance of at least 15 percent of the fund's annual revenue of the most recently closed fiscal year.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

During 2017, the following funds were added: Sudden Valley Storm Water Improvement, Hovander Park Building

Improvement, Lake Whatcom Trail Development and Triage Center Expansion. In 2017, the following funds were closed: Birch Bay Lynden Road/ Portal Way Signalization Project, Slater Road Intersections Project, Dakota Creek Bridge No. 500 Project, Hannegan Road/ Nooksack River Bridge No. 252, 2015 Central Plaza Improvement and South Pass Road/ Saar Creek Bridge No. 212.

In 2017, the County implemented the following GASB statement: Statement No. 82, "Pension Issues." This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 3 – VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

There have been no material violations of finance-related legal or contractual provisions in any of the funds of the County. At December 31, 2017, the Triage Center Expansion Fund, the Nessel Farm Restoration Fund, and the Cedar Hills/ Euclid Storm Water Improvement Fund reported deficits in fund balance. The Triage Center Expansion Fund's negative fund balance of \$19,512, the Nessel Farm Restoration Fund's negative fund balance of \$66 and the Cedar Hills/ Euclid Storm Water Improvement Fund's negative fund balance of \$2,314 is the result of an unrealized loss on investments allocated to the funds based on pooled investments.

NOTE 4 – DEPOSITS AND INVESTMENTS

Whatcom County is authorized by RCW's 39.58 and 39.59 to invest in the following types of securities: U.S. Treasury Obligations, U.S. Government Agency Obligations and U.S. Government Sponsored Enterprises (GSE's), USD dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, Banker's Acceptances (BA's) purchased through State of Washington Financial Institutions and authorized broker/dealers, Commercial Paper (in compliance with State Investment Board (SIB) policies), Corporate Notes (in compliance with SIB policies), Non-negotiable Certificates of Deposit, Repurchase Agreements, Bonds of the State of Washington and any local government in the State of Washington, General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, registered warrants and notes for Whatcom County and those districts in Whatcom County for which the Treasurer is the ex-officio Treasurer (subject to compliance with RCW 39.56.030), and the Washington State Local Government Investment Pool (LGIP).

The County's cash and investments are subject to several types of risk, which are examined in more detail below.

Deposits

RCW 39.58.130 authorizes the investment of municipal funds in deposits in qualified public depositories provided

that in no case shall the aggregate of demand and investment deposits of public funds by any such treasurer in any one public depository exceed at any time the net worth of that depository.

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. Whatcom County's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

Investments

Custodial Credit Risk of Investments: Custodial credit risk of investments is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county investment policy requires that all deliverable securities will be settled delivery versus payment (DVP), which ensures that securities are deposited at a third party, such as a safekeeping and custodian bank acting as an agent for the County. A signed safekeeping and custodial agreement(s) shall be entered into with a federally-regulated financial institution, currently Wells Fargo Institutional Retirement and Trust. The custodian institution shall hold the securities as evidenced by a safekeeping receipt. Non-negotiable CD's, public funds deposit accounts and investments in the LGIP are not handled on a DVP basis, and therefore are exempt from this process. In addition, BA's and repurchase agreements (provided a signed master repurchase agreement is on file) shall be held in the Trust safekeeping department of the financial institution in the name of Whatcom County. Certificates of deposit in the County Treasurer's name, or a copy thereof, will be delivered to and held by the Treasurer's Office.

Whatcom County is a participant in the Local Government Investment Pool which is authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. In 1995, the State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from active pool participants. Eight members are appointed by participant associations, and four are appointed by the State Treasurer. The State Treasurer is responsible for establishing the investment policy for the pool, reviews the policy annually, and proposed policy changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Interest Rate Risk: As a means of limiting its exposure to interest rate risk, the County diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The County coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to five years from the purchase date unless matched to a specific cash flow. In the case of collateralized mortgage obligations, the average expected life at time of purchase must be less than five years. The portfolio is structured so that securities mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity. The County does not have a specific interest rate risk policy, however, it is cognizant of this risk and addresses it in the Whatcom County Treasurer's Office Investment Policy, of which the WCIP is in compliance with as of December 31, 2017.

As of December 31, 2017, the County had the following investments and maturities:

Table FN3 - Investment Maturities

Investment Type	Investments and Maturities (In Years)*		
	Fair Value	Less Than 1	1 to 5
LGIP **	\$23,992,078	\$23,992,078	\$-
Money Market Savings Account **	25,242,615	25,242,615	-
US Treasury	4,981,450	4,981,450	-
Federal Farm Credit Bank	34,815,000	19,945,800	14,869,200
Federal Home Loan Bank	55,531,170	19,943,750	35,587,420
Federal Home Loan Mortgage Corp	56,234,069	29,869,750	26,364,319
Federal National Mortgage Assoc.	73,852,711	9,996,450	63,856,261
Inter-American Development Bank	5,084,150	5,084,150	-
International Bank Recon & Development	44,558,502	7,037,877	37,520,625
International Finance Corp	4,997,250	4,997,250	-
Municipal Bonds	65,217,888	12,860,986	52,356,902
Certificates of Deposit **	20,102,799	20,102,799	-
Total	\$414,609,682	\$184,054,955	\$230,554,727

*Maturity terms = Expected maturity (due to calls/ sales) rather than stated maturity date.

**The Fair Value of investments in the LGIP money market savings accounts, and CD's are reported at amortized cost.

Investments Measured at Fair Value: The County measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. These guidelines recognize a three-tiered hierarchy: Level 1, quoted prices in active markets for identical assets; Level 2, quoted market prices for similar assets, quoted market prices for identical or similar assets in markets that are not active; and Level 3, unobservable inputs for an asset. Recurring fair value measurements for the County at December 31, 2017, are shown on the following page.

Table FN4 - Investments Measured at Fair Value

Investments by fair value level	Total	Level 1	Level 2	Level 3
US Treasury	\$4,981,450	\$4,981,450	\$-	\$-
Federal Farm Credit Bank	34,815,000	-	34,815,000	-
Federal Home Loan Bank	55,531,170	-	55,531,170	-
Federal Home Loan Mortgage Corp	56,234,069	-	56,234,069	-
Federal National Mortgage Assoc.	73,852,711	-	73,852,711	-
International Bank Recon & Development	44,558,502	-	44,558,502	-
Inter-American Development Bank	5,084,150	-	5,084,150	-
International Finance Corp	4,997,250	-	4,997,250	-
Municipal Bonds	65,217,888	-	65,217,888	-
Total	\$345,272,190	\$4,981,450	\$340,290,740	\$-

Credit Risk: State law and county policy limit investments to those authorized by state statute. Allowable investments must have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency. The County allows 100 percent investment in US Treasuries or the LGIP. The County limits its holdings in US Government operated and sponsored entities to 90 percent of the portfolio; certificates of deposit, public funds deposit accounts, supranationals, and repurchase agreements to 40 percent of the portfolio; bankers acceptances to 25 percent of the portfolio; commercial paper and corporate notes to a combined 25 percent of the portfolio; WA state and local government bonds to 20 percent, general obligation bonds outside the state of WA to 15 percent and reverse repurchase agreements to 10 percent of the portfolio. At December 31, 2017 the County held no investments in banker's acceptances, repurchase agreements, corporate notes or commercial paper.

As of year-end, the credit quality ratings of debt securities (other than US government and US government guaranteed) are shown on the following page.

Table FN5 - Credit Quality Distribution for Securities

Investment Type	Moody's Rating	S & P's Rating	Percentage of Portfolio
Federal Farm Credit Bank	Aaa		7%
Federal Farm Credit Bank		AA+	1%
Federal Home Loan Bank	Aaa		13%
Federal Home Loan Mortgage Corp	Aaa		12%
Federal Home Loan Mortgage Corp		AA+	1%
Federal National Mortgage Assn	Aaa		14%
Federal National Mortgage Assn		AA+	4%
General Obligation Municipal Bonds	Aaa		5%
General Obligation Municipal Bonds	Aa1		7%
General Obligation Municipal Bonds	Aa2		1%
General Obligation Municipal Bonds	Aa3		1%
General Obligation Municipal Bonds	A1		1%
General Obligation Municipal Bonds		AA+	0%
Inter-American Development Bank	Aaa		1%
International Bank Rec & Development	Aaa		11%
International Finance Corp	Aaa		1%
US Treasury	Aaa		1%
LGIP	Not Rated		6%

Concentration Risk: The County allows 100 percent investment in US Treasuries and the LGIP. The County limits its holdings in US Government operated and sponsored entities to 90 percent of the portfolio and 35 percent per issuer; certificates of deposit, public funds deposit accounts, supranationals, and repurchase agreements to 40 percent of the portfolio and 15 and 10 percent per issuer respectively; bankers acceptances to 25 percent of the portfolio and 10 percent per issuer; commercial paper and corporate notes combined to 25 percent of the portfolio and 3 percent per issuer; WA state and local government bonds to 20 percent and 10 percent per issuer, general obligation bonds outside the state of WA to 15 percent and 5 percent per issuer, and reverse repurchase agreements to 10 percent of the portfolio.

As of 12/31/17, a reconciliation of deposits and investments is shown on the following page.

Table FN6 - Deposits and Investment Reconciliations**Composition of cash and investments:**

CD's and Savings accounts	45,345,414
Municipal Notes	65,217,888
US Treasury Notes	4,981,450
US Agency Notes	220,432,950
Supranational Agency Notes	54,639,902
LGIP	23,992,078
Pool interest accruals	899,786
Total Investments (fair value)	415,509,468
Deposits with financial institutions	6,357,872
Petty cash	194,310
Total Cash and Investments (Internal and External)	422,061,650

Cash and pooled investments reported on statements:

County funds	158,869,233
Investment Trust fund	240,642,415
Agency funds	22,550,002
Total Cash and Investments (Internal and External)	422,061,650

External Investment Pool

The Whatcom County Investment Pool (WCIP) operates on an amortized cost-book value basis. The County Finance Committee performs oversight of the pool's performance. There are no legally binding guarantees for the WCIP. Authorized investments for the WCIP are the same as investments held outside of the pool and are defined in the Whatcom County Treasurer's Office Investment Policy.

Earnings distributions, including any realized transactions in the pool, are distributed monthly, calculated on the average daily balance of the participant's account. The Whatcom County Treasurer, by law, is the treasurer of most governments within the County, including schools, fire and library districts. These districts do not have a legal option to have their investments handled by other than the County Treasurer. As of December 31, 2017, the WCIP had one discretionary pool participant accounting for 8 percent of pool assets.

The County reported investments at Fair Value in accordance with GASB No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools". At December 31, 2017, the fair value of investments in the WCIP was \$3,548,454 less than the amortized cost.

Fair value of the WCIP is reviewed by the County Finance Committee quarterly, and by the County Treasurer monthly. Fair value is determined using quoted market prices from our safekeeping agent, and with Bloomberg, an on-line financial services system.

There is no involuntary participation in the WCIP. Districts can have the County Treasurer manage their cash invested

outside of the WCIP if they meet the criteria specified by the WCIP Operating Terms and Conditions. There were no investments purchased by districts not invested in the WCIP for 2017.

The Whatcom County Investment Pool's Condensed Statement of Net Position and Changes in Net Position as of December 31, 2017 are shown on the tables below:

Table FN7 - Condensed Statement of Net Position

Assets	\$415,509,468
Less: Liabilities	-
Net assets held in trust for pool participants	\$415,509,468
Equity of internal pool participants	\$174,867,053
Equity of external pool participants	240,642,415
Total equity	\$415,509,468

Table FN8 - Condensed Statement of Changes in Net Position

Net position-beginning	\$437,140,015
Net change in investments by pool participants	(21,630,547)
Net position-ending	\$415,509,468

NOTE 5 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed after the end of each month. The property tax calendar is shown below:

PROPERTY TAX CALENDAR

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable when levied, offset by unearned revenue. During the year, property tax revenues are recognized when cash is collected. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The tax collection record for Whatcom County is shown on the following page.

Table FN9 - Tax Collection Record

Collection Year	Regular Assessed Valuation (1)	Ad Valorem Tax Levy (2)	Year of Levy Tax Collection
2017	\$26,674,688,544	\$28,860,065	98.6%
2016	25,299,329,005	28,531,297	98.6%
2015	24,304,119,963	28,052,610	98.4%
2014	23,679,456,188	27,579,208	98.3%
2013	23,484,411,003	27,113,497	98.2%
2012	23,531,575,782	26,693,838	97.9%
2011	23,729,066,124	26,393,783	97.8%

(1) Assessed valuation is based upon 100% of estimated actual valuation.

(2) Does not include conservation futures, county road district, flood control zone district, and emergency medical services levies.

The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services, subject to three limitations:

- Washington State law in RCW 84.55.010 limits the growth of regular property taxes to 101 percent of the previous year's levy, adjusted for new construction.
- Chapter 84.52 RCW establishes a limitation on the levies for ports, public utilities, state school, emergency medical services, counties, roads, and cities and towns. All other regular levies are reduced by a priority schedule if a composite rate of \$5.55 per thousand is exceeded.
- The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit, with the exception of port districts, public utility districts, and new state school construction.

The County's regular levy for 2017 was \$1.0819269578 per \$1,000 on an assessed valuation of \$26.7 billion for a regular levy of \$28,860,065. This levy was used for general governmental purposes.

The Road Fund levied \$1.4798903580 per \$1,000 on an assessed value of \$12.8 billion in 2017. This resulted in a total levy of \$18,930,402 to be used for county road maintenance and construction.

The Flood Control Zone District Fund levied \$0.1290186123 per \$1,000 on an assessed value of \$26.7 billion in 2017. This resulted in a total levy of \$3,441,531 to be used to address flooding and associated storm water issues and to achieve flood damage reduction.

The Conservation Futures Fund levied \$0.0400333349 per \$1,000 on an assessed value of \$26.7 billion in 2017. This resulted in a total levy of \$1,067,877 to be used to acquire rights and interest in open space land, farm and agricultural land and timber land.

For 2017, the Emergency Medical Services levy for the County was \$0.2950000000 per \$1,000 on an assessed valuation of \$26.7 billion for a total levy of \$7,869,033.

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2017 is shown below:

Table FN10 - Capital Assets Activity

	Beginning Balance 01/01/2017	Increases	Decreases	Ending Balance 12/31/2017
Governmental activities				
Capital assets, not being depreciated				
Land	\$101,995,231	\$1,078,262	\$-	\$103,073,493
Construction in progress	2,855,847	769,017	-	3,624,864
Intangible assets	50,400	-	-	50,400
Total capital assets, not being depreciated	104,901,478	1,847,279	-	106,748,757
Capital assets, being depreciated				
Buildings	78,218,403	33,567	-	78,251,970
Improvements	12,362,560	258,125	-	12,620,685
Equipment	39,834,306	3,950,908	(2,278,178)	41,507,036
Infrastructure	193,711,945	7,473,311	-	201,185,256
Total capital assets being depreciated	324,127,214	11,715,911	(2,278,178)	333,564,947
Less accumulated depreciation for:				
Buildings	(33,380,228)	(1,538,134)	-	(34,918,362)
Improvements	(6,384,869)	(431,892)	-	(6,816,761)
Equipment	(28,517,817)	(2,036,179)	2,201,349	(28,352,647)
Infrastructure	(110,552,059)	(7,143,899)	-	(117,695,958)
Total accumulated depreciation	(178,834,973)	(11,150,104)	2,201,349	(187,783,728)
Total capital assets, being depreciated, net	145,292,241	565,807	(76,829)	145,781,219
Governmental activities capital assets, net	\$250,193,719	\$2,413,086	\$(76,829)	\$252,529,976
Business-type activities				
Capital assets, being depreciated				
Equipment	\$24,305	\$-	\$-	\$24,305
Total capital assets being depreciated	24,305	-	-	24,305
Less accumulated depreciation for:				
Equipment	(22,005)	(641)	-	(22,646)
Total accumulated depreciation	(22,005)	(641)	-	(22,646)
Total capital assets, being depreciated, net	2,300	(641)	-	1,659
Business-type activities capital assets, net	\$2,300	\$(641)	\$-	\$1,659

Depreciation expense was charged to functions/programs of the primary government as shown on the following page.

Table FN11 - Depreciation Expense

Governmental activities:	
General governments	\$1,473,845
Public safety	592,705
Transportation	8,388,980
Natural and Economic environment	307,131
Social services	74,332
Culture & recreation	313,111
Total depreciation expense	<u>\$11,150,104</u>
Business-type activities:	
Transportation	\$641
Total depreciation expense	<u>\$641</u>

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions for the year 2017*:

Table FN12 - Aggregate Pension Amounts - All Plans

Pension liabilities	\$(35,220,185)
Pension assets	\$3,849,908
Deferred outflows of resources	\$5,879,792
Deferred inflows of resources	\$(6,934,990)
Pension expense/expenditures	\$3,281,114

STATE SPONSORED PENSION PLANS

Substantially all Whatcom County's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to the address on the following page.

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 are shown on the following page.

Table FN13 - PERS Plan 1 Actual Contribution Rates

	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%

*For employees participating in Judicial Benefit Multiplier, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined

contribution portion of their plan.

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 are shown on below:

Table FN14 - PERS Plan 2/3 Actual Contribution Rates

	Employer	Employee*
January - June 2017:		
PERS Plan 2		6.12%
PERS Plan 3		varies
PERS Plan 2/3	6.23%	
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.12%
July - December 2017:		
PERS Plan 2		7.38%
PERS Plan 3		varies
PERS Plan 2/3	7.49%	
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	7.38%

**For employees participating in JBM, the contribution rate was 15.30%.*

The County's actual PERS plan contributions were \$2,548,237 to PERS Plan 1 and \$3,060,193 to PERS Plan 2/3 for the year ended December 31, 2017.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or

- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The PSERS Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

Table FN15 - PSERS Plan 2 Actual Contribution Rates

	Employer	Employee*
January - June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.54%	6.59%
July - August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.94%	6.73%
September - December 2017:		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.95%	6.74%

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 are shown on the following page.

The County's actual plan contributions were \$334,459 to PSERS Plan 2 for the year ended December 31, 2017.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0 percent of FAS
- 10-19 years of service – 1.5 percent of FAS
- 5-9 years of service – 1 percent of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members

were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

Table FN16 - LEOFF Plan 2 Actual Contribution Rates

	Employer	Employee*
January - June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
July - December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%

The County's actual contributions to the plan were \$394,184 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding

situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$3,331,519.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 3.0 percent total economic inflation; 3.75 percent salary inflation
- **Salary increases:** In addition to the base 3.75 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5 percent

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members

and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Table FN17 - Estimated Rates of Return by Asset Class

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table on the following page presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

Table FN18 - Net Pension Liability by Discount Rate

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$23,529,340	\$19,314,982	\$15,664,446
PERS 2/3	\$42,122,144	\$15,634,932	\$(6,067,409)
PSERS 2	\$1,814,760	\$270,271	\$(940,700)
LEOFF 1	\$(384,523)	\$(518,389)	\$(633,349)
LEOFF 2	\$720,936	\$(3,331,519)	\$(6,633,289)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the County reported its proportionate share of the net pension liabilities/ (assets) as follows:

Table FN19 - Net Pension Liability/(Asset) by Plan

	Liability (or Asset)
PERS 1	\$19,314,982
PERS 2/3	\$15,634,932
PSERS 2	\$270,271
LEOFF 1	\$(518,389)
LEOFF 2	\$(3,331,519)

The amount of the asset reported above for LEOFF Plan 1 and 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension liability asset that was associated with the County were as follows:

Table FN20 - Total Net Pension Liability/(Asset) for LEOFF Plan 1 and Plan 2

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$(518,389)	\$(3,331,519)
State's proportionate share of the net pension liability/ (asset) associated with the employer	\$(3,506,370)	\$(2,161,094)
Total	<u>\$(4,024,759)</u>	<u>\$(5,492,613)</u>

At June 30, the County's proportionate share of the collective net pension liabilities was as shown on the following page.

Table FN21 - County's Proportionate Share of Net Pension Liabilities

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.411%	0.407%	-0.004%
PERS 2/3	0.446%	0.450%	0.004%
PSERS 2	1.426%	1.379%	-0.047%
LEOFF 1	0.035%	0.034%	-0.001%
LEOFF 2	0.247%	0.240%	-0.007%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1*.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the County recognized pension expense as follows:

Table FN22 - Pension Expense

	Pension Expense
PERS 1	\$960,239
PERS 2/3	\$1,892,078
PSERS 2	\$375,004
LEOFF 1	\$(70,773)
LEOFF 2	\$124,566
Total	<u>\$3,281,114</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table FN23 - Sources of Deferred Outflows/Inflows of Resources Related to Pensions

	Plan 1		Plan 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Public Employees' Retirement System (PERS)				
Difference between expected and actual experience	\$-	\$-	\$1,584,187	\$(514,206)
Net difference between projected and actual investment earnings on pension plan investments	\$-	\$(720,781)	\$-	\$(4,167,897)
Change of assumptions	\$-	\$-	\$166,073	\$-
Changes in proportion and differences between contributions and proportionate share of contributions	\$-	\$-	\$130,957	\$(355,983)
Contributions subsequent to the measurement date	\$1,402,905	\$-	\$1,774,109	\$-
Total	<u>\$1,402,905</u>	<u>\$(720,781)</u>	<u>\$3,655,326</u>	<u>\$(5,038,086)</u>
	Plan 2			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Public Safety Employees' Retirement System (PSERS)				
Difference between expected and actual experience	\$159,848	\$(19,202)		
Net difference between projected and actual investment earnings on pension plan investments	\$-	\$(189,561)		
Change of assumptions	\$2,290	\$-		
Changes in proportion and differences between contributions and proportionate share of contributions	\$2,428	\$(8,846)		
Contributions subsequent to the measurement date	\$180,441	\$-		
Total	<u>\$345,007</u>	<u>\$(217,609)</u>		
	Plan 1		Plan 2	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)				
Difference between expected and actual experience	\$-	\$-	\$146,427	\$(126,337)
Net difference between projected and actual investment earnings on pension plan investments	\$-	\$(48,170)	\$-	\$(747,949)
Change of assumptions	\$-	\$-	\$4,012	\$-
Changes in proportion and differences between contributions and proportionate share of contributions	\$-	\$-	\$103,066	\$(36,058)
Contributions subsequent to the measurement date	\$-	\$-	\$223,050	\$-
Total	<u>\$-</u>	<u>\$(48,170)</u>	<u>\$476,555</u>	<u>\$(910,344)</u>

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31,

2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Table FN24 - Deferred Outflows/Inflows Recognized in Pension Expense by Year

Year ended December 31:	PERS 1	PERS 2/3	PSERS	LEOFF 1	LEOFF 2
2018	(487,202)	(1,892,520)	(40,400)	(30,231)	(333,440)
2019	153,817	361,553	34,075	8,153	87,986
2020	(35,715)	(342,137)	9,425	(3,256)	(41,167)
2021	(351,682)	(1,655,553)	(39,560)	(22,837)	(327,278)
2022	-	161,647	(1,363)	-	(7,668)
Thereafter	-	210,141	(15,224)	-	(35,273)

NOTE 8 – RISK MANAGEMENT

The County maintains insurance against most normal hazards except for unemployment insurance, workers' compensation, medical insurance, and dental insurance where it has elected to become self-insured. Claims for these risks are processed by independent claims managers. Interfund premiums are assessed on the basis of claims experience and are reported as revenues in the Administrative Services Fund (an internal service fund) and expenses or expenditures in the paying fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2017, the amount of these liabilities was \$4,347,064. Changes in the balances of claims liabilities during 2016 and 2017 are shown below:

Table FN25 - Claims Liability Balance Changes

	Beginning of Year Claims Liability	Claims Paid During the Year	Estimated Additional Liability Incurred	Balance at Year End
2016	\$4,278,069	\$(8,543,813)	\$8,853,971	\$4,588,227
2017	\$4,588,227	\$(8,295,852)	\$8,054,689	\$4,347,064

For each of the last three years, the County's settlements have not exceeded the County's insurance coverage.

In 2011, Whatcom County received an Order and Notice from the Washington State Department of Labor and Industries stating the requirement to fund a pension for the spouse of a former employee. The former employee died of causes unrelated to his open worker's compensation claim with Whatcom County, however, because he was totally and permanently disabled at the time of his death, the State has determined his surviving spouse is entitled to a spouse's pension. In 2017, the total amount of the pension changed from \$317,910 to \$284,590. The monthly pension benefit is \$2,470 and as of December 31, 2017, the balance of the pension is \$89,462.

Whatcom County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of

insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2017, Whatcom County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2016-17, the "corridor" increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles, and for their proportional shares of the entry year's assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any member may terminate its membership at the conclusion of any Pool fiscal year, provided the County timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the six staff members responsible for evaluating each claim for coverage, establishing reserves, and investigating for any risk-shared liability. The Pool does not contract with any third party administrators for claims adjustment or loss prevention services.

During 2016-17, Whatcom County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Whatcom County also participates in the jointly purchased cyber risk and security coverage from a highly-rated commercial insurer.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three-times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool's operations, program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon

During 2016-17, the WCRP's assets remained stable at \$46.8 million while its liabilities decreased slightly to \$28.6 million. The Pool's net position increased slightly from \$17.9 million to \$18.1 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2017 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

NOTE 9 – LONG-TERM DEBT AND LEASES

GENERAL OBLIGATION BONDS

The County issued general obligation bonds in the amount of \$6,135,000 in 2010 to refinance the 1997 and 1998

issue of bonds and to fund safety improvements to the County Jail. Interest rate on these bonds is fixed at 1.75 percent - 5.25 percent (depending on maturity date) with final maturity in 2030. Repayment will be made from Real Estate Excise Tax I Fund, Whatcom County Jail Fund and General Fund revenues. As of December 31, 2017, outstanding bonds totaled \$2,340,000.

Governmental activities annual debt service requirements to maturity for general obligation bonds are as follows:

Table FN26 - GO Bonds

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2018	\$355,000	\$110,825
2019	140,000	98,725
2020	145,000	94,525
2021	150,000	87,675
2022	155,000	80,175
2023	160,000	72,425
2024	165,000	64,425
2025	165,000	56,175
2026 - 2030	905,000	145,688
Total	<u>\$2,340,000</u>	<u>\$810,638</u>

In proprietary funds, unamortized debt issue costs and bond discounts are recorded as deferred charges. Annual interest expense is increased by amortization of debt costs and discounts.

ARBITRAGE

Issuers of tax-exempt bonds are generally subject to investment or arbitrage limitations under the Internal Revenue Code. For year ended December 31, 2017, Whatcom County had no arbitrage liability.

CHANGES IN LONG-TERM DEBT

The changes that occurred in long-term liabilities, during the year ended December 31, 2017, are shown on the following page.

Table FN27 - Changes in Long-Term Debt

	January 1	Additions	Reductions	December 31	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation debt	\$2,695,000	\$-	\$355,000	\$2,340,000	\$355,000
Discounts/ premiums	50,521	-	14,947	35,574	-
Total bonds payable	2,745,521	-	369,947	2,375,574	355,000
Capital leases	270,096	273,934	116,264	427,766	125,974
Claims	4,588,227	8,054,689	8,295,852	4,347,064	4,287,242
Pension obligations	44,254,283	-	9,740,086	34,514,197	-
OPEB obligations	3,627,131	664,434	-	4,291,565	-
Compensated absences	6,981,776	7,461,506	7,327,082	7,116,200	7,116,200
Landfill post-closure costs	250,000	-	-	250,000	-
Total Governmental Activities	\$62,717,034	\$16,454,563	\$25,849,231	\$53,322,366	\$11,884,416
Business-Type Activities					
Pension obligations	\$908,971	\$-	\$202,983	\$705,988	\$-
Compensated absences	108,861	117,141	115,212	110,790	110,790
Total Business-Type Activities	\$1,017,832	\$117,141	\$318,195	\$816,778	\$110,790

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities shown above.

COMPENSATED ABSENCES

For governmental activities, the compensated absences liability will be paid from the General Fund, County Road, Election Reserve, Whatcom County Jail, Behavioral Health Program, Solid Waste, Auditor's O & M and Emergency Management special revenue funds and Equipment Rental and Revolving and Administrative Services internal service funds.

OPERATING LEASES

The County leases a building from the Port of Bellingham to provide a facility for the emergency operations center. Total cost for the lease was \$70,330 for the year ended December 31, 2017. The future minimum lease payments for this lease are shown on the following page.

Table FN28 - Operating Leases

Year Ending December 31	Amount
2018 *	\$72,440
2019 *	74,614
2020 *	76,852
2021 *	79,158
2022 *	81,532
2023 *	83,978
Total	\$468,574

*Actual lease payments will be adjusted by the Consumer Price Index. For the future minimum lease payments, a 3% increase per year was used.

CAPITAL LEASES

Whatcom County has entered into a lease agreement for copiers that qualifies as a capital lease for accounting purposes. The assets acquired through capital leases are as follows:

Table FN29 - Capital Lease Assets

Asset:	Governmental Activities
Machinery and equipment	\$765,146
Less: Accumulated depreciation	(337,380)
Total	\$427,766

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, are shown as follows:

Table FN30 - Future Minimum Lease Obligations

	Governmental Activities
2018	\$129,257
2019	114,268
2020	98,923
2021	69,583
2022	26,528
Total Minimum Lease Payments	438,559
Less: Interest	10,794
Present Value of Minimum Lease Payments	\$427,765

DEBT LIMITATIONS

The amount of long-term debt that can be incurred by a county is limited by state statute. The following table

presents the remaining unused long-term debt capacity available to the County based upon the limits set by statute.

Table FN31 -Long-Term Debt Capacity

Purpose of Indebtedness	Remaining Capacity
General Government (No vote required)	\$416,003,759
General Government (With 3/5 majority vote)	\$703,640,428

NOTE 10 – CONTINGENCIES

Whatcom County has claims and lawsuits pending at this time. All these claims and lawsuits were forwarded to the Washington Counties Risk Pool (see Note 8) and will not have a material adverse effect on the financial condition of the County.

The County participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representative. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. County management believes that such disallowances, if any, will be immaterial.

NOTE 11 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

CONSTRUCTION COMMITMENTS

The County has various construction projects in progress as of December 31, 2017. The major projects include storm water improvements, park improvements, jail improvements, and county road projects.

At year-end there are no significant construction commitments with contractors. (The County has determined that for materiality purposes, only construction commitments greater than five hundred thousand dollars will be disclosed.)

OTHER COMMITMENTS

In 2017, Whatcom County entered into a new contract with the City of Bellingham and Whatcom County Fire Protection District #7 to provide countywide emergency medical advanced life support services. Payments for services in 2017 totaled \$8,020,472. The agreement calls for payments for services in 2018 of \$8,251,116. In 2019, payments will be increased by the greater of June CPI-W for Seattle Tacoma Bellevue or 2.5 percent. The agreement continues unless terminated by any of the parties. The agreement calls for renegotiation of the rates in 2019 for 2020-2023.

These services are funded by a combination of sales tax and user fees.

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCES

Interfund receivables and payables are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, and are similarly treated when they involve other funds of the County. At December 31, 2017, interfund receivable and interfund payable balances are as follows:

Table FN32 - Interfund Receivable/Payable

Due To	Due From				Total
	General Fund	County Road	Internal Service	All Others	
General Fund	\$-	\$-	\$-	\$1,412,269	\$1,412,269
County Road	2,460	-	10,717	7,191	20,368
Internal Service	170,812	135,999	-	48,108	354,919
All Others	276,471	1,754,023	1,711	481,020	2,513,225
Total	\$449,743	\$1,890,022	\$12,428	\$1,948,588	\$4,300,781

The Interfund balances resulted from the time lag between the dates when interfund goods and services were provided or reimbursable expenditures incurred and when interfund payments were made.

Interfund loans and advances are fund transfers, usually interest bearing, which will be repaid in future years. Interfund loans outstanding as of December 31, 2017 were as follows:

Table FN33 - Interfund Loans Receivable/Payable

Interfund Loan Receivable	Interfund Loan Payable		
	General Fund	All Others	Total
County Road	\$531,928	\$-	\$531,928
Internal Service	957,432	-	957,432
All Others	-	700,000	700,000
Total	\$1,489,360	\$700,000	\$2,189,360

The Road Fund loaned \$531,928 to the General Fund to finance the cost of replacing the Sheriff/ Jail records management system.

The Real Estate Excise Tax II Fund loaned \$700,000 to finance cash flow for Cedar Hills/ Euclid Storm Water capital project budget.

The Equipment Rental and Revolving Fund loaned the General Fund \$957,432 to finance the Central Plaza building and the Assessor/ Treasurer system.

INTERFUND TRANSFERS

Interfund transfers are subsidies and contributions provided by one fund to another fund with no corresponding promise for repayment. Interfund transfers provide funding for capital projects, debt service, reallocations of special revenues, and to support the operations of other funds. Interfund transfers for the year ended December 31, 2017, are shown below:

Table FN34 - Interfund Transfers

Transfer To	Transfers From					Total
	General Fund	County Road	Public Utilities Improvement	Internal Service	All Others	
General Fund	\$20,000	\$370,340		\$439,599	\$3,083,825	\$3,913,764
County Road	50,000	-		117,020	2,008,578	2,175,598
Internal Service	588,557	149,926		-	196,871	935,354
All Others	7,822,191	9,572,491	1,504,312	-	5,391,430	24,290,424
Total	\$8,480,748	\$10,092,757	\$1,504,312	\$556,619	\$10,680,704	\$31,315,140

Below are significant interfund transfers the County made for 2017:

- The General Fund transferred funds to support a new permit system.
- The Road Fund provided funding for Birch Bay Drive and Pedestrian Facility Project Budget and Uplands lease agreement for Lummi Island ferry use at Gooseberry Point.
- The Public Utilities Improvement Fund transferred funding to the courthouse envelope project and other courthouse projects and the Birch Bay Drive and Pedestrian Facility Project Budget.
- Non-major fund transfers out include a transfer from Real Estate Excise Tax I Fund to fund the courthouse envelope project.

NOTE 13 – JOINT VENTURES

Whatcom County participates with the City of Bellingham and other local governmental jurisdictions to provide a law enforcement, fire, and emergency medical communications dispatching service (What-Comm Communications Center). The governing board of What-Comm consists of three members from the County, three from the City, one representing county fire districts and one elected official to be selected by the other members. The board is responsible for establishing the budget for What-Comm and for establishing the annual financial contributions to be made by the member jurisdictions. Whatcom County and the City of Bellingham share the expenditures equally. Whatcom County contributed \$974,644 as its share of operations in 2017. Whatcom County did not have an equity interest in What-Comm in 2017. Financial statements for What-Comm Communications Center can be obtained from the City of Bellingham, 210 Lottie Street, Bellingham, Washington 98225.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

PLAN DESCRIPTION

As required by the Revised Code of Washington (RCW) Chapter 41.26, the County provides lifetime medical, dental and vision care for members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system hired on or before September 30, 1977 under a defined benefit healthcare plan administered by the County. Medical coverage for eligible pre-Medicare retirees is provided by one of the County's employee medical insurance programs. There are 18 retired LEOFF I members who are receiving benefits. Financial reporting for the LEOFF retiree healthcare plan is included in the County's Comprehensive Annual Financial Report.

FUNDING POLICY

Funding for LEOFF retiree healthcare costs is provided entirely by the County as required by RCW. The County's contributions are financed on a pay-as-you-go basis.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

Whatcom County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The County has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of fifteen years as of January 1, 2016. The table on the following page shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB. The net OPEB obligation of \$4,291,565 is included as a noncurrent liability on the Statement of Net Position.

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 are shown on the following page.

Table FN35 - Annual OPEB Cost

	Annual OPEB Cost	12/31/17
Annual Required Contribution:		
Normal Cost at Year End		\$20,931
Amortization of UAAL*		754,065
Annual Required Contribution		\$774,996
Net OPEB Obligation:		
Annual Required Contribution		\$774,996
Interest on Net OPEB Obligation		268,372
Amortization of Net OPEB Obligation		(277,214)
Annual OPEB Cost		766,154
Contributions Made		(101,720)
Increase in Net OPEB Obligation		664,434
Net OPEB Obligation-Beginning of Year		3,627,131
Net OPEB Obligation-End of Year		\$4,291,565

* Unfunded Actuarial Accrued Liability (UAAL)

Table FN36 - Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/15	\$734,919	12.3%	\$3,082,173
12/31/16	\$621,069	12.3%	\$3,627,131
12/31/17	\$766,154	13.3%	\$4,291,565

FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2016, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$8,383,992 and the actuarial value of the assets was 0 percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$8,383,992.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

METHOD AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The following assumptions were made:

A single retirement age of 55.3 was assumed for all active members for the purpose of determining the actuarial accrued liability and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF I rates used in the June 30, 2014 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF I medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was the Projected Unit Credit. The actuarial accrued liability and net OPEB obligation are amortized on an open basis as a level dollar over 15 years.

NOTE 15 – POSTCLOSURE CARE COST

Whatcom County owns four closed solid waste landfills. These are Birch-Bay Lynden, Y Road, and Pt. Roberts, all closed in the 1980's and Cedarville, which was closed in 1990 (Phase I), with final closure in 1993 under WAC 173-304. Whatcom County is required by the Department of Ecology to perform post-closure monitoring of Cedarville for a minimum of 20 years or until the landfill meets certain criteria. The County complies with this requirement through several permits which require monitoring of ground water, gas, and leachate production. A new leachate management system was constructed in 2012 but no further capital improvements are anticipated at this time. The typical annual operating budget for Cedarville is expected to be approximately \$28,000 for ground water testing and maintenance. These costs are funded by solid waste excise taxes. A reserve of \$250,000 was established in the Solid Waste Fund in 1992 to cover unforeseen post-closure care costs. The actual cost of post-closure care may change due to inflation or regulations.

NOTE 16 – TAX ABATEMENT

The County is subject to tax abatements granted by the City of Bellingham and the City of Lynden. There are two programs authorized by the State of Washington, one encourages new and rehabilitated multiple-unit dwellings in urban centers (RCW 84.14), and one encourages preservation and refurbishment of historic property (RCW 84.26).

The purpose of the New and Rehabilitated Multiple-Unit Dwellings in Urban Centers program is to encourage increased residential opportunities within urban centers, including affordable housing opportunities, in cities that plan under the growth management act. Cities determine their urban center and establish criteria in addition to the state's requirements for qualifying for the program. The value of new housing construction, conversion, and

rehabilitation improvements qualifying under this program are exempt from ad valorem property taxation for a period of eight years or twelve years if 20 percent of the units are sold or rented to low and moderate-income households.

The purpose of the Historic Property program is to encourage maintenance, improvement, and preservation of privately owned historic landmarks. To be eligible, the building must be listed in the National Register of Historic Places, certified as contributing to a National Register Historic District, listed on the City's Local Register of Historic Places, or certified as contributing to a local historic district.

County property taxes abated are as follows:

New and Rehabilitated Multiple-Unit Dwelling in Urban Centers Program

- City of Bellingham \$33,379

Historic Property Program

- City of Bellingham \$11,225
- City of Lynden \$4,902

NOTE 17 – PRIOR PERIOD ADJUSTMENT

In prior years, sales tax, local criminal justice tax, and motor vehicle fuel tax was not properly accrued. Receipts posted to January and February 2017 were actually revenue for November and December of 2016. To correct 2017 revenue, prior period adjustments were made which reduced 2017 tax revenue by \$5,890,542. The beginning net position in the government-wide statements and the beginning fund balances in the governmental fund statements were restated.

In 2016, \$40,000 of revenue was recorded twice in the Emergency Management Fund. A prior period adjustment was made in 2017 to correct this error. The beginning net position in the government-wide statements and the beginning fund balances in the governmental fund statements were restated.

Required Supplemental Information
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual
General Fund
Year Ended December 31, 2017

Whatcom County

W A S H I N G T O N

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Taxes	\$44,312,831	\$44,312,831	\$45,510,508	\$1,197,677
Licenses and permits	3,418,943	3,450,943	3,680,204	229,261
Intergovernmental	14,260,289	16,185,116	15,329,143	(855,973)
Charges for service	8,154,373	8,206,571	8,494,703	288,132
Fines and penalties	2,239,750	2,239,750	2,057,707	(182,043)
Miscellaneous	3,323,770	3,401,027	3,759,033	358,006
Total revenues	<u>75,709,956</u>	<u>77,796,238</u>	<u>78,831,298</u>	<u>1,035,060</u>
Expenditures				
Current:				
General government	30,708,652	30,458,208	28,681,168	1,777,040
Public safety	24,242,704	25,551,663	24,358,755	1,192,908
Natural and economic environment	1,715,908	2,142,726	2,027,268	115,458
Social services	13,789,595	14,740,580	13,692,335	1,048,245
Culture and recreation	4,132,657	4,247,553	3,880,440	367,113
Capital outlay	195,146	195,146	320,549	(125,403)
Debt service:				
Interest	22,814	22,814	17,977	4,837
Total expenditures	<u>74,807,476</u>	<u>77,358,690</u>	<u>72,978,492</u>	<u>4,380,198</u>
Excess (deficiency) of revenues over expenditures	<u>902,480</u>	<u>437,548</u>	<u>5,852,806</u>	<u>5,415,258</u>
Other financing sources (uses)				
Sales of capital assets	374,000	374,000	171,858	(202,142)
Transfers in	4,283,282	4,397,589	3,913,764	(483,825)
Transfers out	(10,432,320)	(10,991,963)	(8,480,748)	2,511,215
Capital lease proceeds	-	-	241,403	241,403
Total other financing sources (uses)	<u>(5,775,038)</u>	<u>(6,220,374)</u>	<u>(4,153,723)</u>	<u>2,066,651</u>
Net change in fund balances	<u>(4,872,558)</u>	<u>(5,782,826)</u>	<u>1,699,083</u>	<u>7,481,909</u>
Fund balances-beginning	16,888,871	16,888,871	16,888,871	-
Prior period adjustments	-	-	2,501,638	2,501,638
Fund balance as of January 1 (restated)	<u>16,888,871</u>	<u>16,888,871</u>	<u>19,390,509</u>	<u>2,501,638</u>
Fund balances-ending	<u>\$12,016,313</u>	<u>\$11,106,045</u>	<u>\$21,089,592</u>	<u>\$9,983,547</u>

Notes to the financial statements are an integral part of this statement.

Required Supplemental Information
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual
County Road Fund
Year Ended December 31, 2017

Whatcom County
W A S H I N G T O N

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Taxes	\$18,331,851	\$18,331,851	\$19,112,872	\$781,021
Licenses and permits	134,000	134,000	108,226	(25,774)
Intergovernmental	5,721,661	5,761,661	5,192,733	(568,928)
Charges for service	484,720	484,720	725,537	240,817
Miscellaneous	106,238	106,238	174,109	67,871
Total revenues	24,778,470	24,818,470	25,313,477	495,007
Expenditures				
Current:				
General government	431,734	431,734	554,632	(122,898)
Transportation	22,977,185	22,682,834	19,445,316	3,237,518
Capital outlay	8,206,713	8,972,154	4,523,159	4,448,995
Total expenditures	31,615,632	32,086,722	24,523,107	7,563,615
Excess (deficiency) of revenues over expenditures	(6,837,162)	(7,268,252)	790,370	8,058,622
Other financing sources (uses)				
Sales of capital assets	450,000	450,000	217,876	(232,124)
Transfers in	977,883	1,017,883	2,175,598	1,157,715
Transfers out	(8,211,621)	(10,192,590)	(10,092,757)	99,833
Capital lease proceeds	-	-	19,110	19,110
Total other financing sources (uses)	(6,783,738)	(8,724,707)	(7,680,173)	1,044,534
Net change in fund balances	(13,620,900)	(15,992,959)	(6,889,803)	9,103,156
Fund balances-beginning	28,683,606	28,683,606	28,683,606	-
Prior period adjustments	-	-	681,410	681,410
Fund balance as of January 1 (restated)	28,683,606	28,683,606	29,365,016	681,410
Fund balances-ending	\$15,062,706	\$12,690,647	\$22,475,213	\$9,784,566

Notes to the financial statements are an integral part of this statement.

A. BUDGETARY BASIS

Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects and all proprietary funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles.

B. MATERIAL VIOLATIONS

There were no material violations of finance-related legal or contractual provisions in the general fund and special revenue funds. In addition, these fund's expenditures did not exceed legal appropriation for 2017.

Required Supplemental Information
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2017



Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/15	\$-	\$7,036,527	\$7,036,527	0%	\$101,233	6950.82%
12/31/16	\$-	\$8,383,992	\$8,383,992	0%	\$109,692	7643.21%
12/31/17	\$-	\$8,383,992	\$8,383,992	0%	\$20,688	40525.87%

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
As of June 30, 2017
Last 10 Fiscal Years*



	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.407%	0.411%	0.414%
Employer's proportionate share of the net pension liability	\$19,314,982	\$22,079,993	\$21,643,182
Employer's covered employee payroll	\$50,011,855	\$47,429,547	\$45,367,441
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	38.62%	46.55%	47.71%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Employer's proportionate share is based on Whatcom County's employer transmittals processed by Department of Retirement Systems in the fiscal year ended June 30, 2017 relative to all other plan employers transmittals processed. Net pension liability is determined by projecting the plan's total pension liability and subtracting the plans net position. Net position will vary from year to year based on investment returns and plan experience. Whatcom County's net pension liability (asset) is calculated by multiplying its proportionate share of the net pension liability (asset) by the plans total net pension liability (asset).

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
As of June 30, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.450%	0.446%	0.447%
Employer's proportionate share of the net pension liability	\$15,634,932	\$22,477,398	\$15,961,703
Employer's covered employee payroll	\$44,116,747	\$41,561,677	\$39,639,460
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	35.44%	54.08%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	85.82%	89.20%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Employer's proportionate share is based on Whatcom County's employer transmittals processed by Department of Retirement Systems in the fiscal year ended June 30, 2017 relative to all other plan employers transmittals processed. Net pension liability is determined by projecting the plan's total pension liability and subtracting the plans net position. Net position will vary from year to year based on investment returns and plan experience. Whatcom County's net pension liability (asset) is calculated by multiplying its proportionate share of the net pension liability (asset) by the plans total net pension liability (asset).

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2
As of June 30, 2017
Last 10 Fiscal Years*



	2017	2016	2015
Employer's proportion of the net pension liability (asset)	1.379%	1.426%	1.392%
Employer's proportionate share of the net pension liability	\$270,271	\$605,863	\$253,983
Employer's covered employee payroll	\$4,883,959	\$4,618,833	\$4,074,397
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	5.53%	13.12%	6.23%
Plan fiduciary net position as a percentage of the total pension liability	96.26%	90.41%	95.08%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Employer's proportionate share is based on Whatcom County's employer transmittals processed by Department of Retirement Systems in the fiscal year ended June 30, 2017 relative to all other plan employers transmittals processed. Net pension liability is determined by projecting the plan's total pension liability and subtracting the plans net position. Net position will vary from year to year based on investment returns and plan experience. Whatcom County's net pension liability (asset) is calculated by multiplying its proportionate share of the net pension liability (asset) by the plans total net pension liability (asset).

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System
(LEOFF) Plan 1
As of June 30, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.034%	0.035%	0.035%
Employer's proportionate share of the net pension liability	\$(518,389)	\$(362,589)	\$(422,249)
State's proportionate share of the net pension liability (asset) associated with the employer	\$(3,506,370)	\$(2,452,540)	\$(2,856,082)
TOTAL	\$(4,024,759)	\$(2,815,129)	\$(3,278,331)
Employer's covered employee payroll	\$-	\$-	\$-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	135.96%	123.74%	127.36%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: LEOFF Plan 1 net position exceeds projected total pension liability. No employer contributions have been required since June of 2000. Whatcom County's employers proportionate share of the net pension liability (asset) was determined based on the county's total contributions to LEOFF Plan 1 relative to all other employer's contributions. If the plan becomes underfunded, funding the remaining liability will require new Washington State legislation.

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System
(LEOFF) Plan 2
As of June 30, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.240%	0.247%	0.240%
Employer's proportionate share of the net pension liability	\$(3,331,519)	\$(1,435,184)	\$(2,467,409)
State's proportionate share of the net pension liability (asset) associated with the employer	\$(2,161,094)	\$(935,635)	\$(1,631,453)
TOTAL	\$(5,492,613)	\$(2,370,819)	\$(4,098,862)
Employer's covered employee payroll	\$7,510,107	\$7,475,130	\$6,967,690
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-73.14%	-31.72%	-58.83%
Plan fiduciary net position as a percentage of the total pension liability	113.36%	106.04%	111.67%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Employer's proportionate share is based on Whatcom County's employer transmittals processed by Department of Retirement Systems in the fiscal year ended June 30, 2017 relative to all other plan employers transmittals processed. Net pension liability is determined by projecting the plan's total pension liability and subtracting the plans net position. Net position will vary from year to year based on investment returns and plan experience. Whatcom County's net pension liability (asset) is calculated by multiplying its proportionate share of the net pension liability (asset) by the plans total net pension liability (asset).

Required Supplemental Information
Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Plan 1
As of December 31, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Statutorily or contractually required contributions	\$2,548,237	\$2,490,469	\$2,097,126
Contributions in relation to the statutorily or contractually required contributions	\$(2,548,237)	\$(2,490,469)	\$(2,097,126)
Contribution deficiency (excess)	\$-	\$-	\$-
Covered employer payroll	\$50,620,497	\$50,783,623	\$46,030,402
Contributions as a percentage of covered employee payroll	5.03%	4.90%	4.56%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Contributions include employer contributions for PERS Plan 1 employees as well as PERS Plan 1 unfunded actuarial accrued liability (UAAL) contribution assessed on wages of PERS Plan 2 & 3 and Public Safety Employees Retirement System (PSERS) employees. Covered employer payroll fluctuates based on number of employees, hours worked and wage rates. PERS rates increased effective July 1, 2017. The employer contribution for PERS Plan 1 increased from 6.23% to 7.49% and the UAAL for PERS Plan 1 increased from 4.77% to 5.03% of covered payroll.

Required Supplemental Information
Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Plan 2/3
As of December 31, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Statutorily or contractually required contributions	\$3,060,192	\$2,791,242	\$2,248,551
Contributions in relation to the statutorily or contractually required contributions	\$(3,060,192)	\$(2,791,242)	\$(2,248,551)
Contribution deficiency (excess)	\$-	\$-	\$-
Covered employer payroll	\$44,611,164	\$44,790,477	\$40,129,411
Contributions as a percentage of covered employee payroll	6.86%	6.23%	5.60%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Covered employer payroll fluctuates based on number of employees, hours worked and wage rates. PERS Plan 2 & 3 employer contribution rates increased effective July 1, 2017. Rates increased from 6.23% to 7.49% of covered payroll.

Required Supplemental Information
Schedule of Employer Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
As of December 31, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Statutorily or contractually required contributions	\$334,459	\$324,140	\$281,587
Contributions in relation to the statutorily or contractually required contributions	\$(334,459)	\$(324,140)	\$(281,587)
Contribution deficiency (excess)	\$-	\$-	\$-
Covered employer payroll	\$5,019,549	\$4,918,683	\$4,350,221
Contributions as a percentage of covered employee payroll	6.66%	6.59%	6.47%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Covered employer payroll fluctuates based on number of employees, hours worked and wage rates. PSERS Plan 2 employer contribution rates increased effective July 1, 2017 and September 1, 2017. Rates increased from 6.59% to 6.73% and then to 6.74% of covered payroll.

Required Supplemental Information
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System
(LEOFF) Plan 1
As of December 31, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Statutorily or contractually required contributions	\$-	\$-	\$-
Contributions in relation to the statutorily or contractually required contributions	\$-	\$-	\$-
Contribution deficiency (excess)	\$-	\$-	\$-
Covered employer payroll	\$-	\$-	\$-
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: There are no employer contributions required for LEOFF Plan 1.

Required Supplemental Information
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System
(LEOFF) Plan 2
As of December 31, 2017
Last 10 Fiscal Years*

Whatcom County
W A S H I N G T O N

	2017	2016	2015
Statutorily or contractually required contributions	\$394,184	\$393,726	\$366,458
Contributions in relation to the statutorily or contractually required contributions	\$(394,184)	\$(393,726)	\$(366,458)
Contribution deficiency (excess)	\$-	\$-	\$-
Covered employer payroll	\$7,601,695	\$7,796,545	\$7,256,591
Contributions as a percentage of covered employee payroll	5.19%	5.05%	5.05%

*Information is only available for fiscal years 2015, 2016 and 2017.

Note: Covered employer payroll fluctuates based on number of employees, hours worked and wage rates. LEOFF Plan 2 employer contribution rates increased effective July 1, 2017. Rates increased from 5.05% to 5.25% of covered payroll.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Fund	Cost Center	JDE Acct	JDE Grant Name	Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	Federal CFDA #	Other Identification Number	Expenditures from Pass-Through Awards	Expenditures from Direct Awards	Total Expenditures	Passed through to Subrecipients	Fork-note Ref.
U.S. DEPARTMENT OF AGRICULTURE												
169	169114	4331-1006	Conservation Reserve	U.S. Department of Agriculture Farm Service Agency	Conservation Reserve Program	10.069	2007-0186		2,122	2,122		2
001	1970	4333-1051	SPI / Juvenile Meals	U.S. Department of Agriculture Food and Nutrition Service / WA Superintendent of Public Instruction	National School Lunch Program	10.555	37-501-6858	10,680		10,680		2
Child Nutrition Cluster												
001	625201	4333-1055	Woman, Infants, and Children	U.S. Department of Agriculture Food and Nutrition Service / WA Department of Health	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17132	355,792		355,792		2, 5
001	625260	4333-1055	Woman, Infants, and Children	U.S. Department of Agriculture Food and Nutrition Service / WA Department of Health	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17132	18,033		18,033		5
Total CFDA Number								373,825		373,825		
Forest Service Schools and Roads Cluster												
108	108010	4332-1068	Federal Forest - Title I	U.S. Department of Agriculture Forest Service / WA State Treasurer	Schools and Roads - Grants to States	10.665	RCW 36.33.110RCW 28A.520.020	78,958		78,958		2
118	118143	4332-1069	Federal Forest - Title I	U.S. Department of Agriculture Forest Service / WA State Treasurer	Schools and Roads - Grants to States	10.665	10PA-11060500-049	56,815		56,815		2
Total CFDA Number								135,773		135,773		
001	625201	4333-1057	Farmer's Market	U.S. Department of Agriculture Food and Nutrition Service / WA Department of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17132	365		365		2
TOTAL DEPARTMENT OF AGRICULTURE								520,633	2,122	522,755		
U.S. DEPARTMENT OF COMMERCE												
169	717002	4333-1147	Geomorphic Assess-Nooksack	U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA) / The Nature Conservancy	Habitat Conservation	11.463	WAS-161130-011	400,000		400,000		2
167	16741	4333-1146	AHAB Warning System	U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA) / Washington State Military Department	Meteorologic and Hydrologic Modernization Development	11.467	U16-017	41,784		41,784		4
167	16741	4333-1146	AHAB Warning System	U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA) / Washington State Military Department	Meteorologic and Hydrologic Modernization Development	11.467	U18-012	55,371		55,371		4
Total CFDA Number								97,155		97,155		
TOTAL DEPARTMENT OF COMMERCE								497,155		497,155		
U.S. DEPARTMENT OF DEFENSE												
109		4333-1221	Enhanced Capabilities for Voters	U.S. Department of Defense Federal Voting Assistance Program / King County	Electronic Absentee Systems for Elections	12.217	H98210-13-1-0011	30,500		30,500		5
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT												
001	4276	4333-1422	CDBG Grant Opportunity	U.S. Department of Housing and Urban Development Office of Community Planning Development / Washington State Department of Commerce	Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii	14.228	14-65400-031	334,836		334,836		334,836
001	4280	4333-1422	CDBG GR-Public Srv 2017	U.S. Department of Housing and Urban Development Office of Community Planning Development / Washington State Department of Commerce	Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii	14.228	16-62210-015	56,504		56,504		56,504
001	4283	4333-1422	CDBG GR-Public Srv 2018	U.S. Department of Housing and Urban Development Office of Community Planning Development / Washington State Department of Commerce	Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii	14.228	17-62210-015	53,613		53,613		53,613
334	334100	4333-1422	E Whatcom Reg Res Ctr CDBG	U.S. Department of Housing and Urban Development Office of Community Planning Development / Washington State Department of Commerce	Non-Entitlement Grants in Hawaii	14.228	15-62210-033	23,242		23,242		23,242
Total CFDA Number								468,195		468,195		
122	122500	4333-1423	ESG - Emergency Solutions	U.S. Department of Housing and Urban Development Office of Community Planning Development / Washington State Department of Commerce	Emergency Solutions Grant Program	14.231	14-46107-012	181,184		181,184		179,546
122	122500	4333-1423	ESG - Emergency Solutions	U.S. Department of Housing and Urban Development Office of Community Planning Development / Washington State Department of Commerce	Emergency Solutions Grant Program	14.231	17-46107-012	88,031		88,031		81,510
Total CFDA Number								269,215		269,215		
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								737,410		737,410		
U.S. DEPARTMENT OF JUSTICE												
001	1965	4333-1654	GJAC - Tech Assistant	U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention / WA State DSHS	Juvenile Justice and Delinquency Prevention	16.540	I-501-00212	1,046		1,046		2
001	2621	4333-1657	Victim Witness	U.S. Department of Justice Office for Victims of Crime / WA St Department of Commerce	Crime Victim Assistance	16.575	S17-31102-533	15,522		15,522		2
001	2900	4333-1659	Victim Witness	U.S. Department of Justice Violence Against Women Office / Domestic Violence and Sexual Assault Services (OVSAAS)	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2016-WEAX-0021	1,653		1,653		2
001	1003515006	4333-1673	DTF JAG Grant	U.S. Department of Justice Bureau of Justice Assistance / WA St Department of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	COBW 2016-0483	14,068		14,068		
001	1003516003	4333-1673	DTF JAG Grant	U.S. Department of Justice Bureau of Justice Assistance / WA St Department of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F16-31440-017	63,550		63,550		
Total CFDA Number								77,618		77,618		
TOTAL DEPARTMENT OF JUSTICE								95,839		95,839		

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Fund	Cost Center	JDE Acct	JDE Grant Name	Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	Federal CFDA #	Other Identification Number	Expenditures from Pass-Through Awards	Expenditures from Direct Awards	Total Expenditures	Passed through to Subrecipients	Fiscal-note Ref.
U.S. DEPARTMENT OF TRANSPORTATION												
Highway Planning and Construction Cluster												
108	108010	4333.2022	STP (Surface Trans Program)	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 9052	21,648		21,648		2
108	913007	4333.2022	Hanegan Rd. Bridge #236	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8897	16,741		16,741		2
108	914015	4333.2026	Lummi Dolphin & Breakwater	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8896	2,263		2,263		2
108	915018	4333.2021	South Pass Rd Failure R	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8766	1,634		1,634		2
108	915020	4333.2022	Roberts Rd / Anderson Brd	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8751	2,973		2,973		2
108	915024	4333.2022	W Badger / Bertrand Cr/B-5	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8800	56,886		56,886		2
342	342100	4333.2021	Potter Road / S Fork Bridge	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 5235	226,860		226,860		2, 7
342	342100	4333.2021	Potter Road / S Fork Bridge	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	A15N/00750	100,000		100,000		2, 7
350	350100	4333.2021	Dakota Creek Bridge No. 500	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8055	33,510		33,510		2
353	353100	4333.2021	Hanegan Rd / Nookack River Bridge	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 7416	17,497		17,497		
355	355104	4333.2029	Continuation	U.S. Department of Transportation Federal Highway Administration / WA State Department of Transportation	Highway Planning and Construction	20.205	LA 8882	100,652		100,652		
Total CFDA Number 20.205								580,664		580,664		
Highway Safety Cluster												
001	1310	4333.2060	HVE Patrols - Impaired Driving	U.S. Department of Transportation National Highway Traffic Safety Administration / WA Traffic Safety Commission	State and Community Highway Safety	20.600	120-6200-00	1,000		1,000		2
001	2965	4333.2062	HVE Patrols - Distracted Driving	U.S. Department of Transportation National Highway Traffic Safety Administration / WA Traffic Safety Commission	State and Community Highway Safety	20.600	FFY2017 HVE	4,983		4,983		2
001	2965	4333.2063	HVE Patrols - Distracted Driving	U.S. Department of Transportation National Highway Traffic Safety Administration / WA Traffic Safety Commission	State and Community Highway Safety	20.600	FFY2018 HVE	1,696		1,696		2
001	1003512001	4333.2062	HVE Patrols - Seat Belts	U.S. Department of Transportation National Highway Traffic Safety Administration / WA Traffic Safety Commission	State and Community Highway Safety	20.600	Award 1/31/17	10,368		10,368		2
Total CFDA Number 20.600								18,047		18,047		
Total Highway Safety Cluster								18,047		18,047		
TOTAL DEPARTMENT OF TRANSPORTATION												
Total Highway Planning and Construction Cluster								580,664		580,664		

U.S. ENVIRONMENTAL PROTECTION AGENCY

001	652201	4333.6612	NEP I-4 Shellfish	Environmental Protection Agency, Region 10 / WA State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17132	3,837		3,837		2, 6
001	653400	4333.6612	Swimming Beach NEP	Environmental Protection Agency, Region 10 / WA State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17132	3,400		3,400		2, 6
169	169121	4333.6612	Puget Sound Watershed	Environmental Protection Agency, Region 10 / WA State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2018-17	69,857		69,857		2
169	169121	4333.6612	Puget Sound Watershed	Environmental Protection Agency, Region 10 / WA State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2018-17	5,351		5,351		2
169	813002	4333.6613	PCAT/PIC Project	Environmental Protection Agency, Region 10 / WA State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	N22509	203,974		203,974		2
169	813002	4333.6613	PCAT/PIC Project	Environmental Protection Agency, Region 10 / WA State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	N20989	162,757		162,757		2, 7
Total CFDA Number 66.123								449,176		449,176		
169	813001	4333.1141	MRC NW Straits	U.S. Environmental Protection Agency Office of Water / WA State Dept of Ecology	National Estuary Program	66.456	SEANWS-2016-WHCoPW-00004	72,870		72,870		7
169	813001	4333.1141	MRC NW Straits	U.S. Environmental Protection Agency Office of Water / WA State Dept of Ecology	National Estuary Program	66.456	SEANWS-2017-WHCoPW 00004	18,854		18,854		
Total CFDA Number 66.456								91,724		91,724		
001	653400	4333.6647	Swimming Beach - Ad Grant IAR (ECY)	U.S. Environmental Protection Agency Office of Water / WA State Dept of Health (DOH)	Beach Monitoring and Notification Program Implementation Grants	66.472	C17132	6,536		6,536		6
TOTAL ENVIRONMENTAL PROTECTION AGENCY								547,436		547,436		

Fund	Cost Center	JDE Acct	JDE Grant Name	Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	Federal CFDA #	Other Identification Number	Expenditures from Pass-Through Awards	Expenditures from Direct Awards	Total Expenditures	Passed through to Subrecipients	Fiscal-note Ref.
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES												
001	606000	4333.9306	FFY 15 EPR PHRP BR4 LHJ Funding	U.S. Department of Health and Human Services Centers for Disease Control & Prevention / WA State Department of Health	Public Health Emergency Preparedness	93.069	C17132	136,263		136,263		2, 6
001	677200	4333.9243	Partnerships for Success	Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS Division of Behavioral Health	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1563-42499	55,160		55,160		2, 6
001	677200	4333.9243	Partnerships for Success	Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS Division of Behavioral Health	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1563-42499	38,589		38,589		2, 6
					Total CFDA Number	93.243		93,749		93,749		
001	627220	4333.9326	VFY 05 VFC Immunization Spec Proj	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Immunization Cooperative Agreements	93.268	C17132	25,130		25,130		2, 6
001	627220	4333.932601	FA317 Imm Federal	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Immunization Cooperative Agreements	93.268	C17132	6,056		6,056		2, 6
001	627220	4333.932602	VFC Operations	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Immunization Cooperative Agreements	93.268	C17132	5,748		5,748		2, 6
001	627220	4333.932603	VFC Ordering	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Immunization Cooperative Agreements	93.268	C17132	8,515		8,515		2, 6
001		4333.932603	FA317 Imm Federal	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Immunization Cooperative Agreements	93.268	C17132	52,172		52,172		3
					Total CFDA Number	93.268		97,621		97,621		
001	623420	4333.9327	Needle Exchange	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Viral Hepatitis Prevention and Control	93.270	C17132	5,901		5,901		2
001	627220	4333.9353	PHHF 317 OPS	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State DSHS	PHHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Funds.	93.539	C17132	9,115		9,115		2, 6
001	2600	4333.9783	Child Support Enforcement	U.S. Department of Health and Human Services Administration for Children and Families / WA State DSHS	Child Support Enforcement	93.563	2110-80707	600,317		600,317		2, 6
001	3100	4333.9563	Child Support Enforcement	U.S. Department of Health and Human Services Administration for Children and Families / WA State DSHS	Child Support Enforcement	93.563	3051CS-63	59,146		59,146		2
001	3150	4333.9563	Child Support Enforcement	U.S. Department of Health and Human Services Administration for Children and Families / WA State DSHS	Child Support Enforcement	93.563	3051CS-63	111,906		111,906		2
					Total CFDA Number	93.563		771,369		771,369		
001	627200	4333.9373	Immunization - Storage and Handling	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C17132	146		146		2
001	627220	4333.9373	PHHF Adolescent AF	U.S. Department of Health and Human Services Centers for Disease Control and Prevention / WA State Department of Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C17132	4,987		4,987		2
					Total CFDA Number	93.733		5,133		5,133		
Medicaid Cluster												
001	600200	4333.977803	Medicaid Match	U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services / WA State Healthcare Authority	Medical Assistance Program	93.778	K1422	77,083		77,083		2
001	621200	4333.977803	Medicaid Match	U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services / WA State Healthcare Authority	Medical Assistance Program	93.778	K1422	77,083		77,083		2, 6, 7
001	627200	4333.977803	Medicaid Match	U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services / WA State Healthcare Authority	Medical Assistance Program	93.778	K1422	77,083		77,083		2, 6, 7
					Total CFDA Number	93.778		231,249		231,249		
					Total Medicaid Cluster			231,249		231,249		
001	677360	4333.9778	Opate CPWI	Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS Division of Behavioral Health	Opate STR	93.788	1763-94278	25,961		25,961		
001	671100	4333.9395	Community Mental Health	Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS Division of Behavioral Health	Block Grants for Community Mental Health Services	93.958	BHO Whatcom Co MHBG-16-17	105,038		105,038		5
001	671100	4333.9395	Community Mental Health	Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS Division of Behavioral Health	Block Grants for Community Mental Health Services	93.958	BHO Whatcom Co MHBG-17-18	84,377		84,377		5
					Total CFDA Number	93.958		189,415		189,415		
001	675500	4333.9959	SABG Opate Outreach	U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	BHO-Whatcom Co-SABG-16-17	2,086		2,086		6
001	675500	4333.9959	SABG Opate Outreach	U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	BHO-Whatcom Co-SABG-17-18	13,541		13,541		6
001	677250	4333.9959	DASA Prevention	U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42499	56,124		56,124		6
001	677250	4333.9959	DASA Prevention	U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration / WA State DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1763-94278	33,111		33,111		6
					Total CFDA Number	93.959		104,862		104,862		
001	621202	4333.9399	MCH Svs Block Grant	U.S. Department of Health and Human Services Health Resources and Services Administration / WA State Department of Health	Maternal and Child Health Services Block Grant to the States	93.964	C17132	92,852		92,852		6
001	621202	4333.9399	MCH Svs Block Grant	U.S. Department of Health and Human Services Health Resources and Services Administration / WA State Department of Health	Maternal and Child Health Services Block Grant to the States	93.964	C17132	35,545		35,545		6
					Total CFDA Number	93.964		128,397		128,397		
					TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			1,799,035		1,799,035		
EXECUTIVE OFFICE OF THE PRESIDENT												
001	2640	4331.1600	Prosecutor - HIDTA Grant	Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	G15NW0004A		175,073	175,073		2
124	124200	4333.1604	HIDTA - Drug Court	Executive Office of the President / WA Educational Service District 105	High Intensity Drug Trafficking Areas Program	95.001	ESD 105-90400070	30,000		30,000		2
					Total CFDA Number	95.001		30,000		30,000		
					TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			30,000		30,000		

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Fund	Cost Center	JDE Acct	JDE Grant Name	Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	Federal CFDA #	Other Identification Number	Expenditures from Pass-Through Awards	Expenditures from Direct Awards	Total Expenditures	Passed through to Subrecipients	Fund-note Ref.
U.S. DEPARTMENT OF HOMELAND SECURITY												
001	1003512006	4333.8701	Boaling Safety 2016-2017	U.S. Department of Homeland Security / US Coast Guard / WASI Parks & Rec	Boaling Safety Financial Assistance	97.012	3317FAS170153	23,374	23,374	23,374		
001	6344	4333.8310	Tennant Lake	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-128	3,905	3,905	3,905		2
108	108010	4333.8703	FEWA	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-129	88,685	88,685	88,685		2
130	130100	4333.8703	Emergency Medical	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-129	5,837	5,837	5,837		2
167	16705	4333.8703	WUECC	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-129	3,750	3,750	3,750		2
167	16795	4333.8703	FEWA	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-129	573	573	573		2
175	17500	4333.8703	FEWA	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-129	23,013	23,013	23,013		2
167	16783	4333.8704	EMPG 2016	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Emergency Management Performance Grants	97.042	E17-394	41,186	41,186	41,186		
167	16787	4333.8704	EMPG 2017	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Emergency Management Performance Grants	97.042	E18-366	22,288	22,288	22,288		
								63,474		63,474		
001	1003515005	4333.8705	Stoneward FFY15	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Homeland Security Grant Program	97.067	E16-172	104,559	104,559	104,559		
001	1003516005	4333.8705	Stoneward FFY16	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Homeland Security Grant Program	97.067	E17-131	54,658	54,658	54,658		31,217
167	16782	4333.8701	DHS SHSP FFY15	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Homeland Security Grant Program	97.067	E16-353	28,455	28,455	28,455		
167	16784	4333.8705	DHS IHS-GP	U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) / WA	Homeland Security Grant Program	97.067	E17-359	32,303	32,303	32,303		
								219,975		219,975		
								432,586		432,586		
								5,289,305	177,195	5,466,500		1,277,579
								TOTAL FEDERAL ASSISTANCE				
								TOTAL DEPARTMENT OF HOMELAND SECURITY				
								TOTAL DEPARTMENT OF HOMELAND SECURITY				

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Fund	Cost Center	JDE Acct	JDE Grant Name	Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	Federal CFDA #	Other Identification Number	Expenditures from Pass-Through Awards	Expenditures from Direct Awards	Total Expenditures	Passed through to Subrecipients	Foot-note Ref.
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NOTE 1. BASIS OF ACCOUNTING: This schedule is prepared on the same basis of accounting as the county financial statements. The county uses the accrual basis of accounting for government-wide proprietary fund financial statements and modified accrual basis of accounting for governmental fund financial statements.

NOTE 2. PROGRAM COSTS: The amount shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the county portion, are shown below. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. NONCASH AWARDS - VACCINATIONS: The amount of vaccine received by the county during current year and priced as prescribed by United States Department of Health and Human Services

NOTE 4. NONCASH AWARDS - EQUIPMENT: The county received equipment and supplies that were purchased with federal Homeland Security Funds by the Washington State Military Department. The amount reported on the schedule is the value of the property on the date it was received by the county and priced by the state of Washington.

NOTE 5. NONCASH AWARDS - SERVICES: The county received services that were purchased with federal Department of Defense funds by the state of Washington. The amount reported on the schedule is the value of the property on the date it was received by the county and price by the state of Washington.

NOTE 6. INDIRECT COST RATE: The amount expended includes the indirect cost recovered using the approved indirect cost rate listed below. The county has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CFDA	Cost Center	Indirect Cost Recovery	Rate Jan - Dec
10.557	625201	26,577.29	15.71%
10.557	625260	2,024.66	15.71%
14.231	122500	5,217.77	15.71%
14.231	122500	2,941.35	15.71%
66.123	653400	395.99	15.71%
66.472	653400	865.15	15.71%
93.069	600500	8,447.78	15.71%
93.069	600500	1,034.46	15.71%
93.268	627220 832601	3,065.46	15.71%
93.268	627220 832602	409.71	15.71%
93.268	627220 832602	226.03	15.71%
93.270	624120	960.76	15.71%
93.539	677220	802.00	15.71%
93.563	2600	1,800.72	15.71%
93.733	627220	657.34	15.71%
93.778	600200	10,465.00	15.71%
93.778	621200	10,465.00	15.71%
93.778	677300	1,925.00	8.00%
93.894	621202	11,389.71	15.71%

NOTE 7. Amounts reported include prior year expenditures.

ADMINISTRATIVE SERVICES

Brad Bennett, Finance Manager
WHATCOM COUNTY

**FINANCE/ACCOUNTING**

Whatcom County Courthouse
311 Grand Avenue, Suite #503
Bellingham, WA 98225-4082
Phone – (360) 778-5320
Fax – (360) 778-5321

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Whatcom County
January 1, 2017 through December 31, 2017

This schedule presents the corrective action planned by the County for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2017-001	Finding caption: The County's accounting and financial statement preparation controls were not adequate to ensure accurate reporting for external investment pool and tax receivable activity.
Name, address, and telephone of County contact person: Brad Bennett 311 Grand Avenue Suite 503 Bellingham WA 98226 (360) 7785325	
Corrective action the auditee plans to take in response to the finding: <i>The corrections have been made to the Financial Statements. We will continue to train our staff to stay current on financial reporting requirements.</i>	
Anticipated date to complete the corrective action: September 10, 2018	

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov