



**A CITIZENS' GUIDE
TO THE CLALLAM COUNTY BUDGET
(2004 DATA)**

223 East 4th Street, Port Angeles, WA 98362

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The intent of this Guide is to explain basic concepts of how Clallam County government is financed, how the County accounts for its finances in order to meet its stewardship obligation over the public's money, and how the budget process works. Clallam County government's mission is to provide for the basic safety, health and welfare of its citizens by providing a variety of services to the public. The County provides a wide variety of social, health, environmental, public safety, and other services. The wide variety of services provided make it a challenge for the County to keep its citizens informed and involved in the business of government. Hopefully, this Guide will make it easier to understand how at least some of the County's financial activities work.

PART 1 - COUNTY BUDGETING EXPLAINED

WHAT IS THE BUDGET?

The annual budget of Clallam County government is a statement of the financial policy and plan of the County for the calendar year. The budget document presents in detail the financial plan of the County, including its various sources of revenue (resources) and the allocation of these resources to the various programs of the County.

WHAT ARE REVENUES?

The income received through taxes, licenses and permits, grants from other governments, charges for services, fines and forfeits, and other miscellaneous sources are revenues. We also refer to these dollars as financial resources.

WHAT ARE EXPENDITURES?

Expenditures occur when the County buys goods and services and pays its employees. Expenditures can be categorized into three types: operating expenditures, capital expenditures, and debt service expenditures. Operating expenditures are the day-to-day spending on salaries, supplies, utility services, and contracts. Capital expenditures are generally for acquisition of major assets such as land and buildings or for the construction of buildings and other improvements. Debt expenditures repay borrowed money and interest on that borrowing.

WHAT IS A FUND?

The County is financially organized into many separate fiscal and accounting entities known as funds. Each fund is a separate division for accounting and budgeting purposes. The fund accounting process allows the County to budget and account for revenues that are restricted by law or policy to a specific use or purpose in accordance with nationally recognized rules of governmental accounting and budgeting.

The County budget consists of over 40 funds. Each fund can be viewed as a separate checking account to be used for a specific purpose. All funds of the County fall into one of six major categories. Following is a brief description of these six fund categories.

General Fund: The General Fund finances most services that the County provides. This includes law enforcement, courts, parks, community development and land use planning, elections and voter registration, Auditor, Treasurer, Assessor, and administration. The General Fund is basically a "catch-all" for accounting for County operations that do not have to be accounted for in a different fund.

Special Revenue Funds: Special Revenue funds are mainly used to account for revenues that must be used by law for specific purposes. An example is the Road Fund where we account for the road property tax levy and gas taxes that must be used only for roads.

Capital Project Funds: Capital project funds are used to account for the acquisition or construction of major capital facilities or equipment. Clallam County adopts a list of current and anticipated capital projects each year as part of its' budget principles.

Enterprise Funds: Enterprise funds are established to account for operations that are financed and operated in a manner similar to private businesses with the intent that the cost of goods or services provided will be recovered primarily through user charges. An example of an Enterprise fund is the Clallam Bay/Sekiu Sewer Fund.

Internal Service Funds: Internal Service funds are used by the County to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. An example of an Internal Service funds are the Equipment Rental and Revolving Fund and the Risk Management Fund.

Debt Service Funds: Debt Service funds are used by the County to account for the accumulation of resources for, and the repayment of, money borrowed and the interest on these debts.

WHY USE FUNDS?

Reason 1: Fund accounting is required by the State. Washington State law governs how counties and cities in the State will account for their revenues and expenditures. All cities and counties are audited annually by the State Auditor to ensure that they have followed the accounting rules.

Reason 2: Whenever a city or county receives dollars from the State or Federal government in the form of a grant, the city or county must account for those dollars in the manner prescribed by the State or United States governments. Again, audits are conducted to ensure that these accounting rules are followed.

Reason 3: Whenever a local government goes to the financial market to borrow money, the local government must provide financial statements that show, in accordance with national accounting standards, what kind of financial condition the local government is in. Financial institutions and investors will loan money to the local government only if the local government can demonstrate through its financial statements that it can repay the debt.

Reason 4: The County, like all other local governments nationwide, uses fund accounting because this system of accounting is the standard prescribed by national organizations that are associations of accountants and finance professionals from cities and counties all over the country. The principles used to account for businesses, called generally accepted accounting principles (GAAP), are established by the Financial Accounting Standards Board (FASB). Similarly, principles used to account for local government finances are established by the Governmental Accounting Standards Board (GASB).

WHAT IS A TRANSFER?

Interfund operating transfers represent subsidies and contributions provided to operating funds, debt service funds, and capital project funds with no corresponding debt or promise to repay. An example of operating transfers is the transfer of funds from the General Fund to the Capital Projects in order to account for a specific building construction project. Operating transfers are excluded as both revenues and expenditures, but are listed as Other Financing Sources and Other Financing Uses. This way they do not distort actual revenues and expenditures for the county.

WHAT IS FUND BALANCE?

Fund balance is really the difference between the assets and liabilities of the fund. It is good financial policy to always have some amount of fund balance for emergencies and to carry the fund through slack times in revenue collections. In a given year, if revenues exceed expenditures, the fund balance will increase, if expenditures exceed revenues, then the fund balance will decrease.

ACCOUNTING FOR TAX DOLLARS

It is the responsibility of the County to account for the receipt and expenditure of all County funds. The County Auditor annually issues what is referred to as the General Purpose Financial Statement (GPFS) to show the financial condition of every County fund and details of each fund's revenues and expenditures during the year. Where the GPFS shows what actually happened financially and is published after the end of the year, the budget document shows how the County plans to spend the revenues that it receives during the year.

A BALANCED BUDGET

By law, each separate fund must have a balanced budget. This means that the revenues, including fund balance carryovers, must equal the appropriations, including ending fund balances (reserves). So, for each fund, the budget details where the dollars are coming from and how they will be spent.

THE OPERATING BUDGET - SERVICES TO THE PUBLIC

The majority of services provided by the County to its citizens are accounted for in twenty "funds". These include the General Fund, by far the largest. The next largest is the Road Fund. Between these two, we account for over 63% of the operating budget of the County. Add to this the budgets for Equipment Rental and Revolving, Capital Projects, and Health and Human Services and you will have about 85% of the expenditures for operations.

The expenditure budget for all funds is itemized into categories, called line items. These line item categories are used so that we will know specifically what kind of expenditures are made. The various line items are grouped into ten major categories. These are:

Salaries and Wages: This is the amount paid for personal services rendered by employees in accordance with the rates, hours, terms and conditions authorized by law or stated in employment contracts. This category includes overtime, longevity bonuses, vacation and sick pay, and all other compensation.

Personnel Benefits: Those benefits paid by the employer as part of the conditions of employment, such as health benefits, retirement, employer taxes, etc.

Supplies: Category of expenditures for articles and commodities purchased for consumption or resale, such as office and operating supplies.

Other Services and Charges: Category for services other than those provided by County personnel which are needed by the county. Such services may be provided by another governmental agency or by private business organizations. Subcategories include professional services, insurance, utilities, travel, advertising, etc.

Intergovernmental Services: Category used to segregate intergovernmental purchases of specialized services typically performed by local government. This category includes payments to the City of Port Angeles for Dispatch and E911 services.

Capital Outlay: Expenditures for acquisition of, rights to, or additions to fixed assets, such as land, buildings, improvements, and machinery and equipment.

Debt Service: Payment of principal and interest on special assessments by other governments on county owned property, repayment of principal and interest on borrowed money, and installments on capital leases. Clallam County is the largest of only four counties in the state with no long term debt service.

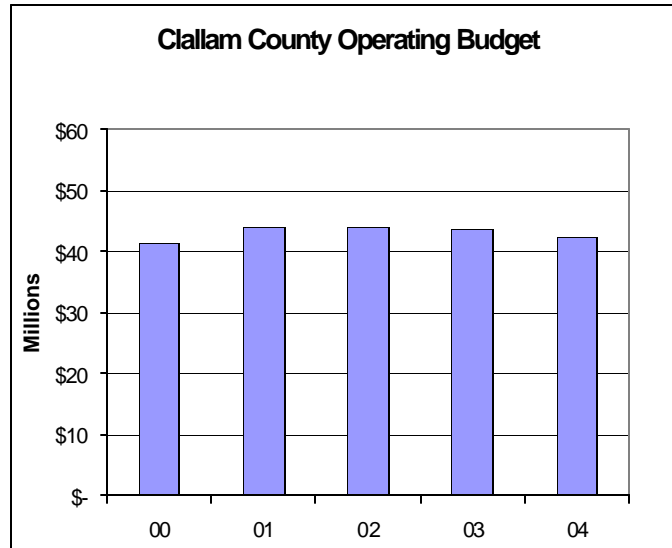
Interfund Payments for Services: Expenditures made to other funds or departments for services rendered. Examples include information technology services, payroll, accounting, equipment rental, and miscellaneous services.

Other Financing Uses: Contributions to other funds for operating subsidies (i.e. transfers).

Ending Fund Balance: This is the amount of unobligated monies expected to be remaining in funds that would be available for carryover to the next year (i.e. reserves).

HISTORICAL PERSPECTIVE OF THE OPERATING BUDGET

This chart graphically illustrates how the County operating budget (the operating budget excludes interfund payments and transfers and capital project funds) has changed over the last few years. This chart is based on the approved budget for each year. The growth in the operating budget has been similar to that of the total budget. From \$41.2 million in 2000, the total budget has risen by only 3.4% to a total budget of \$42.6 million for 2004. Inflation during those same years has increased over 11%.

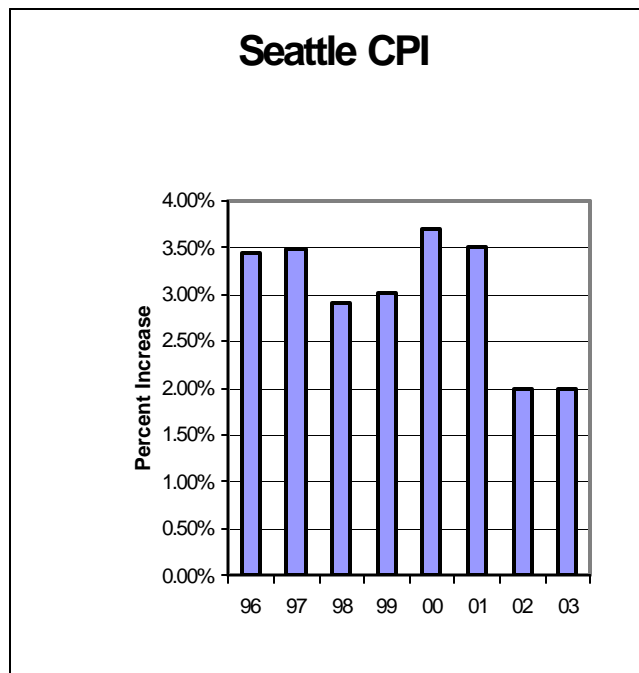


FACTORS THAT INCREASE THE BUDGET

There are several factors that can lead to increases in the dollar amount of the County budget. These include inflation, increased work loads/service levels, increased staffing, acquisition of new equipment, and new programs. And, in some past years, beginning and ending fund balances were not always included in the budget. Lets examine some of these.

Inflation:

While we have not analyzed the effect of inflation specifically on the County budget, there is data provided by the United States Department of Commerce that we can use as a guide. The Consumer Price Index (CPI-U) is designed to measure inflation in specific geographical areas through a process of tracking changes in prices of a market basket of goods and services. The CPI for the Seattle-Tacoma-Bremerton metropolitan district indicates that the cost of this market basket of goods and services has risen by 26.2% over the years 1995 to 2004. This means that what a dollar would buy in 1995 would cost about \$1.26 in 2004.



Population:

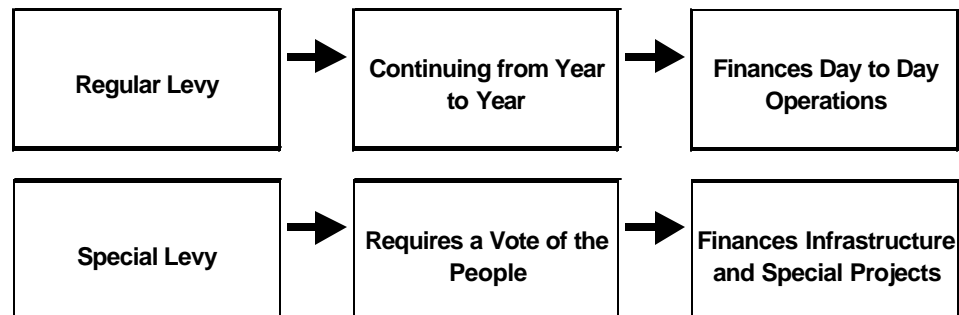
The population of Clallam County was counted by the Census Bureau at 56,464 in 1990. The 2000 county census was 64,525. In 2004, Clallam County's population is estimated to be 65,900. Of this, an estimated 61% live in the unincorporated portion of the county. County government provides some services to the entire population of the County, including people living within cities, while other services are provided only to the unincorporated population. With an increase of 16% in population, there is a corresponding increase in service demand. The budget must increase to provide for an increased level of services.

New Programs:

Changing conditions sometimes lead to the need for new programs. One such new program is the County's Jail Medical Program.

New Regulations/Mandates:

The County must respond to directives or regulatory changes made by the State or Federal governments. The Americans with Disabilities Act set new standards for accommodations for the disabled with no commensurate source of funding for complying with these requirements. The State has moved the responsibility to investigate traffic accidents on county roads from the State Patrol to the counties also providing no additional funding to accomplish this task. The Growth Management Act (GMA) requires that the County prepare and update comprehensive plans that address how and where growth will occur in the county and how the infrastructure and other facilities needed to accommodate growth will be financed. The latest federal law to have a significant impact on the County is the Endangered Species Act (ESA). With the naming of some types of salmon to the endangered species list, Clallam County must take an active role in meeting all the requirements of the ESA.



PART 2 - CLALLAM COUNTY'S BUDGET

SO, WHAT DOES IT COST TO RUN THE COUNTY?

The table on the right shows the “All Funds” budget for the County for 2004.

As shown, the county’s adopted budget totals \$85,126,000 including all revenues, expenditures, and the fund balances.

To answer the question of what it costs to run the County, it is necessary to explore the various line items shown in the table. First, the total budget includes dollars that will be carried over from the previous year as beginning fund balances. This figure, \$27.5 million seems to be quite large. However, this amount includes unspent revenues from all previous years, reserves for emergencies, proceeds of borrowing for capital projects that were not completed during the year, and the differences between fund assets and liabilities at the end of the year.

2004 Budget - All Funds	
Sources	
Beginning Fund Balance	\$ 25,826,861
Revenues	56,335,163
Other Sources	807,200
Transfers In	2,156,776
Total Available	\$ 85,126,000
Uses	
Operating Budget	\$ 42,564,447
Capital Projects	8,949,310
Debt Service	-
Interfund Payments	8,440,039
Transfers Out	1,849,730
Reserves	23,322,474
Total Uses	\$ 85,126,000

The second item, revenues, represents the total estimate of what will be collected from taxes and all of the other sources that the County has for money. The County anticipates \$42.5 million in revenues for the year. The third line is transfers in. This represents dollars transferred from one fund to another for various reasons. For example, the County is the recipient of a tax on all real estate sales transactions that take place in the unincorporated County. These tax dollars can only be spent on capital projects. So, we transfer dollars from the Real Estate Excise Tax Fund to the appropriate fund where we spend the money on a project. This is why transfers need to be adjusted out when we want to know the cost of doing business. If we don’t adjust out transfers, we end up counting the same dollars twice.

On the expenditure side, the operating budget is shown at \$42,564,447. This is the true projected cost of providing the day-to-day operations of County government. Below that is capital projects at \$8,949,310. This is the estimated cost of various construction projects, including infrastructure as the county grows, and acquisitions of fixed assets other than small equipment items. These dollars may or may not be spent during the year. Many construction projects extend beyond the end of the year. So, some of these dollars may be rolled over to the next year’s budget. Below capital projects is debt service. Transfers out are the flip side of the transfers in that is shown in the sources section. Finally, we have reserves. This \$23,322,474 is the amount in the budget that we expect to not spend but to carry over to 2005.

FINANCING COUNTY GOVERNMENT - PROPERTY TAXES

One of the most important sources of funding for State and local governments in the State of Washington is the property tax. There is considerable confusion and misunderstanding on the part of taxpayers as to how the property tax system works and where the tax dollars go. Clallam County government is only one player in the property tax arena.

There are two types of tax levies: the general or regular levy, and special or excess levies. General or regular levies are those that continue from year to year and are used to finance basic operations. These levies are set by the governing bodies of the various taxing authorities. For Clallam County operating funds, tax levies are set by the Board of County Commissioners. State law sets various limits on these levies. These limits include statutory limits

Sample of Property Taxes Paid in Clallam County

Value of Property located in City of Port Angeles (land and improvements):
\$200,000

	Levy Rate	Percent Of Total	Tax	Comment
State General Fund (Schools)	\$ 2.8575	22.25%	\$ 571.50	Legislated
School District 121				
Special Operations & Maint.	2.8800	22.43%	576.00	Voted
General Obligation Bond	0.8446	6.58%	168.92	Voted
City of Port Angeles				
City Tax	3.1365	24.42%	627.30	Legislated
City Bond	0.6688	5.21%	133.76	Voted
Port of Port Angeles	0.2331	1.82%	46.62	Legislated
North Olympic Library	0.4635	3.61%	92.70	Legislated
Hospital District #2	0.1618	1.26%	32.36	Legislated
Clallam County				
Current Expense	1.5634	12.17%	312.68	Legislated
Human Services	0.0250	0.19%	5.00	Legislated
Tax Revaluation Settlement	0.0076	0.06%	1.52	Legislated

Grand Total All Taxes

\$ 12.84 100.00% \$ 2,568.36

Voter approved excess taxes: \$ 878.68 34.2%
 Legislated taxes: 1,689.68 65.8%

Grand Total All Taxes: \$ 2,568.36 100.0%

Clallam County Taxes: \$ 319.20 12.4%
 Taxes for other jurisdictions: 2,249.16 87.6%

Grand Total All Taxes: \$ 2,568.36 100.0%

on the rates and the 101% lid. Excess or special levies are those that must be approved by the voters. Excess and special levies can be used for both capital and operating expenditures.

Each property owner who receives an annual tax statement will see a variety of levies on that statement. The statement is sent out by the County Treasurer. The County Treasurer acts as an agent for the various taxing authorities that have levied taxes. If a property owner is situated in a city, the tax statement will include the city's levy, the County's current expense levy, and the State levy that is primarily used for schools. His or her statement may also include levies that the taxpayer and his fellow citizens have approved at the polls. The above table details the various property taxes that are levied against a typical property in Clallam County for payment in 2004.

This set of rates applies to a property within the city limits of Port Angeles, in the Port Angeles School District.

A total of \$12.84 per \$1,000 of assessed valuation is levied in this levy code area. Of this, \$878.68 was approved by the voters as special levies, excess levies, or as a lifting of the 101% lid. This is about 34.2% of the total. Also, in this example, Clallam County government receives about 12.2% of the total tax dollars. The total dollar levy and the distribution of those dollars varies considerably depending on the area of the County in which a parcel of property is located. This information is presented only as an example.

FINANCING COUNTY GOVERNMENT - THE SALES TAX

County Sales Tax - 1.0%

In 1970, the State Legislature authorized counties to levy a one-half of one percent "local" sales tax. This tax was to be used for general county purposes. Clallam County levied this tax in April of 1970. In 1982, the State Legislature authorized an additional one-half of one percent local sales tax. With both of these taxes in effect at the maximum rates in all of Clallam County, including the incorporated cities, the County receives the full amount that is collected in the unincorporated portions of the County plus 15% of the amount collected in the cities. The other 85% collected in the cities goes to the cities.

<u>Clallam County Sales Tax</u>	
Washington State	6.5%
Clallam County	1.0%
Transit System	0.6%
Local Criminal Justice	0.1%
911 Communications	0.1%
Total Sales Tax	8.3%

Optional Criminal Justice Sales Tax - 0.1%

The Legislature in 1993 authorized the imposition of a one-tenth of one percent sales tax for criminal justice purposes. The County imposed this tax in 1994. Unlike the regular sales taxes discussed above, this tax is imposed Countywide by the action that the Commissioners took. The cities did not have to enact their own tax. Also, unlike the regular tax, this tax is distributed according to a formula. The first 10% of the tax that is collected is remitted to the County. The remaining 90% is distributed on a per capita basis to the cities and the County. As noted, the taxes collected under this statute must be used for criminal justice purposes and cannot be used to supplant any existing funding.

Optional Transit Sales Tax - 0.6%

Public Transportation benefit areas may levy up to 0.9 percent sales and use tax for public transportation purposes. This authority was increased from 0.6 percent to 0.9 percent by the 2000 legislature in response to the difficulties transit districts found themselves in after the motor vehicle excise tax was repealed. Clallam County voters approved an increase from 0.3 percent to 0.6 percent in 2000.

Optional Emergency Communications Sales Tax – 0.1%

In 2003, the Legislature authorized the imposition of a one-tenth of one percent sales tax for emergency communications associated with 911 and dispatch centers. The County imposed this tax in 2004 after a county-wide vote. The tax is distributed primarily to the City of Port Angeles, who operates the regional dispatch center. A smaller amount is distributed to Forks and is based on their population. Of the amount destined for Port Angeles, 25 percent is retained for future capital costs associated with buildings and equipment. The other 75 percent is used as part of the operating budget. Two new dispatchers were hired with the tax money, several purchases were made, and the remainder serves to reduce each user agency's contribution to the center's operational cost. Clallam County is using its savings for increases in other criminal justice costs.

FINANCING COUNTY GOVERNMENT - Common Taxes Not Levied by Clallam County

Clallam County Commissioners have traditionally been fiscally conservative. There are a number of revenue sources from taxes commonly collected in other counties that are not collected from Clallam County citizens. The following list is not inclusive of all taxes which can be levied by counties, only some of the more common in other counties and cities.

Optional Juvenile/Jail Facilities Sales Tax - 0.1%

The Legislature in 1996 approved legislation to allow all counties (except King) to levy, with the approval of voters, an additional one-tenth of one percent sales tax. This tax must be used for jails and juvenile facilities. A simple majority is required to approve this tax. Clallam County voters have not approved this tax.

Optional Car Rental Sales Tax

Clallam County may impose a sales tax on the rental of passenger vehicles at a rate of 1 percent of the vehicle rental rate. This revenue is restricted to uses for financing of sports facilities including professional, amateur or youth facilities and activities. Clallam County has not imposed this tax.

Optional Transit Sales Tax - 0.3%

Public Transportation benefit areas may levy up to 0.9 percent sales and use tax for public transportation purposes. Clallam County voters approved an increase from 0.3 percent to 0.6 percent in 2000. In Clallam County 0.3 percent has not been imposed.

Optional Vehicle License Fee - \$15 per vehicle

A County may levy, if approved by voters, an additional tax to be collected when registering a vehicle with a scale weight of 6,000 pounds or less. The funds collected must be used for transportation purposes (RCW 46.16.070). Many Washington Counties impose all or part of this tax. Clallam County does not.

Gambling Excise Tax - 2% to 20%

The Board of Commissioners may impose a gambling excise tax on gambling activities such as bingo, card rooms, raffles and amusement games under RCW 9.46.110. The city of Port Angeles levies this tax. Clallam County does not.

Admission Tax - 5%

The Board of Commissioners may impose an admission tax of not more than 5 percent of the admission charge to any place for which admission is charged, excluding school events and public facilities. Funds may be used for general government. Clallam County does not impose the tax.

Additional Real Estate Excise Tax (REET2) - 0.25% (1/4%)

The Board of Commissioners may impose an additional excise tax on each sale of real property at a rate not exceeding 0.25% of the selling price. Revenues from this tax are used to provide funding for capital projects such as infrastructure, streets, government buildings, etc. Most counties impose this tax. Clallam County does not, although, at the time of this writing, the Board of Commissioners has the proposal to levy this tax before it.

Conservation Areas Real Estate Excise Tax - 1%

Voters may approve a real estate excise tax of up to 1% to be used for the acquisition and maintenance of conservation areas such as wetlands, open spaces, shorelines areas, and other natural areas. Clallam County does not impose this tax.

Open Space and Conservation Futures Property Tax Levy - 6.25 cents per Thousand Valuation

The Board of Commissioners may impose a countywide property tax levy of up to 6.25 cents per thousand dollars valuation for the purpose of purchasing open space and future development rights. Approximately one third of Washington Counties impose this tax. Clallam County does not.

THE BUDGET PROCESS

Soon after each year's budget is adopted in December, planning begins for the next year's budget. Considerable time and effort is devoted to a review of the budget. In an era of taxpayer concern about the growth of government and taxes, it has become necessary for all local governments to examine their operations to determine where efficiencies can be achieved and where service levels can be reduced if financial resources are not sufficient to continue all services.

Beginning in 1996, the County embarked on a strategic planning initiative. This strategic planning initiative is an effort to plan the County's financial future on a longer term than simply single year operating budgets. By bringing all departments together in a planning and review process, the County will make it possible to identify areas where greater productivity and efficiency can be achieved by eliminating duplication of effort and other steps. This process is an on-going effort as the County seeks ways to provide essential services in an era of declining resources.

Planning:

The first phase of the budget process is to establish priorities and to prepare a five-year revenue forecast. The five-year forecast, to be presented to the Board of County Commissioners in the spring of each year, forms the basis for the setting of priorities. The forecast details the expected revenues from all sources for the General and other major funds. The forecast is based on a review of historical trends, analysis of current and expected local, State, and federal economic trends and conditions, and analysis of all known future changes in mandates or laws.

Preparation:

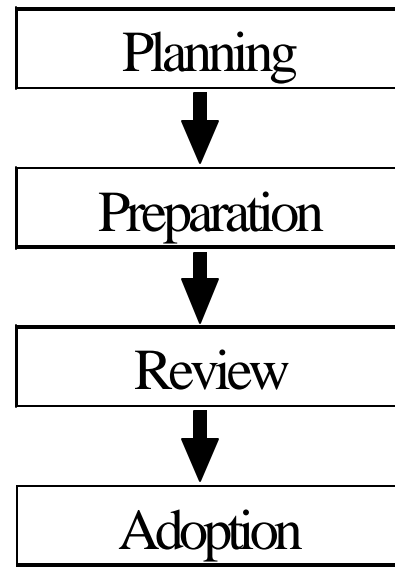
Early in July, the County Administrator issues a Budget Call Letter to all departments. At about the same time, a briefing is held with the departments. Through these two devices, the letter and the briefing, the departments are given direction with respect to the upcoming budget. The direction given consists of the economic and revenue outlook for the next year and the Board of Commissioner's priorities. Also, any changes in the process or in the budget preparation instructions are communicated to the departments.

The departments are required to prepare a series of schedules that detail the appropriations for various line items that they are requesting. The County in effect uses a zero-based budget system. Each year, the departments must "justify" each dollar of appropriations that they are requesting by detailing all dollars in the budget schedules. The County Administrator expects the departments to adhere to the guidelines that have been given. However, elected officials are entitled to ask for whatever they feel in their judgment that they need to adequately fulfill their obligations, goals, and priorities.

Each department enters their requests on the forms provided, by line item. The County Administrator assembles the individual departmental requests into a consolidated budget for the General Fund and for each of the other funds. Funds other than the General Fund are normally under a single department. These funds are expected to be "in balance" when they are submitted. In balance means that the spending request is equal to the estimated revenue plus any carryover from the current year.

The General Fund budget is not in balance when the budget requests are received. This is because there are multiple departments financed by the General Fund and each department prepares their own spending request without knowledge of the requests of the other departments. Typically, when the spending requests are reviewed by the County Administrator, they exceed the estimated revenues. Many of the revenues of the General Fund are generated by individual departments in the form of charges or fees for services, fines, or licenses. Estimates of these revenues are provided to the County Administrator by the departments responsible for their collection.

Generally, when the preliminary budget is assembled, revenues are not sufficient to cover the cost of operations of the departments involved. This is true because most fees and charges that are allowed are set by State law without regard to the cost of providing the related services. Most departments simply are not profit making operations. Some departments generate very minimal revenues compared to the costs they incur to provide their respective services. A good example is the Sheriff's Office. The Sheriff produces some revenues, estimated at \$1.6 million for 2004. However, the budget for the Sheriff is more than \$6.4 million, not including the drug task force.



The fact is that revenues such as fines, fees, and charges are far too small to finance the operations of the General Fund departments. This is where taxes play a major role in financing County government. The County has a variety of tax revenue sources. In total, taxes generally make up about 54% of total General Fund revenues.

Review:

Of a total of 18 County departments, all but 2 are financed by the General Fund. Because of this fact and because the General Fund is typically not in balance, the majority of review time is spent on the General Fund. The budgets of other operating funds, such as the County Road Fund, Sheriff's Drug Fund, Capital Projects Fund, and the internal service funds, are generally submitted in balance. This does not mean that these budgets are not reviewed or are approved by the Board of Commissioners without change. It does mean, however, that funds which are self-supporting and do not impact the General Fund are given less scrutiny than the General Fund or funds that impact the General Fund.

Each department is required to meet with the County Administrator and Commissioners in September and October and explain their budget request. The County Administrator reviews all requests and, within the guidelines established by the Board, makes reductions as needed in the budget requests to bring the budget into balance. The County Administrator also reviews all estimates of revenues that are provided by the departments in order to determine if these estimates are realistic and accurate. The County Administrator may suggest revisions to departmental revenue estimates. It is the Treasurer however, that estimates the major revenue sources, property and sales taxes.

During September, October, and November, the county also seeks input from citizens. There are several ways to give the county input. Budget forums are held during September in Sequim, Forks, and Port Angeles. Budget requests are explained at the forums and public comment is accepted. In addition, citizens can obtain a copy of the preliminary budget on-line, or from the Auditor's Office or the Commissioner's Office. Comments can most easily be made by writing to the board or by e-mailing the board at commissioners@co.clallam.wa.us.

In November, the County Administrator presents to the Board of Commissioners a balanced recommended budget for all County funds. This budget details all of the positions that are proposed for funding along with all other appropriations necessary to finance County operations in the upcoming year. Revenues plus carryovers from prior years are equal to appropriations and ending reserves in each fund.

In late November or early December, the Board of County Commissioners holds public hearings on the budget. The public hearings are an opportunity for the public, private organizations, or departments to provide input, ask questions, and make requests.

Adoption:

Once all of the departmental and public hearings have been conducted, it is up to the Board to decide on a final budget. Since the recommended budget, submitted by the County Administrator, was in balance, any additions to the appropriations that the Board chooses to make must be balanced by increases in revenue estimates, decreases in reserves, or offsetting decreases in other appropriation line items. The Board meets in a work session to discuss any outstanding issues related to appropriation requests for the upcoming year. Then, based on the discussion at this work session, any changes are incorporated into a Proposed Final Budget. A resolution is then prepared with accompanying tables to place on the agenda of the Board.

State law requires the Board to approve a final budget for the upcoming year by December 31. Depending on the Board's schedule of public meetings in December, the Board takes up the matter of the budget at typically the last or second to last meeting of the year. At the meeting, the County Administrator provides a brief synopsis of the budget and any changes that have been made since the recommended budget was presented in November. If satisfied with the proposal, the Board then approves a resolution, thereby setting the budget for the upcoming year.

Emergencies During the Year:

Many things can happen during the course of a year that can have a bearing on the County's budget or spending plan. State law has recognized that a mechanism is needed to make changes to the budget during the course of a year to respond to unforeseen circumstances. The law describes situations that can occur where the Board can declare an emergency and change the budget. In an effort to encourage department heads and elected officials to plan ahead as much as possible, Clallam County limits the times the Board will consider budget changes to once per quarter. Since adopting such a policy, the number of budget changes or "emergencies" requested by departments has significantly reduced.

One type of emergency is a non-debatable emergency. According to State law: "Upon the happening of any emergency caused by fire, flood, explosion, storm, earthquake, epidemic, riot, or insurrection, or for the immediate preservation of order or of public health or for the restoration to a condition of usefulness of any public property the usefulness of which has been destroyed by accident, or for the relief of a stricken community overtaken by a calamity, or for settlement of approved claims for personal injuries or property damages..." the Board may adopt a resolution stating the facts that constitute the emergency. The resolution revises the budget so that the expenditures necessary to respond to the emergency can be made. This type of emergency requires no public hearing - i.e. there is no necessity to provide a forum for debate. However, the vote by the Board must be unanimous among the Commissioners present.

In other cases, the Board can declare a debatable emergency to exist that necessitates a change in the budget. In these cases, an emergency is any condition that could not be reasonably foreseen at the time of making the budget. In these debatable emergency situations, the Board advertises in the official newspaper two weeks in advance that a public hearing will be held to consider changes to the budget.

A third way that the budget can be changed is the supplemental budget appropriation. In this case, a public hearing is held. The supplemental budget is one in which the County has obtained unanticipated funds. Also, the Board may by resolution approve revisions of budget line items within departments.

Program Budgets:

The classification of funds described in "What Is A Fund?" above is dictated by generally accepted governmental accounting principles. Under these principles, separate funds are used to account for distinct operating segments of the County organization. The separation of the budgets and accounts of the County in this manner, while useful and required by law or accounting principles, does not lend itself to an understanding of the cost of operating various governmental programs. The financing of programs frequently crosses fund lines and some funds often include more than one program.

The formal published budget book, while giving details of the budgets of each of the funds of the County, is largely organized in terms of programs in order to give the reader an idea of how the County uses its resources. For purposes of the program presentation, all finances of the County have been divided into five broad program areas. These programs are:

Law and Justice: This program includes all operations of the County related to the enforcement of laws, the arrest and incarceration of accused wrongdoers, the trial and prosecution of accused wrongdoers, the defense of those who cannot afford to defend themselves, and the supervision of individuals on probation or after their release. This program also includes the legal negotiation and settlement of all civil disputes among citizens of the County.

Land Use and Development: Includes programs related to land use issues, land use planning, conservation, weed control, water quality, salmon recovery, development and permitting.

General Government: This program includes activities related to the assessment of property, the collection of revenues, conducting elections, registration of voters, accounting, budgeting and finance, recording of legal documents, personnel functions, technology, and maintenance of County facilities. This program also includes the legislative and executive functions.

Community Service: Departments and divisions of the County that provide services to the citizens of the County are included in this program. Services provided include building and code enforcement, land-use planning, parks and recreation, open space planning, WSU Cooperative Extension services, and growth management.

Public Health: Under this program, the County provides public health and mental health services, services to the aged, services to developmentally disabled citizens, job training services, drug and alcohol abuse treatment, disease control, and other public health related services.

Public Works: This program is concerned with the providing and maintaining of physical facilities for the citizens of the County. Included in this program are County roads, sewer, solid waste disposal, and surface and stormwater maintenance.

Other: Includes functions and programs such as facilities maintenance, operation of parks and fair, senior programs, cooperative extension, and tourism.

Many funds are not included in the program classification. These include debt service funds, capital project funds, agency funds, internal service funds, and a few special revenue funds where the County provides only a portion of the funding. The full budgets of these funds are presented in a separate section of the budget book. Two of these funds, the Enhanced 911 Fund and the Opportunity Fund, are operated in partnership with other local governments. Only the County's share of these costs is included in the appropriate program sections.

The organization chart of the County shows the structure of the departments and divisions within the County. As this chart indicates, there are numerous elected and appointed County officials, each with their own statutory duties, powers, and responsibilities. Generally, each separate elected or appointed official heads a department with one or more divisions. Each department and division generally has its own operating budget. This document is organized in terms of programs with the budgets of each individual department or division presented separately within each program area.

To understand the functions and activities of the various departments and divisions and to see what County resources are allocated to them, the reader needs to refer to the detailed sections of the major programs in the County's program based budget book, available from the County Auditor's Office or on-line at www.clallam.net.