



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Cowlitz County

For the period January 1, 2022 through December 31, 2022

*Published November 20, 2023*

Report No. 1033544



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

November 20, 2023

Board of Commissioners  
Cowlitz County  
Kelso, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Cowlitz 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,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Cowlitz County January 1, 2022 through December 31, 2022

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Cowlitz 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units 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 reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 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 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>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

The County did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-002.

# SCHEDULE OF AUDIT FINDINGS AND RESPONSES

## Cowlitz County January 1, 2022 through December 31, 2022

### **2022-001 The County's internal controls were inadequate for ensuring accurate financial reporting.**

#### ***Background***

County management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. County management is responsible for designing, implementing, and maintaining internal controls to ensure the County's financial statements, notes, and required schedules are prepared and presented fairly in accordance with generally accepted accounting principles (GAAP). These controls should also provide reasonable assurance regarding their reliability.

Our audit identified deficiencies in the County's internal controls that hindered its ability to produce accurate financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses in internal controls, defined in the Applicable Laws and Regulations section below, as a finding.

#### ***Description of Condition***

We identified the following deficiencies in internal controls over the County's process for preparing the financial statements. When taken together, they represent a material weakness. The County did not have a process in place to:

- Sufficiently research and implement new accounting standards, specifically Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*
- Accurately research the applicable accounting requirements for unusual or infrequent events, specifically the recording of bond refunding transactions
- Ensure all year-end adjustments were recorded in the accounting system

#### ***Cause of Condition***

The County experienced significant turnover in the positions responsible for preparing the financial statements. As a result, staff were unfamiliar with the

County's financial activities, and management did not dedicate sufficient time and resources to preparing the financial statements.

### ***Effect of Condition***

The County's financial statements included the errors that management did not detect. During our audit of the financial statements, we found the following material errors:

- The County determined debt held on behalf of another government was not subject to GASB 91. Since this arrangement met the definition of conduit debt under the new accounting standard, the County should have removed related balances from the financial statements and simply disclosed the arrangement in the notes. As a result, noncurrent assets and unavailable revenue in the General Fund were overstated \$4,911,238.
- The County incorrectly accounted for the refunding of the 2014 GO Bonds. As a result, the General Fund's assets were overstated and the expenditures were understated by \$20,090,553 and \$20,303,826, respectively.
- The County calculated the amount of unbilled utility revenues as of year-end but did not record the journal entry to account for this activity. As a result, Solid Waste revenues and accounts receivable were understated by \$2,894,193.

The County subsequently corrected these errors.

### ***Recommendation***

We recommend the County implement internal controls over its financial reporting process to ensure accurate reporting in accordance with GAAP. Specifically, we recommend the County dedicate sufficient time and resources to evaluating the implementation of new accounting standards, properly recording debt refunding transactions, and recording all year-end entries.

### ***County's Response***

*The County suffered personnel loss in key financial reporting positions while trying to implement the new GASB standards and prepare financial statements. During this turnover period the County also experienced unique accounting situations with the refunding bond debt that staff had not experienced. Our contract with a specialized outside agency has been extended to help improve these areas and the vacant positions have been filled.*

### *Auditor's Remarks*

We appreciate the County's response and commitment to resolve this finding. We thank the County for its cooperation and assistance during the audit. We will review the corrective action during our next regular audit.

### *Applicable Laws and Regulations*

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## Cowlitz County January 1, 2022 through December 31, 2022

### **2022-002 The County lacked adequate internal controls for ensuring compliance with federal suspension and debarment requirements.**

<b>Assistance Listing Number and Title:</b>	20.205 – Highway Planning and Construction
<b>Federal Grantor Name:</b>	Federal Highway Administration
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington State Department of Transportation
<b>Pass-through Award/Contract Number:</b>	LA 8261, LA 9335, LA 9677, LA 9964, LA 9965, LA 9966, LA 9967, LA 9968
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	N/A

#### *Description of Condition*

During fiscal year 2022, the County spent \$1,885,510 in federal funds from the Federal Highway Administration through the Highway Planning and Construction program. This program gives funding to help state and local government agencies plan and develop an integrated, interconnected transportation system. The County used this funding for the Pacific Avenue North Half-Bridge project.

Federal regulations require recipients to establish and follow internal controls for ensuring compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit grant recipients from contracting with or purchasing from parties that have been suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify that the contractors have not been suspended, debarred, or otherwise excluded. The County may accomplish this verification by obtaining a

written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the contract, and it must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the County's controls were ineffective for ensuring that it verified all parties receiving \$25,000 or more in federal funds were not suspended or debarred. During 2022, the County paid one contractor \$177,180 in federal funds, and did not verify the contractor was not suspended or debarred before entering into the contract.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

### *Cause of Condition*

County staff were aware of the federal suspension and debarment verification requirements. However, staff did not know that these requirements applied to a specific contractor the County was required to use for work related to the Pacific Avenue North Half-Bridge project.

### *Effect of Condition*

Without adequate internal controls, the County increases its risk of awarding federal funds to contractors that are excluded from participating in federal programs. Any payments the County made to an ineligible party would be unallowable, and the federal agency could potentially recover them. The County subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs.

### *Recommendation*

We recommend the County strengthen internal controls to ensure that all contractors paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred before entering into the contract and maintain documentation demonstrating compliance with this federal requirement.

## ***County's Response***

*The County acknowledges and understands the importance of following 2 CFR 200, Uniform Guidance. In this specific situation, the County was required by Title 23 Code of Federal Regulations to enter into an agreement with Burlington Northern Santa Fe (BNSF) railway Company to complete this specific project. The County was also required to sign the BNSF agreement that is used for all highway grade separated overcrossings of railways (Interstate, State Route, County Road or City Street), which included a required contract clause referencing CFR's. The State Auditor's Office has deemed the contract language was not specific enough for the contractor to clearly affirm they have not been suspended or disbarred from doing business with the federal government.*

*The County is aware of the acceptable methods to confirm suspension and disbarment and believed our contract language to be sufficient at the time; however, the County will work to create a federal award checklist that County departments can utilize when working with federal funding to ensure we are meeting one of the required, acceptable methods to confirm suspension and debarment.*

## ***Auditor's Remarks***

Federal requirements, as cited below, require the County to verify parties it contracts with, and intends to pay with federal funds, are not suspended or debarred. The contract used by the County did not include a clause that stated the contractor was not suspended or debarred and did not perform one of the other two acceptable verification methods.

We appreciate the County's commitment to resolving this finding. We will review the corrective action taken during our next regular audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, *Uniform Guidance*, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.



**Carolyn Fundingsland  
AUDITOR**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Cowlitz County  
January 1, 2022 through December 31, 2022**

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2021 through December 31, 2021	<b>Report Reference No.:</b> 1031792	<b>Finding Ref. No.:</b> 2021-001	<b>ALN(s):</b> 21.019
<b>Federal Program Name and Granting Agency:</b> Coronavirus Relief Fund, U.S. Department of Treasury		<b>Pass-Through Agency Name:</b> Washington State Department of Commerce	
<b>Finding Caption:</b> The County lacked adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements.			
<b>Background:</b> Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. Our audit found the County did not perform a risk assessment for the subaward and did not sufficiently monitor the subrecipient, as federal regulations require.			
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The Auditor's office is currently working in coordination with departments on a subrecipient monitoring tool to assist departments with determining the monitoring level required for the subrecipient to ensure compliance with federal subrecipient monitoring requirements.</i>			

<b>Audit Period:</b> January 1, 2021 through December 31, 2021	<b>Report Reference No.:</b> 1031792	<b>Finding Ref. No.:</b> 2021-002	<b>ALN(s):</b> 21.023
<b>Federal Program Name and Granting Agency:</b> Emergency Rental Assistance Program, U.S. Department of Treasury		<b>Pass-Through Agency Name:</b> Washington State Department of Commerce	
<b>Finding Caption:</b> The County lacked adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements.			
<b>Background:</b> Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. Our audit found the County did not perform a risk assessment for the subaward and did not sufficiently monitor the subrecipient, as federal regulations require.			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>HHS has developed and implemented a risk assessment tool that determines the level of subrecipient monitoring. We have also put together a Contractor Toolkit that will provide additional information and guidance for subrecipients on expectations for billing, reimbursement, and source documents.</i>			

## INDEPENDENT AUDITOR'S REPORT

### 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*

#### **Cowlitz County** **January 1, 2022 through December 31, 2022**

Board of Commissioners  
Cowlitz County  
Kelso, 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 discretely presented component units and the aggregate remaining fund information of Cowlitz County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 6, 2023.

### **REPORT ON 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) as a basis for designing 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 the 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 above 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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001 that we consider to be a material weakness.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and 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 style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

November 6, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

### Cowlitz County January 1, 2022 through December 31, 2022

Board of Commissioners  
Cowlitz County  
Kelso, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of Cowlitz County, with the types of compliance requirements identified as subject to audit 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, 2022. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

## County's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002 that we consider to be a material weakness.

### **County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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.



Pat McCarthy, State Auditor

Olympia, WA

November 6, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Cowlitz County** **January 1, 2022 through December 31, 2022**

Board of Commissioners  
Cowlitz County  
Kelso, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and the aggregate remaining fund information of Cowlitz County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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 discretely presented component units and the aggregate remaining fund information of Cowlitz County, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Road and ARPA Relief funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matters of Emphasis**

As discussed in Note 15 to the financial statements, in 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 supplementary information 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 as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023, 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 the effectiveness of the County's 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

November 6, 2023

**Cowlitz County**  
**January 1, 2022 through December 31, 2022**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2022

**BASIC FINANCIAL STATEMENTS**

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Statement of Activities – 2022

Governmental Funds Balance Sheet – 2022

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2022

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – General Fund – 2022

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – County Road Fund – 2022

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Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2022

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Statement of Fiduciary Net Position – Fiduciary Funds – 2022

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**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability (Asset) – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2022

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Schedule of Changes in Total OPEB Liability and Related Ratios – Defined Benefit OPEB  
– LEOFF 1 – 2022

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Cowlitz County's discussion and analysis are intended to serve as an introduction and overview of the County's basic financial statements for the fiscal year ended December 31, 2022. The discussion emphasizes results for calendar year 2022 with comparison to the prior year. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which immediately follow this discussion.

Cowlitz County provides a wide range of services including the safety and security of persons and property, criminal prosecution, adjudication, detention and rehabilitation, public parks and recreation facilities, road construction and maintenance, flood and drainage control, public health care, community planning and developing, zoning and code compliance, sanitary landfill, and water and sewer services. Other services include property assessment, tax collection, elections, issuance of permits and licenses, and other general administrative services.

### **FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of Cowlitz County exceeded its liabilities and deferred inflows by \$258.7 million as of December 31, 2022.
- Net investment in capital assets (net of depreciation and related debt) accounts for 53.8% of this amount with a value of \$139.1 million. Of the unrestricted net position, \$63.4 million of governmental activity and \$26.7 million of business-type activity is available to meet the County's ongoing obligations to citizens and creditors, without legal restriction.
- Cowlitz County's total net position increased \$18.2 million in 2022, not including the Prior Period adjustment of \$1.6 million and a Change of Accounting Principles of \$262 thousand. The net position of business-type activities increased by approximately \$2.6 million and total net position of governmental activities increased by \$15.6 million compared to 2021.
- At December 31, 2022, Cowlitz County's governmental funds reported a combined ending fund balance of \$71.4 million, an increase of \$6.4 million (including a prior period adjustment) compared to the prior year, .
- The General Fund unassigned fund balance at December 31, 2022, was \$20.3 million, an increase to the December 31, 2021, total of \$15.0 million. The December 31, 2022, unassigned fund balance represents 71.9% of the General Fund total liabilities, deferred inflows and fund balance.
- The County Road Fund assigned fund balance at December 31, 2022, totaled \$11.8 million, an increase of 28.6% compared to the December 31, 2021, balance total of \$9.2 million. The December 31, 2022, assigned fund balance represents 87.2% of the Road Fund total liabilities, deferred inflows and fund balance.
- Cowlitz County's total noncurrent liabilities (without component units) as of December 31, 2022, totaled \$82.3 million, a net decrease of \$5.2 million from the previous year, a result of the issuance of refunding debt during 2022, and the adoption of GASB 91, related to removal of conduit debt.
- At December 31, 2022 the County's remaining capacity for issuing non-voted debt is \$236.8 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Cowlitz County's annual report consists of a series of basic financial statements including: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are intended to provide readers with a broad overview of Cowlitz County's finances, in a manner similar to private-sector business. These statements provide information about where resources were allocated and about the activities of the County as a whole.

The **statement of net position** presents information on all of the Cowlitz County's assets, deferred outflow of resources, liabilities and deferred inflows of resources, with the difference between these items reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, consideration should also be given to non-financial factors such as changes in the property tax base and the condition of roads and other assets to assess the overall health of the County.

The **statement of activities** presents information showing how the County's net position changed during the most recent fiscal year. It separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). It shows to what extent each program has to rely on taxes for funding. 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. uncollected taxes and special assessments, and unused vacation leave, will be included in the statement of activities as revenues and expenses, even though the cash associated will not be received or paid in 2022).

Both of the government-wide financial statements (statement of net position and statement of activities) distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Cowlitz County include general government, public safety, judicial, physical environment, transportation, economic development, mental and physical health and culture and recreation. The business-type activities of Cowlitz County include water and sewer services to county residences, operation of a solid waste landfill site, maintaining emergency management, building and planning, and storm water services for the County, a public shooting range and the exposition center used to host the County fair and other community-wide events.

The government-wide financial statements include not only the County itself (known as the primary government), but also the Public Facilities District (PFD), legally separate entity – for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. A description of this component unit can be found in Note 1 of the *Notes to the Financial Statements*.

The government-wide financial statements can be found within the Basic Financial Statements section of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the County can be divided into three categories: governmental funds (general fund, special revenue funds, debt service funds and capital funds), proprietary funds (enterprise funds and internal service funds), and fiduciary funds (investment trust/custodial funds). Fund financial statements explain how services are financed in the short-term as well as what remains available for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds rather than the County as a whole.

Some funds are required to be established by state law and by bond covenants. The Board of Commissioners has established many other funds to help it control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain taxes, grants and other resources.

Fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The following funds: General Fund, County Road Fund, ARPA Relief Fund, Solid Waste Fund, and Water Sewer Fund are classified as major funds based on criteria established by GASB Statement No. 34 and based on management's discretion. (GASB Statement No. 34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise (1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and (2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund). Data from the other governmental and proprietary funds are combined into a single, aggregated presentation.

Cowlitz County adopts a biennial budget comprised of two annual budgets. A budgetary comparison to actual expenditures has been provided in the Basic Financial Statements, for the General Fund and the other major special revenue funds identified in the previous paragraph to demonstrate compliance with this budget.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found within the Basic Financial Statement section of this report.

**Proprietary Funds** account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges paid directly by those who benefit from the activities. Proprietary funds provide the same type of information as governmental funds, only in more detail, since they apply the accrual basis of accounting. Cowlitz County maintains two different types of proprietary funds: enterprise funds and internal service funds.

*Enterprise funds* are used to report the functions presented as business-type activities in the government-wide financial statement; but provide more detail. The proprietary fund financial statements provide separate information for the Solid Waste Landfill and Water Sewer. The Solid Waste and Water Sewer funds are identified as major funds. The Public Shooting Range, Building and Planning, Stormwater, Emergency Management for coordinating disaster functions and the Exposition Center that hosts the County Fair and other community-wide events are non-major enterprise funds and are presented on a combined basis in the proprietary fund financial statements.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Cowlitz County uses internal service funds to account for its fleet of vehicles, management information technology systems, general liability and insurance services, workers' compensation and unemployment compensation costs. The County's internal service funds also account for the provision of telephone, postage, paper supplies, printing services, law enforcement records and elections. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within predominantly governmental activities in the government-wide statements.

All Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found within the Basic Financial Statement section of this report.

**Fiduciary Funds** are used to provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the primary government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to finance County operations. Cowlitz County has two types of fiduciary funds custodial funds and investment trust funds.

*Custodial Funds* are used to account for monies held by Cowlitz County in a custodial capacity for other jurisdictions until they are allocated to the private parties, organizations, or government agencies to which they belong.

*Investment Trust Funds* report the portion of County investments that belong to other jurisdictions.

The basic fiduciary funds financial statements can be found within the Basic Financial Statement section of this report.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of Statement of Net Position

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. Cowlitz County, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$258.7 million at December 31, 2022, compared to \$238.8 million at December 31, 2021.

The majority of Cowlitz County's net position is comprised of capital assets. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the 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. The remaining net position is either restricted for culture and recreation, economic environment, transportation and health and human services activities or unrestricted.

At December 31, 2022, the County had positive balances in the net position of governmental and business-type activities and in total net position. The same situation existed for 2021. Cowlitz County's total net position increased \$20.0 million in 2022 (inclusive of a \$1.6 million of a prior period adjustment and a \$262 thousand change in accounting principles) compared to December 31, 2021. The Business-type Activities present a \$2.7 million increase. Governmental Activities present an increase of \$17.3 million. See the discussion on the Governmental Activities under the Statement of Activities.

The condensed financial information that follows is derived from the government-wide Statement of Net Position and reflects the County's net position in 2022 compared with 2021.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 136,189,181	\$ 141,310,668	\$ 60,814,059	\$ 54,165,232	\$ 197,003,240	\$ 195,475,900
Capital assets (Net of depr)	140,448,389	140,690,641	25,852,285	28,295,522	166,300,674	168,986,163
Total Assets	276,637,570	282,001,309	86,666,344	82,460,754	363,303,914	364,462,063
Deferred outflows of resources	17,123,898	10,713,482	3,152,936	2,432,665	20,276,834	13,146,147
Long-Term liabilities	47,931,118	56,609,545	34,382,051	30,947,773	82,313,169	87,557,318
Other Liabilities	28,444,344	21,026,020	1,860,595	1,688,487	30,304,939	22,714,507
Total Liabilities	76,375,462	77,635,565	36,242,646	32,636,260	112,618,108	110,271,825
Deferred inflows of resources	11,295,225	26,323,364	823,761	2,246,151	12,118,986	28,569,515
Net Position:						
Net Investment in capital assets	113,824,204	112,980,273	25,307,599	27,626,431	139,131,803	140,606,704
Restricted	28,846,137	44,466,050	772,865	2,100,050	29,619,002	46,566,100
Unrestricted	63,420,440	31,309,539	26,672,409	20,284,527	90,092,849	51,594,066
Total Net Position	\$ 206,090,781	\$ 188,755,862	\$ 52,752,873	\$ 50,011,008	\$ 258,843,654	\$ 238,766,870

Overall, total liabilities increased to the 2021 balances with a total decrease of \$2.3 million. Non-current liabilities decreased \$5.2 million. Other liabilities increased \$7.6 million. The non-current liabilities decrease is a result of the issuance of refunding debt during 2022, and the adoption of GASB 91 that removed liabilities that are now considered conduit debt. The increase in Other Liabilities is primarily related to the unearned revenue associated with the ARPA funds received by the County for which the County still has three years to obligate and spend per the federal regulations.

Total assets decreased \$1.2 million in 2022. Current and other assets increased \$1.5 million and capital assets (net of depreciation) decreased \$2.7 million. This is a result of increase in cash from the Business-type activities operations. The Capital Assets decreased due to routine depreciation.

Deferred outflows of resources increased \$7.0 million and deferred inflows of resources decreased \$16.5 million in 2022. Both changes are directly to associated to amounts related to Pension and amounts related to refunding of debt.

**Governmental activities** current and other assets decreased \$5.1 million 2022 compared to 2021. This decrease is primarily due to the decrease in net pension assets.

Capital assets (net of depreciation) reflect an overall decrease as a result of routine depreciation being larger than the net add of capital assets.

Noncurrent liabilities decreased by \$8.7 million or 15%. The non-current liabilities increase is a result of the issuance of refunding debt during 2022, and the removal of debt that is now classified as conduit debt and not required to be reported on the County's financial statements. Additionally, Other Liabilities increased \$7.4 million compared to 2021. As noted earlier, the increase in Other Liabilities is primarily related to the unearned revenue associated with the ARPA funds received by the County for which the County still has three years to obligate and spend per the federal regulations.

**Business type activities** current and other assets increased in 2022 by \$6.6 million or 12.3% compared to 2021. The largest portion of this classification is made of \$28.9 million in closure and post closure investments. Cash, cash equivalents and pooled investments is made up of \$30 million which increased by \$6.3 million from 2021. This increase is offset by a decrease in the net pension assets and an increase in internal balances owed to the County's Governmental Activities.

Capital assets (net of depreciation) decreased \$2.4 million compared to 2021. This decrease is due to capital assets being replaced at a lesser amount than they are being depreciated.

Noncurrent liabilities increased by 11.1% or \$3.4 million. This increase is mostly due to a \$3.0 million increase in the noncurrent portion of the landfill closure and post closure costs. Business-type Activities other liabilities remained similar to 2021 with a \$172 thousand increase due to the timing of accounts payable and other liabilities.

### **Statement of Activities**

The County's total change in net position was \$20.0 million in 2022. The condensed financial information below is derived from the Government Wide Statement of Activities (in 000s) and reflects how the County's 2022 changes in net position compared to 2021:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 28,294	\$ 26,661	\$ 34,579	\$ 28,814	\$ 62,873	\$ 55,475
Operating grants/contributions	16,496	13,839	363	193	16,859	14,032
Capital grants/contributions	3,148	1,109	12	38	3,160	1,147
General revenues:						
Taxes	63,912	59,918	-	-	63,912	59,918
Unrestricted interest income	2,762	1,015	685	47	3,447	1,063
Gain on disposal of capital assets	-	215	-	-	-	215
<b>Total Revenues</b>	<b>114,612</b>	<b>102,758</b>	<b>35,639</b>	<b>29,092</b>	<b>150,251</b>	<b>131,850</b>
<b>Expenses:</b>						
General Government	20,311	16,784	-	-	20,311	16,784
Public Safety	31,006	28,275	409	409	31,414	28,684
Judicial	6,036	4,958	-	-	6,036	4,958
Utilities	807	757	-	-	807	757
Health and Human Services	-	-	-	-	-	-
Transportation	19,059	16,608	-	-	19,059	16,608
Natural Economic Environment	3,212	9,078	2,948	2,380	6,160	11,458
Social Services	16,278	8,858	-	-	16,278	8,858
Culture & Recreation	988	772	2,473	1,400	3,461	2,172
Interest on long-term debt	998	1,227	-	-	998	1,227
Solid Waste	-	-	25,371	20,683	25,371	20,683
Water/Sewer	-	-	1,988	1,844	1,988	1,844
Stormwater	-	-	142	115	142	115
<b>Total Expenses</b>	<b>98,695</b>	<b>87,317</b>	<b>33,330</b>	<b>26,832</b>	<b>132,025</b>	<b>114,149</b>
Excess (deficiency) before transfers	15,917	15,441	2,309	2,260	18,226	17,701
Special Item	-	-	-	-	-	-
Transfers	(270)	(276)	270	276	-	-
Change in Net Position	15,647	15,165	2,579	2,536	18,226	17,701
Beginning Net Position	188,756	176,013	50,011	46,768	238,767	222,781
Change in Accounting Principal	262	-	-	-	262	-
Prior Period Adjustments	1,426	(2,422)	163	708	1,589	(1,715)
<b>Ending Net Position</b>	<b>\$ 206,091</b>	<b>\$ 188,756</b>	<b>\$ 52,753</b>	<b>\$ 50,011</b>	<b>\$ 258,844</b>	<b>\$ 238,767</b>

Cowlitz County revenue totaled \$150.3 million in 2022. Governmental activities provided \$114.6 million, while business activities provided \$35.6 million. Taxes account for \$63.9 million, 55.8%, of the 2022 primary government revenues compared to \$59.9 million in 2021. Operating Grants/contributions increased by \$2.7 million. This is primarily related to revenue from the ARPA grant that was earned during 2022 as the County was able to move ARPA related projects and spending forward.

Cowlitz County expenses totaled \$132.0 million. Governmental activities expenses totaled \$98.7 million and business type activities totaled \$33.3 million. The County's expenses cover a range of services, the largest of which were for general government, public safety, transportation, and solid waste, accounting for 72.5% of the total expenses combined.

**Governmental activities** net position of Cowlitz County increased \$17.3 million in 2022, inclusive of a prior period adjustment and change in accounting principles. Operating and capital grants and contributions totaled \$19.6 million in 2022 and \$14.9 million in 2021. This increase was due to the spending and projects funded by the ARPA funds. Tax revenues increased \$4.0 million from 2021 due to an increase in property and sales taxes. Sales tax is destination based and the County saw an increase in sales tax revenue due to more online sales being made during the year.

County governmental activity expenses in 2022 totaled \$98.7 million, an \$11.3 million (13.0%) increase compared to 2021. The largest changes were caused by: Social Services of \$7.4 million or 83.8% due to expenditures related to housing and homelessness projects.

**Business type activities** expenses for Cowlitz County in 2022 totaled \$33.3 million compared to \$26.8 million in 2021. Expenses included Public Safety programs consisting of Emergency Management \$409 thousand, the Solid Waste Landfill \$25.4 million, the Water Sewer Utility \$2.0 million, Culture and Recreation \$2.5 million, Natural Economic Environment \$2.9 million and Stormwater \$142 thousand. Solid Waste expenses are the largest increase. This increase in solid waste is related to depreciation expenses of \$1.2 million, post closure expenses of \$920,000 and maintenance expenses of \$2.5 million.

In 2022, business type revenues increased \$6.5 million compared to 2021. The largest increase was in Charges for Services revenues which increased \$5.7 million due to increased activity within Solid Waste and the Building and Planning recorded within the Natural and Economic Development area. Charges for Services revenues were \$34.6 million in 2022 and accounted for 97.0% of business revenues.

### FINANCIAL ANALYSIS OF COUNTY FUNDS

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

#### Governmental Funds

The focus of Cowlitz County’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County’s financing requirements, in particular, the unassigned fund balance may serve as a useful measure of the County’s net resources available for spending at the end of the fiscal year.

Governmental Funds Balance Sheet Analysis. The General Fund, the County Road Fund and the ARPA Relief Fund are the County’s major governmental funds. These funds account for 46.4% of the total governmental funds as of December 31, 2022. The ending fund balance are as follows.

	Fund Balance	Percent
General Fund	\$ 21,294,139	29.82%
Road Fund	11,840,785	16.58%
ARPA Relief Fund	-	0.00%
Other Governmental Funds	38,278,426	53.60%
Total Governmental Fund Balance	\$ 71,413,350	100.00%

Approximately \$20.3 million (28.4%) of the total governmental fund balance constitutes unassigned fund balance. The County does have a minimum fund balance policy discussed in Note 1 of the Notes to the Financial Statements. \$34.1 million (47.7%) constitutes assigned fund balance in the appropriate fund types as shown in Note 1 in the Notes to the Financial Statements. The remainder of the fund balance is classified as restricted to indicate that it is not available for new spending as discussed in the notes.

Governmental Funds Revenue/Expenditure Analysis. The following exhibit shows the revenues, expenditure and other financing sources (uses) amounts for the major governmental funds and all other governmental funds in 2022.

	Revenues	Expenditures	Other Financing Sources (Uses)
General Fund	\$ 55,338,062	\$ 77,370,345	\$ 22,499,741
Road Fund	21,088,736	19,931,699	1,476,484
ARPA Relief Fund	2,414,190	72,203	(2,341,987)
Non-major Governmental Funds	31,084,299	26,751,258	(1,162,156)

Governmental fund revenues in 2022 totaled \$109.9 million, which is a \$7.1 million increase over 2021 governmental fund revenues of \$102.9 million. Expenditures totaled \$124.1 million, which is a \$22.5 million increase over 2021 governmental fund expenditures of \$101.6 million. Other Financing Source (Uses) totaled \$20.5 million, which is a \$16.8 million increase over 2021, which was \$3.7 million in 2021.

The **General Fund** is the chief operating fund of Cowlitz County. At December 31, 2022 the unassigned fund balance of the General Fund was \$20.3 million; this represents 28.4% of the total fund balance for all governmental funds. The General Fund's total fund balance at December 31, 2022 was \$21.3 million compared to \$20.7 million at the end of 2021. This is modest and stable growth. Revenues, not including other financing sources, overall remained stable from 2021 to 2022, decreasing overall by \$830 thousand. General Fund expenditures increased from \$52.8 million in 2021 to \$77.4 million in 2022. The most significant increase was in the debt service due to refunding of the 2014 A and B bonds. Next, the largest increases were in the General Government (\$1.5 million) and Public Safety (\$1.4 million). These increases were due in large part to increases related to staffing costs, for example Public Safety had settlements of union contracts.

The **County Road Fund** fund balance increased to \$11.8 million at December 31, 2022. Total revenues in 2022, not including transfers in, were \$21.1 million compared to \$15.4 million in 2021. The County Road fund had an increase in Taxes and Intergovernmental revenue combined of \$8.9 million. The Road Fund total expenditures for 2022 totaled \$19.9 million compared to \$17.2 million in 2021. Construction expenditures in 2022 were consistent with 2021, with only a \$133 thousand increase between years.

The **ARPA Relief Fund** was created in 2021 to account for the grant funding used for responding to the impact of COVID-19 and to contain COVID-19 in the County's communities, residents, and businesses. There was increased activity during 2022 as the ARPA related project activity increased.

The **Non-major Governmental Funds** fund balance increased \$3.2 million in 2022. Total revenues in 2022 were \$31.1 million which was consistent with the prior year. The non-major governmental funds total expenditures for 2022 were \$26.8 million compared to \$31.5 million in 2021. The largest increase was in Social Services expenditures increasing from \$8.5 million in 2021 to \$15.2 million in 2022. This increase of \$6.7 million was offset by a decrease in Natural Economic Environment of \$6.2 million. These almost equal fluctuations are primarily due to the changing nature of grants and related expenditures. During 2021, the nature of the grants were to stimulate economic growth due to the COVID pandemic. The focus of the 2022 grants and related expenditures were related to homelessness and housing needs.

### **Proprietary Funds**

Cowlitz County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Cowlitz County has two major enterprise funds, the Solid Waste Fund and the Water Sewer Fund that account for 87.0% of the \$53.0 million total net position for enterprise funds at December 31, 2022.

The December 31, 2022, unrestricted net position and changes in unrestricted net position of the major enterprise funds were:

	Unrestricted Net Position 12/31/2022	Unrestricted Net Position 12/30/2021	Increase (Decrease) for year
Solid Waste	\$ 17,675,138	\$ 13,617,736	\$ 4,057,402
Water Sewer	4,017,576	3,232,291	\$ 785,285

The **Solid Waste** utility operating revenue of \$25.7 million accounted for 76.0% of the business-type revenues reported in 2022. Solid Waste revenue in 2022 increased by \$4.3 million or 19.9%. Net position of the Solid Waste Utility totaled \$37.0 million at December 31, 2022, an increase of approximately \$1.2 million from 2021 due primarily to an increase in non-operating revenues, which increased from \$132,000 in 2021 to \$843,000 in 2022.

The **Water Sewer** utility operating revenue of \$2.3 million accounted for 6.8% of the business-type revenues reported in 2022. Water Sewer revenue in 2022 remained comparable to 2021. Net position of the Water Sewer Utility totaled \$9.1 million at December 31, 2022, a increase of approximately \$507 thousand from 2021.

## CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

### Capital Assets

Cowlitz County's capital assets for its governmental and business-type activities as of December 31, 2022, total \$169.0 million (net of accumulated depreciation). The capital assets include land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges and construction in progress.

Comparative amounts for governmental and business type activities for 2022 and 2021 are as follows:

	Governmental Activities		Business Type Activites		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 15,764,564	\$ 15,435,273	\$ 1,175,076	\$ 1,148,600	\$ 16,939,640	\$ 16,583,873
Buildings	24,537,238	20,910,776	1,851,011	2,015,005	26,388,249	22,925,781
Improvements other than buildings	1,313,674	1,226,647	196,137	92,252	1,509,811	1,318,899
Machinery and equipment	10,800,543	10,187,653	6,174,876	5,689,932	16,975,419	15,877,585
Intangible	1,364,146	1,625,608	121,636	54,639	1,485,782	1,680,247
Infrastructure	78,398,302	82,828,420	16,117,448	19,221,894	94,515,750	102,050,314
Construction in Progress	8,269,922	8,476,264	216,101	73,200	8,486,023	8,549,464
Total	\$ 140,448,389	\$ 140,690,641	\$ 25,852,285	\$ 28,295,522	\$ 166,300,674	\$ 168,986,163

The total decrease in Cowlitz County's 2022 capital assets net of depreciation was \$2.7 million less than 2021. This consisted of a \$242 thousand decrease in governmental activity capital assets and a \$2.4 million decrease in business-type activity capital assets. These decreases are mostly due to new asset purchases being less than the capital assets depreciating.

For more information see Note 6, *Capital Assets*.

### Debt Administration

At December 31, 2022, Cowlitz County has \$47.9 million in long-term debt owed from *governmental activities* and \$34.4 million in long-term debt for *business type activities*. The bonded debt balances are as follows:

	Governmental Activities	
	2022	2021
General Obligation Bonds	\$ 23,295,000	\$ 26,845,000
Revenue Bonds	-	3,680,000
Total	<u>\$ 23,295,000</u>	<u>\$ 30,525,000</u>

For more information see Note 11, *Long-term Debt*.

## **ECONOMIC OUTLOOK AND BUDGETS**

The net difference between the original General Fund budget total expenditures for 2022 and the final amended budget was a \$6.0 million increase in appropriations.

The Board of Commissioners considers many factors when setting the budget, tax rates, and fees to charge for the business-type activities. One of those factors is the economy. Economic factors have a direct impact on County revenues and the demand for services.

These and other factors are considered in preparing the Cowlitz County budget.

- Property taxes account for nearly 50% of unrestricted General Fund Revenues. Increases in taxes are limited to an increase of 1% of the prior year levy (plus taxes on the values of new construction). Expenses, largely outside the control of the Board of Commissioners, are increasing faster than 1% per year. The property tax limitations provide inadequate revenues to meet service demands. In accordance with the County’s Financial Management Policy, fees are reviewed annually, generally during the budget review period. In appropriate circumstances, the Commissioners considered fees increases, moving toward a fee-for-service model, where the service provided by the County wholly or substantially benefits a specific constituent.
- State and federal mandates and legal requirements including but not limited to, court funding, mental health, state pension funding, risk reserves, etc.
- The need to ensure adequate cash flow (operating) reserves.
- Proper use of restricted funds: criminal justice tax, mental health tax, rural county public facilities tax.
- Labor costs: union contracts, wage freezes and/or reductions, health care costs, work hour adjustments.
- Bond obligations.
- Assessed value in Cowlitz County (county-wide) increased for the tenth year in a row (2013-2022) following four straight years of decline (2009-2012). The historic levels of property value in Cowlitz County in 2009 were assessed at \$9.39 billion, the 2022 assessed valuation is \$15.8 billion.

### **Requests for Information**

The financial report is designed to provide a general overview of Cowlitz County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor’s Office, Cowlitz County, 207 4<sup>th</sup> Avenue No., Kelso, Washington 98626.

**Cowlitz County, Washington**  
**Statement of Net Position**  
**December 31, 2022**

	Primary Government			Component Units
	Governmental	Business-Type	Total	Public Facilities
	Activities	Activities		District
<b>ASSETS</b>				
Cash, Cash Equivalents & Pooled Investments	\$ 97,068,115	\$ 29,796,525	\$ 126,864,640	\$ 776,888
Investments	7,489,029	-	7,489,029	-
Receivables (net)	13,913,880	3,374,068	17,287,948	312,659
Internal Balances	2,300,616	(2,300,616)	-	-
Inventories	713,267	-	713,267	-
Prepaid Items	880,962	82,102	963,064	44,749
Due From Component Unit	1,995,000	-	1,995,000	-
Net Pension Asset	11,806,240	772,865	12,579,105	-
Restricted Cash, Cash Equivalents & Pooled Investments:				
Customer Deposits	22,072	181,542	203,614	-
Debt Service	-	-	-	3,058,748
Restricted Investment For Closure and Postclosure		28,907,573	28,907,573	
<i>Capital Assets:</i>				
Nondepreciable Assets	24,034,486	1,391,177	25,425,663	-
Depreciable Assets (Net)	116,413,903	24,461,108	140,875,011	9,843,253
<b>Total Assets</b>	<b>276,637,570</b>	<b>86,666,344</b>	<b>363,303,914</b>	<b>14,036,297</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Amounts related to Debt Refunding	86,612	-	86,612	112,373
Amounts Related to Pensions	9,825,031	775,119	10,600,150	-
Amounts Related to OPEB	74,950	-	74,950	-
Amounts Related to Asset Retirement Obligation	525,343	2,377,817	2,903,160	-
Excess Consideration Provided For Acquisition	6,611,962	-	6,611,962	-
<b>Total Deferred Outflows of Resources</b>	<b>17,123,898</b>	<b>3,152,936</b>	<b>20,276,834</b>	<b>112,373</b>
<b>LIABILITIES</b>				
Accounts Payable & Accrued Exp.	5,390,923	1,407,906	6,798,829	7,268
Other Current Liabilities	4,193,197	271,147	4,464,344	36,359
Customer Deposits & Unearned Revenue	18,860,224	181,542	19,041,766	-
<i>Noncurrent Liabilities:</i>				
Due Within One Year	2,100,114	388,456	2,488,570	114,160
Due to Primary Gov. Within One Year	-	-	-	425,890
Due In More Than One Year	33,382,174	33,451,058	66,833,232	5,424,841
Due to Primary Gov. More Than One Year	-	-	-	1,683,458
Other Postemployment Benefits Liability	7,405,008	-	7,405,008	-
Net Pension Liability	5,043,822	542,537	5,586,359	-
<b>Total Liabilities</b>	<b>76,375,462</b>	<b>36,242,646</b>	<b>112,618,108</b>	<b>7,691,976</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Amounts related to Debt Refunding	1,469,013	-	1,469,013	-
Amounts Related to Pensions	9,826,212	823,761	10,649,973	-
<b>Total Deferred Inflows of Resources</b>	<b>11,295,225</b>	<b>823,761</b>	<b>12,118,986</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	113,824,204	25,307,599	139,131,803	2,307,342
<i>Restricted for:</i>				
Economic Environment; Promotion of Tourism	545,519	-	545,519	-
Federal Forest Title III	2,515	-	2,515	-
General Government	522,953	-	522,953	-
Public Safety	1,756,049	-	1,756,049	-
Judicial	215,555	-	215,555	-
Social Services	7,459,131	-	7,459,131	-
Utilities; Noxious Weed Program	219,373	-	219,373	-
Transportation - Roads	625,269	-	625,269	-
Culture & Recreation	804,271	-	804,271	-
Debt purposes	1,530,000	-	1,530,000	3,058,683
REET Technology	3,359,262	-	3,359,262	-
Restricted for Pension	11,806,240	772,865	12,579,105	-
Unrestricted	63,420,440	26,672,409	90,092,849	1,090,669
<b>Total Net Position</b>	<b>\$ 206,090,781</b>	<b>\$ 52,752,873</b>	<b>\$ 258,843,654</b>	<b>\$ 6,456,694</b>

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

Cowlitz County, Washington  
Statement of Activities  
For the Year Ended December 31, 2022

	Net (Expense) Revenue and Changes in Net Position							Component Units
	Program Revenues			Capital Grants and Contributions		Primary Government		
	Expenses	Charges for Services	Operating Grants Contributions	Governmental Activities	Business-Type Activities	Total	Public Facilities District	
<b>FUNCTIONS/PROGRAMS</b>								
<i>Governmental Activities:</i>								
General Government	20,310,879	13,218,951	4,070,028	(3,021,900)	-	\$	(3,021,900)	
Public Safety	31,005,595	5,963,433	1,152,843	(22,003,810)	-	-	(22,003,810)	
Judicial	6,036,217	1,941,613	2,006,534	(2,088,070)	-	-	(2,088,070)	
Utilities	806,605	-	-	(806,605)	-	-	(806,605)	
Transportation	19,058,710	2,997,018	113,650	(14,685,081)	-	-	(14,685,081)	
Natural Economic Environment	3,212,212	814,831	6,451	(2,390,930)	-	-	(2,390,930)	
Social Services	16,278,239	3,358,032	9,146,677	(3,773,530)	-	-	(3,773,530)	
Culture & Recreation	988,009	-	-	(988,009)	-	-	(988,009)	
Interest on Long-Term Debt	998,435	-	-	(998,435)	-	-	(998,435)	
Total Governmental Activities	98,694,901	28,293,878	16,496,183	(50,756,370)	-	-	(50,756,370)	
<i>Business-Type Activities:</i>								
Water/Sewer	1,987,543	2,348,646	-	-	373,013	-	373,013	
Stormwater	141,549	187,455	-	-	45,906	-	45,906	
Garbage & Solid Waste	25,371,246	25,843,701	129,426	-	601,881	-	601,881	
Public Safety	408,857	317,466	135,901	-	44,510	-	44,510	
Culture & Recreation	2,472,873	2,517,630	97,865	-	142,622	-	142,622	
Natural & Economic Development	2,948,253	3,363,929	-	-	415,676	-	415,676	
Total Business-Type Activities	33,330,321	34,578,827	363,192	-	1,623,608	-	1,623,608	
Total Primary Government	\$ 132,025,222	\$ 62,872,705	\$ 16,859,375	\$ (50,756,370)	\$ 1,623,608	\$	\$ (49,132,762)	
<b>Component Unit</b>								
Public Facilities District	1,072,911	35,498	-	-	-	-	(1,037,413)	
Interest of Long-Term Debt	268,859	-	-	-	-	-	(268,859)	
Total Component Units	\$ 1,341,770	\$ 35,498	\$ -	\$ -	\$ -	\$ -	\$ (1,306,272)	
<b>GENERAL REVENUES:</b>								
Property Taxes				32,682,545	-	-	32,682,545	
Sales Taxes				20,399,659	-	-	20,399,659	
911 Taxes				4,278,124	-	-	4,278,124	
Other Taxes				6,551,660	-	-	6,551,660	
Investment Earnings				2,761,545	685,411	-	3,446,956	
Transfers				(270,227)	270,227	-	-	
Total General Revenues, Special Items and Transfers				66,403,306	955,638	-	67,358,944	
Change in Net Position				15,646,936	2,579,246	-	18,226,182	
Net Position - January 1				188,755,862	50,011,008	-	238,766,870	
Change in Accounting Principle				261,609	-	-	261,609	
Prior Period Adjustment				1,426,374	162,619	-	1,588,993	
Net Position - December 31				206,090,781	52,752,873	\$	\$ 258,843,654	

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

Cowlitz County, Washington  
 Balance Sheet  
 Governmental Funds  
 December 31, 2022

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	County Road	ARPA		
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 11,510,585	\$ 11,219,705	\$ 20,877,246	\$ 38,824,250	\$ 82,431,786
Investments	7,489,029	-	-	-	7,489,029
Receivables (Net)	1,995,371	314,206	-	77,573	2,387,150
Due From Other Funds	2,450,312	1,580,965	5,150	59,789	4,096,216
Noncurrent Assets					
Due From Other Governments	2,798,862	471,655	-	7,699,439	10,969,956
Due From Component Unit	1,995,000	-	-	-	1,995,000
Customer Deposits and Seized Receivable	3,975	-	-	18,097	22,072
<b>Total Assets</b>	<b>28,243,134</b>	<b>13,586,531</b>	<b>20,882,396</b>	<b>46,679,148</b>	<b>109,391,209</b>
<b>LIABILITIES</b>					
Accounts Payable	845,152	687,343	6,563	2,005,547	3,544,605
Payable To Other Governments	100,723	14,607	-	1,098,640	1,213,970
Due To Other Funds	83,300	450,715	2,037,681	117,965	2,689,661
Other Current Liabilities	1,781,630	333,186	-	1,921,095	4,035,911
Customer Deposits and Seized Payable	3,975	-	-	18,097	22,072
Unearned Revenue	-	-	18,838,152	-	18,838,152
<b>Total Liabilities</b>	<b>2,814,780</b>	<b>1,485,851</b>	<b>20,882,396</b>	<b>5,161,344</b>	<b>30,344,371</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	2,139,215	259,895	-	306,636	2,705,746
Unavailable Revenue - Other Governments and Component Unit	1,995,000	-	-	2,932,742	4,927,742
<b>Total Deferred Inflows of Resources</b>	<b>4,134,215</b>	<b>259,895</b>	<b>-</b>	<b>3,239,378</b>	<b>7,633,488</b>
<b>FUND BALANCE</b>					
Restricted	-	-	-	17,039,897	17,039,897
Assigned	984,145	11,840,785	-	21,238,529	34,063,459
Unassigned	20,309,994	-	-	-	20,309,994
<b>Total Fund Balance</b>	<b>21,294,139</b>	<b>11,840,785</b>	<b>-</b>	<b>38,278,426</b>	<b>71,413,350</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 28,243,134</b>	<b>\$ 13,586,531</b>	<b>\$ 20,882,396</b>	<b>\$ 46,679,148</b>	<b>\$ 109,391,209</b>

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

Cowlitz County, Washington  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 December 31, 2022

Total fund balances as shown on the Governmental Funds Balance Sheet	\$ 71,413,350
Capital assets (net) used in governmental activities are not financial resources and therefore are not reported in the funds (amounts for internal service fund capital assets are included in other reconciling items).	130,230,383
Internal Service Funds are used to charge the costs of services to individual funds. The assets and liabilities of internal service funds are included in governmental activities on the statement of net position.	24,606,259
Allocation to enterprise funds share of net (income) loss of internal service funds.	293,374
Other long-term items are not available to pay for current-period expenditures and, therefore are not recognized as payable/receivable in the funds such as these deferred amounts on refunding	(1,382,401)
Accrued interest receivable was more than interest receivable modified accrual	19,946
Other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	7,633,488
Inventories not recorded in governmental funds are recorded in governmental activities (amounts for internal service fund capital assets are included in other reconciling items).	362,093
Net Pension Assets and Liability, Total OPEB liability, and other items related to Pension or OPEB activity that are not financial resources or uses therefore, not reported in the funds.	(1,097,906)
Deferred outflows for excess consideration provided for acquisition of the landfill and the Deferred outflows related to asset retirement obligations are long term in nature and not included in the governmental fund balance sheet	7,137,305
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	<u>(33,125,110)</u>
Net position of governmental activities	<u><u>\$ 206,090,781</u></u>

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

**Cowlitz County, Washington**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>County Road</u>	<u>ARPA</u>		
<b>REVENUES</b>					
Taxes	\$ 32,405,984	\$ 14,733,955	\$ -	\$ 14,492,927	\$ 61,632,866
Licenses and Permits	449,741	-	-	975,654	1,425,395
Intergovernmental	6,798,271	5,326,030	2,414,190	12,569,557	27,108,048
Charges for Services	4,684,767	835,242	-	2,032,608	7,552,617
Fines and Forfeitures	918,908	-	-	21,015	939,923
Investment Earnings	1,899,724	165,022	-	474,037	2,538,783
Rents and Leases	7,459,115	8,072	-	72,584	7,539,771
Special Assessments	-	-	-	246,480	246,480
Miscellaneous Revenues	721,552	20,415	-	199,437	941,404
<b>Total Revenues</b>	<u>55,338,062</u>	<u>21,088,736</u>	<u>2,414,190</u>	<u>31,084,299</u>	<u>109,925,287</u>
<b>EXPENDITURES</b>					
Current					
General Government	17,154,545	-	72,203	1,186,167	18,412,915
Public Safety	27,314,696	-	-	5,318,991	32,633,687
Judicial	6,343,876	-	-	-	6,343,876
Utilities	330,855	-	-	-	330,855
Natural Economic Environment	717,018	-	-	2,312,154	3,029,172
Transportation	178,000	16,134,314	-	13,266	16,325,580
Social Services	1,103,431	-	-	15,182,508	16,285,939
Culture & Recreation	837,947	-	-	95,754	933,701
Debt Service					-
Principal	1,422,282	-	-	1,276,040	2,698,322
Interest	975,774	-	-	165,550	1,141,324
Advanced Refund Escrow Payment	20,303,836	-	-	-	20,303,836
Other	152,429	-	-	-	152,429
Capital Outlay	535,656	3,797,385	-	1,200,828	5,533,869
<b>Total Expenditures</b>	<u>77,370,345</u>	<u>19,931,699</u>	<u>72,203</u>	<u>26,751,258</u>	<u>124,125,505</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(22,032,283)	1,157,037	2,341,987	4,333,041	(14,200,218)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,155,839	1,476,480	-	1,746,679	6,378,998
Transfers Out	(1,441,835)	-	(2,341,987)	(3,353,700)	(7,137,522)
Sale of Capital Assets	-	4	-	-	4
Debt Issuance	20,785,737	-	-	444,865	21,230,602
<b>Total Other Financing Sources (Uses)</b>	<u>22,499,741</u>	<u>1,476,484</u>	<u>(2,341,987)</u>	<u>(1,162,156)</u>	<u>20,472,082</u>
<b>Net Change In Fund Balance</b>	467,458	2,633,521	-	3,170,885	6,271,864
<b>Fund Balances--Beginning</b>	20,720,992	9,207,264	-	35,103,397	65,031,653
Prior Period Adjustment	105,689	-	-	4,144	109,833
<b>Fund Balances--Ending</b>	<u>\$ 21,294,139</u>	<u>\$ 11,840,785</u>	<u>\$ -</u>	<u>\$ 38,278,426</u>	<u>\$ 71,413,350</u>

The 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  
For the Year Ended December 31, 2022

Net change in fund balance as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:

Net change in fund balances-total governmental funds	\$ 6,271,864
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those capital outlays that benefit the county are posted as assets and are allocated over their estimated useful lives and reported as depreciation. Also, the disposition of capital assets (net book value) are deducted from the sale of fixed assets. The amount by which capital outlays exceeded depreciation and write off of net book value of assets disposed of in current period.</p>	
	427,243
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds while the repayment of the principal of the long-term debt consumes the current financial resource of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	23,002,158
<p>Governmental funds report revenue in current period for revenues deferred in prior periods since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned.</p>	
	(18,466,599)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable, net pension liability, OPEB, accrued compensation payable for year, change in inventory and deferred outflows of resources.</p>	
	4,530,845
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (loss) of most of these activities is reported within governmental activities. (Business-type activities has a reconciling item of \$107,759 related to Internal Service Funds net revenue (loss).)</p>	
	<u>(118,576)</u>
Change in net position-governmental activities- on the Statement of Activities	<u><u>\$ 15,646,936</u></u>

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Compared to Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2022**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 28,746,625	\$ 28,746,625	\$ 32,405,984	\$ 3,659,359
Licenses and Permits	250,500	250,500	449,741	199,241
Intergovernmental	7,258,713	7,291,229	6,798,271	(492,958)
Charges for Services	4,466,011	4,473,291	4,684,767	211,476
Fines and Forfeitures	976,350	976,350	918,908	(57,442)
Investment Earnings	722,300	722,300	1,886,319	1,164,019
Rents and Leases	7,320,300	7,320,300	7,459,115	138,815
Miscellaneous Revenues	1,446,680	5,725,614	721,552	(5,004,062)
<b>Total Revenues</b>	<u>51,187,479</u>	<u>55,506,209</u>	<u>55,324,657</u>	<u>(181,553)</u>
<b>EXPENDITURES</b>				
General Government	18,603,480	20,616,261	17,152,890	3,463,371
Public Safety	29,662,597	30,218,737	27,123,415	3,095,322
Judicial	7,687,766	8,121,699	6,343,876	1,777,823
Utilities	32,500	32,500	330,855	(298,355)
Natural Economic Environment	16,000	1,386,478	717,018	669,460
Transportation	86,300	86,300	178,000	(91,700)
Social Services	879,580	1,129,277	1,103,431	25,846
Culture & Recreation	852,889	954,003	837,947	116,056
Debt Service	2,569,669	3,054,330	22,854,321	(19,799,991)
Capital Outlay	165,000	970,000	535,656	434,344
<b>Total Expenditures</b>	<u>60,555,781</u>	<u>66,569,586</u>	<u>77,177,409</u>	<u>(10,607,823)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(9,368,302)</u>	<u>(11,063,377)</u>	<u>(21,852,753)</u>	<u>(10,789,375)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,248,445	2,574,713	3,155,839	581,126
Transfers Out	(4,178,150)	(4,128,150)	(1,741,835)	2,386,315
Debt Issuance	-	-	20,785,737	20,785,737
Proceeds of Loan	322,037	322,037	-	(322,037)
Sale of Capital Assets	30,000	30,000	-	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,577,668)</u>	<u>(1,201,400)</u>	<u>22,199,741</u>	<u>23,401,141</u>
<b>Net Change In Fund Balance</b>	(10,945,970)	(12,264,777)	346,989	12,611,766
<b>Fund Balances--Beginning</b>	17,685,929	17,685,929	19,857,315	2,171,386
Prior Period Adjustment	-	-	105,689	105,689
<b>Fund Balances--Ending</b>	<u>\$ 6,739,959</u>	<u>\$ 5,421,152</u>	<u>\$ 20,309,993</u>	<u>\$ 14,888,841</u>
Adjustments to General Accepted Accounting Principles (GAAP) Basis				
Benefits Administration Fund			944,213	
GIS O&M			39,933	
Fund Balance - GAAP Basis			<u>\$ 21,294,139</u>	

The notes to the financial statements are an integral part of this statement

Cowlitz County, Washington  
Statement of Revenue, Expenditures and Changes in Fund Balances  
Compared to Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2022

	County Road			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,566,582	\$ 13,566,582	\$ 14,733,956	\$ 1,167,374
Intergovernmental	8,103,624	8,103,624	5,326,030	(2,777,594)
Charges for Services	350,000	350,000	835,242	485,242
Investment Earnings	7,500	7,500	165,022	157,522
Rents and Leases	-	-	8,072	8,072
Miscellaneous Revenues	250,000	250,000	20,415	(229,585)
<b>Total Revenues</b>	<u>22,277,706</u>	<u>22,277,706</u>	<u>21,088,736</u>	<u>(1,188,970)</u>
<b>EXPENDITURES</b>				
Transportation	15,943,891	16,122,017	16,134,312	(12,295)
Debt Service				
Capital Outlay	7,455,083	7,455,083	3,797,385	3,657,698
<b>Total Expenditures</b>	<u>23,398,974</u>	<u>23,577,100</u>	<u>19,931,697</u>	<u>3,645,403</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,121,268)</u>	<u>(1,299,394)</u>	<u>1,157,039</u>	<u>2,456,433</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	1,476,480	1,476,480
Sale of Capital Assets	25,000	25,000	4	(24,996)
<b>Total Other Financing Sources (Uses)</b>	<u>25,000</u>	<u>25,000</u>	<u>1,476,484</u>	<u>1,451,484</u>
<b>Net Change In Fund Balance</b>	<u>(1,096,268)</u>	<u>(1,274,394)</u>	<u>2,633,523</u>	<u>3,907,917</u>
<b>Fund Balances--Beginning</b>	6,512,521	6,512,521	9,207,262	2,694,741
Prior Period Adjustment	-	-	-	-
<b>Fund Balances--Ending</b>	<u>\$ 5,416,253</u>	<u>\$ 5,238,127</u>	<u>\$ 11,840,785</u>	<u>\$ 6,602,658</u>

The notes to the financial statements are an integral part of this statement

Cowlitz County, Washington  
Statement of Revenue, Expenditures and Changes in Fund Balances  
Compared to Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2022

	ARPA Relief			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 10,740,697	\$ 21,481,394	\$ 2,414,190	(19,067,204)
<b>Total Revenues</b>	<u>10,740,697</u>	<u>21,481,394</u>	<u>2,414,190</u>	<u>\$ (19,067,204)</u>
<b>EXPENDITURES</b>				
General Government	10,740,697	21,481,394	72,203	21,409,191
<b>Total Expenditures</b>	<u>10,740,697</u>	<u>21,481,394</u>	<u>72,203</u>	<u>21,409,191</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>2,341,987</u>	<u>2,341,987</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(2,341,987)	(2,341,987)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(2,341,987)</u>	<u>(2,341,987)</u>
<b>Net Change In Fund Balance</b>	-	-	-	-
<b>Fund Balances--Beginning</b>	-	-	-	-
<b>Fund Balances--Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2022**

	<b>Business-Type Activities-Enterprise Funds</b>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Solid Waste</b>	<b>Water Sewer</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash, Cash Equivalents and Pooled Investments	\$ 17,816,655	\$ 5,776,503	\$ 6,203,367	\$ 29,796,525	\$ 14,636,329
Receivables (Net)	2,604,536	187,559	59,034	2,851,129	-
Due From Other Funds	492	25,561	2,363	28,416	786,531
Due From Other Governments	455,937	1,796	65,206	522,939	536,825
Inventories	-	-	-	-	351,174
Prepaid Items	30,021	5,473	46,607	82,101	880,962
Restricted Customer Deposits - Cash and Cash Equivalent	30,250	105,911	45,381	181,542	-
<b>Total Current Assets</b>	<b>20,937,891</b>	<b>6,102,803</b>	<b>6,421,958</b>	<b>33,462,652</b>	<b>17,191,821</b>
<b>Capital Assets</b>					
Land	389,392	149,111	636,573	1,175,076	20,795
Construction in Progress	-	96,371	119,730	216,101	388,634
<b>Nondepreciable Assets</b>	<b>389,392</b>	<b>245,482</b>	<b>756,303</b>	<b>1,391,177</b>	<b>409,429</b>
Buildings and System	1,306,821	4,729,185	491,404	6,527,410	703,147
Improvements Other Than Buildings	3,637,985	373,303	363,080	4,374,368	-
Machinery and Equipment	10,631,174	55,247	360,668	11,047,089	21,390,713
Intangibles	106,613	-	114,110	220,723	4,331,362
Infrastructure	36,109,339	8,772,720	-	44,882,059	-
Accumulated Depreciation	(33,029,286)	(8,622,782)	(938,473)	(42,590,541)	(16,616,644)
<b>Depreciable Assets (Net)</b>	<b>18,762,646</b>	<b>5,307,673</b>	<b>390,789</b>	<b>24,461,108</b>	<b>9,808,578</b>
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>19,152,038</b>	<b>5,553,155</b>	<b>1,147,092</b>	<b>25,852,285</b>	<b>10,218,007</b>
<b>Noncurrent Assets</b>					
Net Pension Asset	221,488	84,085	467,292	772,865	606,254
Restricted Cash and Cash Equivalent - Post Closure	28,907,573	-	-	28,907,573	-
<b>Total Noncurrent Assets</b>	<b>29,129,061</b>	<b>84,085</b>	<b>467,292</b>	<b>29,680,438</b>	<b>606,254</b>
<b>Total Assets</b>	<b>69,218,990</b>	<b>11,740,043</b>	<b>8,036,342</b>	<b>88,995,375</b>	<b>28,016,082</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Amounts Related to Pensions	222,134	84,331	468,654	775,119	608,021
Amounts Related to Asset Retirement Obligation	-	2,377,817	-	2,377,817	-
<b>Total Deferred Outflows of Resources</b>	<b>222,134</b>	<b>2,462,148</b>	<b>468,654</b>	<b>3,152,936</b>	<b>608,021</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable (Includes Retainage)	911,550	91,942	294,326	1,297,818	388,689
Payable to Other Governments	69,140	33,432	6,434	109,006	135,114
Due to Other Funds	1,879,892	78,442	77,323	2,035,657	185,844
Accrued Interest Payable	-	1,082	-	1,082	-
Claims and Judgements	-	-	-	-	572,201
Notes Payable	-	121,280	3,480	124,760	-
Landfill Closure and Post Closure Costs	263,696	-	-	263,696	-
Other Accrued Liabilities	95,288	18,888	156,971	271,147	157,286
Customer Deposits - Payable From Restricted Assets	30,250	105,911	45,381	181,542	-
<b>Total Current Liabilities</b>	<b>3,249,816</b>	<b>450,977</b>	<b>583,915</b>	<b>4,284,708</b>	<b>1,439,134</b>
<b>Noncurrent Liabilities</b>					
Compensated Absences	107,213	17,526	211,012	335,751	303,358
Net Pension Liability	155,480	59,026	328,031	542,537	425,580
Landfill Closure and Post Closure Costs	28,643,877	-	-	28,643,877	-
Claims and Judgements	-	-	-	-	1,203,591
Notes Payable (Net of Discount)	-	414,375	5,551	419,926	-
Asset Retirement Obligation	-	4,051,504	-	4,051,504	-
<b>Total Noncurrent Liabilities</b>	<b>28,906,570</b>	<b>4,542,431</b>	<b>544,594</b>	<b>33,993,595</b>	<b>1,932,529</b>
<b>Total Liabilities</b>	<b>32,156,386</b>	<b>4,993,408</b>	<b>1,128,509</b>	<b>38,278,303</b>	<b>3,371,663</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Amounts Related to Pensions	236,074	89,622	498,065	823,761	646,181
<b>Total Deferred Inflows of Resources</b>	<b>236,074</b>	<b>89,622</b>	<b>498,065</b>	<b>823,761</b>	<b>646,181</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	19,152,038	5,017,500	1,138,061	25,307,599	10,218,007
Restricted	221,488	84,085	467,292	772,865	606,254
Unrestricted	17,675,138	4,017,576	5,273,069	26,965,783	13,781,998
<b>Total Net Position</b>	<b>\$ 37,048,664</b>	<b>\$ 9,119,161</b>	<b>\$ 6,878,422</b>	<b>\$ 53,046,247</b>	<b>\$ 24,606,259</b>
Adjustments to reflect the consolidation of internal service fund activities to enterprise funds				(293,374)	
Net Position of Business-Type Activities				<u>\$ 52,752,873</u>	

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

Cowlitz County, Washington  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2022

	Business-Type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Solid Waste	Water Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES</b>					
<i>Charges for Services:</i>					
Water - Sewer	\$ -	\$ 2,313,561	\$ -	\$ 2,313,561	\$ -
Garbage & Solid Waste	25,692,539	-	-	25,692,539	-
Public Safety	-	-	317,466	317,466	1,067,259
Culture & Recreation	-	-	2,027,786	2,027,786	-
Licenses and Permits	-	-	1,767,695	1,767,695	-
Other Services	-	-	1,705,373	1,705,373	11,690,733
<b>Total Operating Revenues</b>	<u>25,692,539</u>	<u>2,313,561</u>	<u>5,818,320</u>	<u>33,824,420</u>	<u>12,757,992</u>
<b>OPERATING EXPENSES</b>					
Maintenance & Operations	18,327,168	1,595,037	5,866,536	25,788,741	12,117,988
Closure & Postclosure Care	3,154,423	-	-	3,154,423	-
Depreciation and Amortization	3,847,667	369,830	57,783	4,275,280	1,995,384
<b>Total Operating Expenses</b>	<u>25,329,258</u>	<u>1,964,867</u>	<u>5,924,319</u>	<u>33,218,444</u>	<u>14,113,372</u>
<b>Operating Income (Loss)</b>	<u>363,281</u>	<u>348,694</u>	<u>(105,999)</u>	<u>605,976</u>	<u>(1,355,380)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	129,426	-	233,766	363,192	808
Investment Earnings	562,375	89,763	33,273	685,411	225,580
Interest Expense	-	(3,362)	(756)	(4,118)	-
Gain (Loss) on Disposition of Assets	-	-	-	-	(52,599)
Miscellaneous Nonoperating Revenues	151,162	35,085	568,160	754,407	149,232
<b>Total Nonoperating Income (Expense)</b>	<u>842,963</u>	<u>121,486</u>	<u>834,443</u>	<u>1,798,892</u>	<u>323,021</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>1,206,244</u>	<u>470,180</u>	<u>728,444</u>	<u>2,404,868</u>	<u>(1,032,359)</u>
Capital Contributions	-	11,910	-	11,910	317,727
Transfers In	-	25,227	245,000	270,227	488,297
<b>Change in Net Position</b>	<u>1,206,244</u>	<u>507,317</u>	<u>973,444</u>	<u>2,687,005</u>	<u>(226,335)</u>
<b>Net Position - Beginning</b>	35,842,420	8,611,844	5,742,359	50,196,623	23,788,231
Prior Period Adjustment	-	-	162,619	162,619	1,044,363
<b>Net Position - Ending</b>	<u>\$ 37,048,664</u>	<u>\$ 9,119,161</u>	<u>6,878,422</u>	<u>\$ 53,046,247</u>	<u>\$ 24,606,259</u>
Adjustments to reflect the consolidation of internal service fund activities to enterprise funds				(107,759)	
<b>Change in Net Position of Business-Type Activities</b>				<u>\$ 2,579,246</u>	

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

**Cowlitz County, Washington**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2022**

	<b>Business-Type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water Sewer</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities-Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 24,940,548	\$ 2,293,693	\$ 5,907,557	\$ 33,141,798	\$ 12,818,716
Payments to suppliers	(15,483,403)	(1,041,865)	(2,909,603)	(19,434,871)	(8,215,744)
Payments to employees	(1,415,978)	(517,891)	(2,941,568)	(4,875,437)	(3,878,987)
Other receipts (payments)	326,172	35,085	627,990	989,247	63,215
Net cash provided (used) by operating activities	<u>8,367,339</u>	<u>769,022</u>	<u>684,376</u>	<u>9,820,737</u>	<u>787,200</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer in (out) from other County fund	-	25,227	245,000	270,227	488,297
Cash received from operating grant	129,426	-	197,036	326,462	-
Net cash provided (used) by noncapital financing activities	<u>129,426</u>	<u>25,227</u>	<u>442,036</u>	<u>596,689</u>	<u>488,297</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(1,385,125)	(122,847)	(166,365)	(1,674,337)	(788,585)
Proceeds from the sale of capital assets	-	-	-	-	86,888
Principal paid on capital debt	-	(121,166)	-	(121,166)	-
Interest paid on capital debt	-	(3,640)	-	(3,640)	-
Capital contributions	-	11,910	-	11,910	-
Net cash provided (used) by capital and related financing activities	<u>(1,385,125)</u>	<u>(235,743)</u>	<u>(166,365)</u>	<u>(1,787,233)</u>	<u>(701,697)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	562,375	89,763	33,270	685,408	225,582
Net cash provided (used) by investing activities	<u>562,375</u>	<u>89,763</u>	<u>33,270</u>	<u>685,408</u>	<u>225,582</u>
Net increase (decrease) in cash and cash equivalents	7,674,015	648,269	993,317	9,315,601	799,382
Cash and cash equivalents, January 1 (Restated)	39,080,463	5,234,145	5,259,431	49,574,039	13,836,947
Cash and cash equivalents, December 31	<u>\$ 46,754,478</u>	<u>\$ 5,882,414</u>	<u>\$ 6,252,748</u>	<u>\$ 58,889,640</u>	<u>\$ 14,636,329</u>
<b>Reconciliation to Net Position</b>					
Cash and cash equivalents	\$ 17,816,655	\$ 5,776,503	\$ 6,203,367	29,796,525	\$ 14,636,329
Retriticited cash and cash equivalents	28,937,823	105,911	45,381	29,089,115	-
Total cash and cash equivalents	<u>\$ 46,754,478</u>	<u>\$ 5,882,414</u>	<u>\$ 6,248,748</u>	<u>\$ 58,885,640</u>	<u>\$ 14,636,329</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
<b>Operating Income (Loss)</b>	\$ 363,281	\$ 348,694	\$ (105,999)	\$ 605,976	\$ (1,355,380)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating income:</u>					
Depreciation	3,847,665	326,236	57,783	4,231,684	1,995,384
Decrease (increase) in account receivable	(377,704)	(23,158)	34,628	(366,234)	3,889
Decrease (increase) in due from other governments	(200,999)	17,265	(22,158)	(205,892)	(45,940)
Decrease (increase) in due from other funds	(278)	(13,975)	87,671	73,418	86,174
Decrease (increase) in prepaid expense	(12,242)	(504)	2,549	(10,197)	215,709
Increase (decrease) in accounts payable	(45,351)	113,829	150,194	218,672	(191,715)
Increase (decrease) in due to other governments	5,394	(8,131)	(6,462)	(9,199)	57,444
Increase (decrease) in due to other funds	1,675,417	28,647	69,402	1,773,466	52,962
Increase (decrease) in accrued liabilities	3,052,404	(21,701)	17,485	3,048,188	(49,507)
Increase (decrease) in customer deposits	2,000	5,465	-	7,465	-
Increase (decrease) in estimated future claims	-	-	-	-	287,859
Increase (decrease) in pension items	(93,410)	(38,730)	(143,342)	(275,482)	(264,838)
Increase (decrease) in unearned revenue	-	-	(25,537)	(25,537)	-
Miscellaneous revenue	151,162	35,085	568,162	754,409	62,344
Total adjustments	<u>8,004,058</u>	<u>420,328</u>	<u>790,375</u>	<u>9,214,761</u>	<u>2,142,580</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 8,367,339</u>	<u>\$ 769,022</u>	<u>\$ 684,376</u>	<u>\$ 9,820,737</u>	<u>\$ 787,200</u>
<b>Non-Cash Investing, Capital and Financing Activities</b>					
Capital Contribution of assets	-	-	-	-	\$ 317,727

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

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2022**

	<b>Investment Trust Funds</b>	<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash, Cash Equivalents and Pooled Investments	\$ 191,820,589	\$ 17,162,676
Taxes Receivable for Other Governments	-	2,911,466
Other Assets	-	675
<b>Total Assets</b>	191,820,589	20,074,817
<b>LIABILITIES</b>		
Due to Other Governments	-	886,535
<b>Total Liabilities</b>	-	886,535
<b>NET POSITION</b>		
Restricted for:		
Pool Participants	191,820,589	-
Individuals, Organizations and Other Governments	-	19,188,282
<b>Total Net Position</b>	\$ 191,820,589	\$ 19,188,282

The notes to financial statements are an integral part of this statement.

**Cowlitz County, Washington**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2022**

	<b>Investment Trust Funds</b>	<b>Custodial Funds</b>
<b>ADDITIONS</b>		
Property tax collections for other governments	\$ -	\$ 122,166,540
Other tax collections	-	24,487,094
Collections from State or Federal sources, other than taxes	-	302,920,493
Collections from services provided	-	96,543,114
Additions by participants	124,142,854	-
Collection from investment disbursements	-	117,696,948
Interest, dividends and other	2,999,284	2,269,292
Court collections for other governments	-	1,215,235
Assessments collected from customers	-	7,595,889
Collection of debt proceeds	-	116,639
Other custodial collections	-	14,677,532
<b>Total Additions</b>	<b>127,142,138</b>	<b>689,688,776</b>
<b>DEDUCTIONS</b>		
Distributions to participants	117,696,948	-
Distributions for investment purchases	-	127,142,138
Payments of property tax	-	55,856,870
Payments of other tax collections	-	14,398,584
Payments of court collections	-	1,179,061
Disbursements for election costs	-	240,675
Disbursements for wages and benefits	-	185,721,113
Disbursements to vendors and suppliers	-	274,836,441
Disbursements to bond and debt holders	-	25,490,609
Other custodial disbursements	-	6,110,478
<b>Total Deductions</b>	<b>117,696,948</b>	<b>690,975,969</b>
<b>CHANGE IN NET POSITION HELD FOR INDIVIDUALS, ORGANIZATIONS AND OTHER GOVERNMENTS</b>	<b>9,445,190</b>	<b>(1,287,193)</b>
Net Position - Beginning of the Year	182,375,399	20,475,475
Net Position - End of the Year	<b>\$ 191,820,589</b>	<b>\$ 19,188,282</b>

The notes to financial statements are an integral part of this statement.

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Cowlitz 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 government accounting and financial reporting principles. The significant accounting policies are described below.

**A. REPORTING ENTITY**

Cowlitz County was incorporated on April 21, 1854. It operates under the laws of the State of Washington applicable to second-class counties with a commissioner form of government.

As required by the generally accepted accounting principles the financial statements present Cowlitz County, the primary government, and its component units. The component unit discussed below is included in the Cowlitz County reporting entity because of the significance of its operational and financial relationship with the County.

Discretely Presented Component Units

The *Public Facilities District* (PFD) has a five-member board appointed by the Cowlitz County Commissioners. The members are volunteers and serve four-year terms. The PFD was formed in 1999 to plan, construct and design a regional conference/special events center. Because the County has issued significant debt and appoints board members, the Public Facility District is presented as a discretely presented component unit of the County. Separate financial statements are available from the Cowlitz County Auditor's Office at 207 Fourth Avenue North, Kelso, Washington 98626.

**B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments for water, sewer and garbage. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions.

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- The General Fund is the County's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.
- The County Road Fund accounts for the restricted resources accumulated for the design, construction and maintenance of county roads and bridges.
- The ARPA Relief Fund accounts for the restricted resources used for responding to the impact of COVID-19 and to contain COVID-19 in our communities, residents, and businesses.

The County reports the following major enterprise funds:

- The Solid Waste Fund accounts for operations of the solid waste landfill sites and the maintenance of the closed portions of landfills.
- The Water Sewer Fund accounts for operations of water and sewer operations and maintenance.

Additionally, the County reports the following fund types:

- *Special revenue funds* are governmental funds that account for and report specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- *Debt service funds* account for and report restricted, committed or assigned resources accumulated for principal and interest on long-term general obligation debt of governmental funds.
- *Capital project funds* account for and report resources that are restricted, committed, or assigned to be used for acquisition or construction of capital projects and other assets.
- *Non-major enterprise funds* which provide services to customers and other agencies in the form of law enforcement records, exposition center, emergency management and a public shooting range.
- *Internal service funds* account for data processing, fleet equipment of the county, elections, and self-insurance for liability, workers industrial accident compensation, and unemployment. Also, purchasing of telephone, postage and some printing services including the supplying of paper to the departments.
- *Custodial funds* are used to account for monies held by Cowlitz County in a custodial capacity for independent districts that are required by state statute to deposit all monies with the county treasurer who serves as a public depository.
- *Investment trust funds* account for and report external pooled and non-pooled investments held by the County Treasurer on behalf of outside entities in the County for external participants that are generally government entities that do not have their own treasurer (such as fire and school districts).

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

### **1. Government-Wide and Governmental Funds**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The County considers property and other taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales tax and interest earnings associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Intergovernmental revenues such as grants are recognized as revenues when grant expenditures are incurred and grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the County.

2. Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County are water-sewer, solid waste, building and planning, and emergency management funds are charges to customers for services. Operating expenses for the County include the cost of personal services, supplies, contractual services and other expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. BUDGETARY INFORMATION**

1. Scope of the Budget

The annual budget for Cowlitz County is adopted in accordance with state statute, codified in Revised Code of Washington, Chapter 36.40, on a basis consistent with generally accepted accounting principles, with one exception. The County budgets the GIS Fund and Benefits Administration Fund activity as if they were special revenue funds. However, GAAP requires this activity to be reported with the General Fund, as it does not have significant streams of restricted resources. The Board of County Commissioners adopts the annual budgets for the general, special revenue and capital project funds. Budgetary constraints for debt services funds are determined by the terms of the debt instruments or enabling legislation.

The steps in the budgetary process are as follows:

- a. Prior to the first Tuesday in September the County Auditor and Budget Director submit a proposed budget to the County Commission. This budget is based on priorities established by the Commission and estimates provided by county departments during the preceding months, and

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

offset with revenue estimates provided by county departments during the preceding months, and offset with revenue estimates made by the County Auditor and Budget Director.

- b. The Commission conducts workshops and public hearings on the proposed budget in October, November, and December.
- c. The Commission makes its adjustments to the proposed budget and adopts by resolution a final balanced budget no later than December 31.
- d. Amendments to the budget require either supplemental appropriation or emergency resolutions approved by the Board of County Commissioners at a public meeting following appropriate public notice. Any revisions that alter total expenditures of a fund or that affect the number of permanent employee positions, or other conditions of employment must be approved by the Commission.

2. Amending the Budget

Budgets are amended during the year for increases or decreases to appropriations by resolutions, which are approved by a majority vote of the Commission after holding a public hearing. Budget amendments resulted in a net increase in the General Fund budgeted appropriations for expenditures by \$6,013,805. The amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at fiscal year-end.

When County Commission determines that it is in the best interest of the County to increase or decrease the appropriation for a particular fund/department, it may do so by resolution.

3. Excess of Expenditures over Appropriations

The Board of County Commissioners at the fund level adopts annual appropriations, 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. Also, total direct labor and benefits by department are controlled by the adopted budgetary amounts.

The General Fund exceeded budget in the debt service appropriations due to required accounting treatment for the refunding of the 2014A and 2014B Bonds. The refunded debt must be treated as defeased in substance per accounting standards even though the legal defeasement will not occur until December 2023, when the debt is callable. The 2022 Limited Tax Obligation Refunding Bond was adequate to cover the defeasement. The proceeds of the bond issue has been placed in an escrow account with a third-party trustee until the 2014A and 2014B debt is legally defeased.

4. Deficit Fund Net Position

At December 31, 2022, the following funds reported deficits in the fund balances or fund net position:

FUND	DEFICIT
Risk Management – internal service fund	\$341,732
Industrial Accident Insurance Fund – internal service fund	\$117,696

The Risk Management fund had a deficit net position due to recognition of an estimate for projected future year’s pay out on the claims incurred of \$1,318,792. At December 31, 2022, the fund had \$139,776 in cash and investments to meet these liabilities.

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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The Industrial Accident Insurance fund had a deficit net position due to recognition of an estimate for projected future year's pay out on the industrial accidents incurred of \$457,000. At December 31, 2022, the fund had \$420,190 in cash and investments to meet current payables of \$217,046.

**E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION**

1. Cash and Cash Equivalents

The amounts reported as cash and cash equivalents also include compensating balances. The County's cash and cash equivalents for proprietary and governmental funds 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.

State statute authorizes the county to invest in obligations of the U.S. Treasury, U.S. Agencies, the State Treasurer's Investment Pool, and public funds investment pools. Local Government Investment Pool (LGIP), which is reported at amortized cost. Otherwise, investments for the County are reported at fair value. (See Note 3, *Deposits and Investments*).

2. Investments

See Note 3, *Deposits and Investments*.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (see Note 4, *Property Tax*). Accrued interest receivable consists of amounts earned on investments and notes at the end of the year.

Customer 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.

4. Amounts Due to and from Other Funds and Governments and Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans receivable/payable*. All other outstanding balances between funds are reported as *due to/from other funds*. 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 7, *Interfund Balances and Transfers*.

5. Inventories and Prepaid Items

Inventories in proprietary funds are valued using the first in first out method (FIFO), which approximates the market value. The cost of governmental fund type inventories unless significant are recorded as expenditures when purchased.

Payment for insurance and similar services extending to future accounting periods are recorded in proprietary funds as prepaid items and as expenditures in governmental type funds.

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the County as assets with initial, individual cost of more than \$50,000 for land, land improvements, buildings, building improvements, improvements other than buildings, infrastructure, and intangible assets and \$15,000 for machinery and equipment and vehicles and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Construction in progress is transferred to the appropriate capital asset category when the project is substantially complete and in use.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

<b>ASSETS</b>	<b>YEARS</b>
Buildings	10 – 60
Building Improvements	10 – 30
Light Vehicles	4 – 7
Heavy Duty Vehicles	7 – 15
Office Equipment	5 – 10
Infrastructure	3 – 100
Intangible	3 – 10

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Vacation pay, which may be accumulated up to 248 hours, is payable upon resignation, termination, retirement or death. Sick leave may accumulate up to 1,200 hours. Fifty percent of accumulated sick leave is payable upon resignation, termination, retirement, or death, up to a maximum of 360 hours.

Sick leave to the extent it results in termination payments, and unused vacation as of year-end, are reported along with related benefits such as Social Security, Medicare, and pension payments where applicable in the proprietary funds and in the government wide financial statements.

8. Other Current Liabilities

**Cowlitz County, Washington**  
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Accrued interest payable, wages payable, payroll taxes and benefits payable make up the other current liabilities.

9. Pensions

For purposes of measuring the net pension liability, net pension asset, 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.

For purposes of calculating the restricted net position related to the net pension asset, the County includes the net pension asset only.

See Note 8, *Pension Plans*.

10. Other Postemployment Benefits

See Note 9, *Postemployment Benefits Other than Pension Benefit*.

11. Long-Term Debt

See Note 11, *Long-Term Debt*.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense or expenditure) until then. The County currently reports five items as a deferred outflow of resources. These items are the deferred charge on refunding, amounts related to pensions, amounts related to OPEB, amounts related to asset retirement obligation and the excess consideration provided for acquisition of the Headquarters Landfill, which is reported on the Statement of Net Position.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The County reports the following types of deferred inflows of resources: 1) amounts related to pensions, 2) deferred amount on refunding of debt, and 3) unavailable revenue, which qualifies for reporting in this category, under a modified accrual basis of accounting. Accordingly, unavailable revenue is recorded only in the governmental funds balance sheets. The unavailable revenue arises from three sources: property taxes, grants and court fees. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

13. Asset Retirement Obligation

The asset retirement obligations (ARO) and deferred outflows of resources related is the liability associated with the retirement of County owned capital assets that have a substantial cost to the County. The obligation

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

will be paid from operating income; no assets have been set aside to fund this obligation. See Note 12 for more information.

**14. Fund Balance Classification**

The County fund balances are classified into five categories: non-spendable, restricted, committed, assigned, and unassigned. Committed, assigned, and unassigned categories are considered to be “unrestricted.”

When expenditures are incurred that could be paid from either restricted, committed, assigned, or unassigned resources, the County uses restricted resources first, committed resources second, assigned resources third, and unassigned resources last.

The fund balance would be committed if the Board of County Commissioners committed a revenue source to a specific purpose by formal resolution. There is currently no committed fund balance. The fund balance is assigned when the Board of County Commissioners or an official designated for that purpose, approve in writing, other than formal resolution, an intended use for a revenue source. The approved budget does not create committed or assigned amounts.

The County considers revenue for special revenue funds, debt service funds and the capital improvement fund to be assigned if not already non-spendable, restricted or committed.

**15. Fund Balance Detail**

	<b>General</b>	<b>County Road</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Restricted for:</b>				
Transportation	-	-	625,269	625,269
Debt Service	-	-	1,530,000	1,530,000
Capital Improvements	-	-	158,384	158,384
REET Technology	-	-	3,359,262	3,359,262
Economic Environment	-	-	545,519	545,519
Federal Forest Title III	-	-	2,515	2,515
Culture & Recreation	-	-	804,271	804,271
Judicial	-	-	215,555	215,555
Auditor's O&M	-	-	364,569	364,569
Social Services	-	-	7,459,131	7,459,131
Public Safety	-	-	1,756,049	1,756,049
Utilities & Environment	-	-	219,373	219,373
<b>Assigned to:</b>				
General Government	39,933	-	1,907,515	1,947,448
Economic Environment	-	-	1,638,778	1,638,778
Transportation	-	11,840,785	8,213	11,848,998
Capital Improvements	-	-	8,539,285	8,539,285
Culture & Recreation	-	-	187,531	187,531
Social Services	-	-	8,216,745	8,216,745
Public Safety	944,212	-	731,598	1,675,810
Utilities & Environment	-	-	8,864	8,864
<b>Unassigned</b>	<b>20,309,994</b>	<b>-</b>	<b>-</b>	<b>20,309,994</b>
	<b>\$ 21,294,139</b>	<b>\$ 11,840,785</b>	<b>\$ 38,278,426</b>	<b>\$ 71,413,350</b>

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

16. Minimum Fund Balance Policy

The County shall strive to maintain a General Fund balance of no less than 8.3% of projected revenues in order to provide sufficient cash flow.

17. Restricted Net Position

Additional detail for the Statement of Net Position - Governmental Activities restricted net position, is as follows:

Promotion of Tourism	\$ 545,519
Federal Forest Title III	2,515
Auditor's Operation and Maintenance	364,569
Capital Improvement Programs	158,384
Total General Government	<u>522,953</u>
Boat Safety Purposes	49,232
Law and Justice	1,706,817
Total Public Safety	<u>1,756,049</u>
Judicial - Superior Court Law Library	215,555
Emergency financial assistance to veterans and their surviving spouses	750,556
Community Mental Health	6,708,575
Total Social Services	<u>7,459,131</u>
Noxious Weed Program	219,373
Transportation - Future Paths and Trails	625,269
Culture and Recreation for the Convention Center	295,435
Cumulative Reserve	508,836
Total Culture and Recreation	<u>804,271</u>
Debt Service	1,530,000
Sales tax to be used for public facilities as defined by state law codified in RCW 82.14.370, which facilitates the creation or retention of businesses and jobs in the County	3,359,262
Net Pension Asset	11,806,240
Total Restricted Net Position	<u><u>\$ 28,846,137</u></u>

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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**NOTE 2 – RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

General obligation bonds payable	\$ (23,295,000)
Add: Issuance premium (to be amortized as interest expense)	(166,499)
Asset Retirement Obligation	(634,108)
Compensated absences	(4,088,148)
Notes payable - direct placement	(3,786,754)
Add: Issuance premium (to be amortized as interest expense)	(1,045,472)
Capital lease payable	(584)
Accrued interest payable	(108,545)
Net adjustment to reduce <i>fund balances -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	\$ (33,125,110)

Another element of this reconciliation – net pension assets and liability and other items related to OPEB and pension activity that are not financial resources or uses, therefore, not reported in the funds is detailed as follows:

Net pension asset	\$ 11,199,986
Net pension liability	(4,618,242)
OPEB liability	(7,791,579)
Deferred outflows related to OPEB	74,950
Deferred outflows related to pension	9,217,010
Deferred inflows related to pension	(9,180,031)
Net adjustment to reduce <i>fund balances -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	\$ (1,097,906)

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation of net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The details of the difference are as follows:

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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Capital outlays	\$ 6,864,454
Disposal of capital equipment	(81,370)
Depreciation expense	(6,355,841)
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position -- governmental activities</i>	\$ 427,243

Another element of the reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of the difference are as follows:

Principal repayments:	
General obligation bonds	\$ 22,873,836
Payments on direct borrowings	116,761
Lease payment	11,561
Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position -- governmental activities</i>	\$ 23,002,158

Another element of the reconciliation states, “Governmental funds report revenue in current period for revenues deferred in prior periods since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned.” The details of the difference are as follows:

Revenue recognized from pension activity	\$ 145,749
Grant and charges for services revenue recognized on the accrual basis	2,775,222
Change in accrual interest earnings versus on modified accrual basis	(2,813)
Tax revenue recognized on the accrual basis	(154,155)
Issuance of debt, Bonds and Notes	(21,230,602)
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position -- governmental activities</i>	\$ (18,466,599)

Another element of the reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable, net pension liability, OPEB, accrued compensation payable for year, change in inventory and deferred outflows of resources.” The details of the difference are as follows:

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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Interest payable	\$ 23,089
OPEB expense	1,814,497
Net pension expense	2,759,368
Inventory	(191,912)
Amortization of charges for discount and premium	129,212
Amortization of excess consideration provided for acquisition	(113,025)
Amortization of amount on refunding	143,013
Amortization of amount for asset retirement obligation	(13,473)
Compensated absences	(19,924)
Net adjustment to increase <i>net changes in fund balances -- total governmental fund to arrive at change in net position -- governmental activities</i>	\$ 4,530,845

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

As of December 31, 2022, cash, cash equivalents and investments as reported on the statements are as follows:

Cash on hand	\$ 23,953,098
Warrants Outstanding	(11,012,718)
State Treasurer's Investment Pool	350,906,238
US Government Agency Securities	12,437,139
	\$ 376,283,757

Custodial Credit Risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the County would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The 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 Public Deposit Protection Commission (PDPC).

The County has an adopted policy that addresses deposit custodial risk. In the event of a bank failure, claims for the County's deposits would be satisfied by the FDIC.

**B. INVESTMENTS**

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the County may face should interest rates variances affect the fair value of investments. County policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The County's intent is to purchase investments that may be held until maturity. This risk is measured using the weighted average to maturity method. Investment maturities at December 31, 2022, is as follows:

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

Investment Type	Weighted Average (Months)
US Government Agency Securities:	
Federal Home Loan Bank	9.07
Federal Farm Credit Bank	5.12
US Treasury Notes	3.20
	5.80

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County has a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the County’s funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer’s Investment Pool, bankers’ acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. The County invests in Federal Home Loan notes, Federal Farm Credit Bank, and Federal National Mortgage Association.

At December 31, 2022, The County’s investments had the following credit quality distribution for securities with credit exposure:

Debt Security	Moody
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA
US Treasury Notes	AAA

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of a failure of the counterparty, the County will not be able to recover its investments that are in the possession of an outside party. The County uses US Bank as the custodial agent for safekeeping of the County’s investments. US Bank provides monthly reports on the County’s securities, all of which are held in the County’s name. The investments held by the County at year-end are all book-entry, registered securities.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The County has an adopted policy limiting the amount the County may invest in any one issuer. The investments held at December 31, 2022, are listed below along with their percentage of the government’s total investment:

Investment Type	Fair Value	Percentage of Portfolio
US Government Agency Securities:		
Federal Home Loan Bank	\$ 2,957,675	23.78%
Federal Farm Credit Bank	4,492,900	36.12%
US Treasury Notes	4,986,564	40.09%
	\$ 12,437,139	100%

**Investments in Local Government Investment Pool (LGIP)**

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

The County is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed 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 weighted average maturities of the LGIP are less than three months, with cash available to the County on demand. The on demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP.

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>.

**Investments Measured at Fair Value**

The County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2022, the County had the following investments measured at fair value:

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

	Fair Value Measurements Using			
	12/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
US Government Agency Securities	\$ 12,437,139	\$ -	\$ 12,437,139	\$ -
Total Investments by Fair Value Level	\$ 12,437,139	\$ -	\$ 12,437,139	\$ -
Investments Measured at Amortized Cost				
State LGIP	\$350,906,238			
Total Investments Measured at Amortized Cost	\$350,906,238			
Total Investments in Statement of Net Position	\$363,343,377			

**NOTE 4 – PROPERTY TAX**

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

**PROPERTY TAX CALENDAR**

January 1	Tax is 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 tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

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

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services.

The County assessed valuation, levy and taxes for 2022 were:

PURPOSE OF LEVY	ASSESSED VALUATION	LEVY RATE PER \$1,000	TOTAL LEVY AMOUNT
General Fund	\$15,791,529,865	\$1.2119356519	\$19,138,318
Human Services/Mental Health	15,791,529,865	0.0250000000	394,788
Veterans Relief	15,791,529,865	0.0112500000	177,655
County Roads	8,673,300,358	1.5135286982	13,127,289

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

**NOTE 5 – RECEIVABLES**

Notes receivable owed to an Other Governmental Fund (rural county public facilities department) of \$250,150 at December 31, 2022. These notes receivable are long-term and consist of the following:

	Interest Rate	Payment		12/31/2022
		Amount	Final Payment	Balance
Port of Longview	3.00%	22,954.79	6/30/2024	44,158
City of Castle Rock	1.50%	14,194.74	12/31/2029	80,870
Cowlitz 2 Fire & Rescue	1.00%	33,333.33	12/31/2025	125,122
Total Notes Receivable				\$ 250,150

The Due from Component Unit of \$1,995,000 represents a receivable for bonds issued by Cowlitz County. The Bonds were issued on behalf of the Public Facilities District which received the proceeds and has agreed to pay the principal and interest on the debt service as it becomes due from proceeds of a 0.033% Retained Sales Tax collected by the District pursuant to RCW 82.14.390 as well as lodging taxes collected by the District pursuant to RCW 36.100.040 and authorized by voters on September 16, 2003.

The Due from Other Government total \$10,969,956. This included a receivable, net of allowance for uncollectible, in the amount of \$2,932,742, representing the County’s portion of the Opioid Settlement received by the State of Washington reached by the Washington State Attorney General under resolution with the three companies found responsible for fueling the opioid epidemic. The remaining \$8,037,214 is due from various other government agencies through the normal course of business.

**NOTE 6 – CAPITAL ASSETS**

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

**A. CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES**

Capital asset activity for the year ended December 31, 2022, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 15,764,564	\$ -	\$ -	\$ 15,764,564
Construction in progress	3,485,021	6,906,097	2,121,196	8,269,922
Total capital assets, not being depreciated	<u>19,249,585</u>	<u>6,906,097</u>	<u>2,121,196</u>	<u>24,034,486</u>
Capital assets, being depreciated:				
Buildings	51,652,196	506,815	113,140	52,045,871
Improvements other than buildings	3,534,680	76,315	-	3,610,995
Machinery and equipment	25,150,538	2,357,185	928,743	26,578,980
Intangible	4,597,279	165,689	-	4,762,968
Infrastructure	179,135,540	79,861	-	179,215,401
Total capital assets, being depreciated	<u>264,070,233</u>	<u>3,185,865</u>	<u>1,041,883</u>	<u>266,214,215</u>
Less accumulated depreciation for:				
Buildings	26,224,303	1,366,851	82,521	27,508,633
Improvements other than buildings	2,156,502	140,819	-	2,297,321
Machinery and equipment	14,697,403	1,906,427	825,393	15,778,437
Intangible	2,971,671	427,151	-	3,398,822
Infrastructure	96,307,121	4,509,978	-	100,817,099
Total accumulated depreciation	<u>142,357,000</u>	<u>8,351,226</u>	<u>907,914</u>	<u>149,800,312</u>
Total capital assets being depreciated, net	<u>121,713,233</u>	<u>(5,165,361)</u>	<u>133,969</u>	<u>116,413,903</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 140,962,818</u></u>	<u><u>\$ 1,740,736</u></u>	<u><u>\$ 2,255,165</u></u>	<u><u>\$ 140,448,389</u></u>

The beginning balance of the Governmental Activities capital assets, net, has been restated by an increase of \$272,177. The majority of the restatement relates to reclassification of assets from Construction in Progress and in between asset categories. Additionally, there were adjustments of asset values based on capitalization requirements.

Depreciation expense was charged to the functions of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 160,269
Public Safety	1,254,748
Judicial	28,582
Utilities	370,770
Transportation	4,288,732
Social Services	191,000
Culture & Recreation	61,740
Capital assets held by the government's Internal Service funds are charged to the various functions based on their usage of the assets	<u>1,995,385</u>
Total Depreciation - Governmental Activities	<u><u>\$ 8,351,226</u></u>

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

At the end of December 31, 2021, the County has active construction projects in process. These projects will be funded through cash on hand, federal/state grants and other financing sources.

Road, culvert, drainage, and bridge construction projects	\$6,843,524
Other capital	1,037,764
Total Construction Commitment	\$7,881,288

**B. CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES**

Capital asset activity for the year ended December 31, 2022, was as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 1,148,600	\$ 26,476	\$ -	\$ 1,175,076
Construction in progress	187,310	262,736	233,945	216,101
Total capital assets, not being depreciated	1,335,910	289,212	233,945	1,391,177
Capital assets, being depreciated:				
Buildings	6,527,410	-	-	6,527,410
Improvements other than buildings	4,254,534	119,834	-	4,374,368
Machinery and equipment	9,704,697	1,385,127	42,735	11,047,089
Intangible	106,613	114,110	-	220,723
Infrastructure	44,882,059	-	-	44,882,059
Total capital assets, being depreciated	65,475,313	1,619,071	42,735	67,051,649
Less accumulated depreciation for:				
Buildings	4,512,405	163,994	-	4,676,399
Improvements other than buildings	4,162,281	15,950	-	4,178,231
Machinery and equipment	4,014,765	900,183	42,735	4,872,213
Intangible	51,974	47,113	-	99,087
Infrastructure	25,660,165	3,104,446	-	28,764,611
Total accumulated depreciation	38,401,590	4,231,686	42,735	42,590,541
Total capital assets, being depreciated, net	27,073,723	(2,612,615)	-	24,461,108
<b>Business-type activities capital assets, net</b>	<b>\$ 28,409,633</b>	<b>\$ (2,323,403)</b>	<b>\$ 233,945</b>	<b>\$ 25,852,285</b>

The beginning balance of the Business-type Activities capital assets, net, has been restated by an increase of \$114,110. There were adjustments of asset values based on capitalization requirements.

Depreciation expense was charged to the functions of the primary government as follows:

**Business-Type Activities:**

Water/Sewer	\$ 326,236
Solid Waste-Landfill	3,847,667
Public Safety	250
Expo Center	17,366
Building & Planning	40,167
Total Depreciation - Buisness-Type Activities	\$ 4,231,686

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

At the end of December 31, 2022, the County had active construction projects in process. The projects include the following as of year-end:

Water Sewer improvements	96,371
Shooting range improvements	<u>119,730</u>
Total Construction Commitment	<u><u>\$ 216,101</u></u>

**C. DISCRETELY PRESENTED COMPONENT UNIT**

Public Facilities District

Capital asset activity for the year ended December 31, 2022, was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	6,108,014	93,136	-	6,201,150
Leasehold improvements	12,128,948	44,200	-	12,173,148
Improvements other than buildings	566,565	-	-	566,565
Machinery and equipment	711,812	-	-	711,812
Total capital assets, being depreciated	<u>19,515,339</u>	<u>137,336</u>	<u>-</u>	<u>19,652,675</u>
Less accumulated depreciation for:				
Buildings	2,089,816	138,893	-	2,228,709
Leasehold improvements	5,977,750	500,127	-	6,477,877
Improvements other than buildings	451,309	9,785	-	461,094
Machinery and equipment	590,382	51,360	-	641,742
Total accumulated depreciation	<u>9,109,257</u>	<u>700,165</u>	<u>-</u>	<u>9,809,422</u>
Total capital assets, being depreciated, net	<u>10,406,082</u>	<u>(562,829)</u>	<u>-</u>	<u>9,843,253</u>
<b>Total capital assets, net</b>	<u><u>\$ 10,406,082</u></u>	<u><u>\$ (562,829)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,843,253</u></u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

**A. INTERFUND TRANSFERS**

Interfund transfers are funds provided to support other funds with no obligation for repayment and consisted of the following for 2022:

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

		TRANSFER FROM			
		General Fund	ARPA	Non-major Gov't	Total
<b>TRANSFER TO</b>	<b>General Fund</b>	\$ -	\$ 743,681	\$ 2,412,158	\$ 3,155,839
	<b>County Road</b>	-	1,476,480	-	1,476,480
	<b>Non-Major Gov't</b>	922,600	-	824,079	1,746,679
	<b>Water Sewer</b>	-	25,227	-	25,227
	<b>Non-Major Enterprise</b>	200,000	-	45,000	245,000
	<b>Internal Service</b>	319,235	96,598	72,464	488,297
	<b>Total</b>	\$ 1,441,835	\$ 2,341,987	\$ 3,353,700	\$ 7,137,522

**B. INTERFUND BALANCES**

Interfund balances at December 31, 2022, were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Activities		
General Fund	\$ 2,450,312	\$ 83,300
Road Fund	1,580,965	450,715
ARPA	5,150	2,037,681
Non-Major Gov't	59,789	117,965
Internal Service	786,531	185,845
Total Governmental Activities	<u>4,882,747</u>	<u>2,875,506</u>
Business Type Activities		
Solid Waste	492	1,879,892
Water Sewer	25,561	78,442
Non-Major Enterprise	2,363	77,323
Total Business Type Activities	<u>28,416</u>	<u>2,035,657</u>
Total Interfund Balances	<u>\$ 4,911,163</u>	<u>\$ 4,911,163</u>

These interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship.

**NOTE 8 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2022:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 5,586,359
Pension assets	\$ 12,579,105
Deferred outflows of resources	\$ 10,600,150
Deferred inflows of resources	\$ 10,649,973
Pension expense/expenditures	\$ 209,437

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

**State Sponsored Pension Plans**

Substantially all Cowlitz 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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 fiscal year 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – December 2022		
PERS Plan 1	6.36%	6.00%

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

**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 1 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 fiscal year 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	

**Cowlitz County, Washington**  
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**December 31, 2022**

Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

The Cowlitz County’s actual PERS plan contributions were \$1,231,616 to PERS Plan 1 and \$1,726,998 to PERS Plan 2/3 for the year ended December 31, 2022.

**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 Cowlitz County 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 Cowlitz County 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 and Cannabis 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

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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.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.50%</b>
July – December 2021		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.63%</b>	<b>6.60%</b>

The Cowlitz County’s actual plan contributions were \$356,093 to PSERS Plan 2 and \$204,764 to PERS Plan 1 for the year ended December 31, 2022.

**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% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% 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

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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 I had no required employer or employee contributions for fiscal year 2021. 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 includes 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.71%</b>	<b>8.53%</b>

The County's actual contributions to the plan were \$239,382 for the year ended December 31, 2022.

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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, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the Cowlitz County as its proportionate share of this amount is \$145,751.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial results reflect the following changes in assumptions and methods since the last valuation:

Method changes

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

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To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s 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 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

**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, 2022 are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the Cowlitz County’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Cowlitz 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	7,463,299	5,586,359	3,948,231
PERS 2/3	9,371,549	(7,957,968)	(22,195,263)
PSERS 2	1,363,820	(572,593)	(2,100,847)
LEOFF 1	(959,544)	(1,094,950)	(1,212,367)
LEOFF 2	(136,010)	(2,953,594)	(5,259,546)

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**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 June 30, 2022, the County reported its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	\$5,586,359
PERS 2/3	(7,957,968)
PSERS 2	(572,593)
LEOFF 1	(1,094,950)
LEOFF 2	(2,953,594)

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

	LEOFF 1 Asset	LEOFF 2 Asset
LEOFF - employer's proportionate share	(1,094,950)	(2,953,594)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(7,406,212)	(1,913,274)
<b>TOTAL</b>	<b>(8,501,161)</b>	<b>(4,866,868)</b>

At June 30, the Cowlitz County’s proportionate share of the collective net pension liabilities or assets was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.20891%	0.20063%	-0.00828%
PERS 2/3	0.21894%	0.21457%	-0.00437%
PSERS 2	0.79354%	0.80083%	0.00729%
LEOFF 1	0.03809%	0.03817%	0.00008%
LEOFF 2	0.10443%	0.10868%	0.00425%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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.

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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 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2022, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

**Pension Expense**

For the year ended December 31, 2022, the Cowlitz County recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 2,345,533
PERS 2/3	(2,735,543)
PSERS 2	149,880
LEOFF 1	(52,248)
LEOFF 2	501,815
<b>TOTAL</b>	<b>209,437</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2022, the Cowlitz County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (925,824)
Contributions subsequent to the measurement date	623,900	-
<b>TOTAL</b>	<b>\$ 623,900</b>	<b>\$ (925,824)</b>

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<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,971,798	\$ (180,148)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,883,385)
Changes of assumptions	4,435,469	(1,161,364)
Changes in proportion and differences between contributions and proportionate share of contributions	84,995	(331,345)
Contributions subsequent to the measurement date	865,016	-
<b>TOTAL</b>	<b>\$ 7,357,278</b>	<b>\$ (7,556,242)</b>

<b>PSERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 297,458	\$ (6,302)
Net difference between projected and actual investment earnings on pension plan investments	-	(401,555)
Changes of assumptions	420,357	(167,948)
Changes in proportion and differences between contributions and proportionate share of contributions	3,202	(40,939)
Contributions subsequent to the measurement date	179,096	-
<b>TOTAL</b>	<b>\$ 900,113</b>	<b>\$ (616,744)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (136,720)
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (136,720)</b>

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<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 701,823	\$ (27,404)
Net difference between projected and actual investment earnings on pension plan investments	-	(988,977)
Changes of assumptions	748,229	(257,177)
Changes in proportion and differences between contributions and proportionate share of contributions	147,236	(140,885)
Contributions subsequent to the measurement date	121,571	-
<b>TOTAL</b>	<b>\$ 1,718,859</b>	<b>\$ (1,414,443)</b>

<b>TOTAL ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,971,079	\$ (213,854)
Net difference between projected and actual investment earnings on pension plan investments	-	(8,336,461)
Changes of assumptions	5,604,055	(1,586,489)
Changes in proportion and differences between contributions and proportionate share of contributions	235,433	(513,169)
Contributions subsequent to the measurement date	1,789,583	-
<b>TOTAL</b>	<b>\$ 10,600,150</b>	<b>\$ (10,649,973)</b>

Deferred outflows of resources related to pensions resulting from the Cowlitz County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2023	\$ (391,789)	\$ (1,917,681)	\$ (135,080)	\$ (57,905)	\$ (308,641)
2024	(355,846)	(1,707,931)	(118,369)	(52,429)	(267,278)
2025	(446,398)	(2,007,876)	(152,349)	(65,556)	(356,353)
2026	268,210	2,676,604	189,908	39,170	428,557
2027	-	953,388	46,416	-	124,111
Thereafter	-	939,516	273,747	-	562,448

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**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT**

**Retired LEOFF I Employees Other Postemployment Benefits**

Aggregate OPEB Amounts	
OPEB Liability	\$ 7,791,579
Deferred Outflows of Resources	74,950
OPEB Expenses	(1,623,216)

Plan Description

The County administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All County LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County. The County has used the alternative measurement method permitted by GASB Statement 75.

There are 16 participants eligible to receive these benefits, all of whom have retired. The benefits are 100 percent provided by the County in order to meet State statutory requirements under the LEOFF I system and provided pursuant to RCW 41.20 and 41.26, whereby the County pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

At December 31, 2022, the following employees were covered by the benefit terms:

Active Employees	0
Inactive Employees or Beneficiaries currently receiving benefits	16
Inactive Employees entitled to but not yet receiving benefits	<u>0</u>
	<u><u>16</u></u>

Contributions

The County has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

For the year ending December 31, 2022, benefit payments made by the County were \$396,561.

Actuarial Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The County’s total LEOFF 1 OPEB liability of \$7,791,579 was measured as of June 30, 2022 with a valuation date of June 30, 2022. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age Normal actuarial cost method and the

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recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

- Inflation: 2.75% total economic inflation
- Discount Rate: 2.16% beginning of measurement year, 3.54% end of measurement year
- Healthcare cost trend rate: for medical costs, 5.0%; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5.5%.

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the Pub S.H-2010 “-1 year Healthy Table” and “-0 years Disabled Table” published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting mortality using MP-2017 long-term rates. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. 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. Medicare participation is assumed at 100%.

Sensitivity of the Total OPEB Liability

The table below presents the County’s total OPEB liability calculated using the discount rate of 3.54 percent, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54 percent) or 1-percentage point higher (4.54 percent) than the current rate.

Total OPEB Liability	Sensitivity Analysis		
	1% Decrease	Current	1% Increase
Discount Rate	\$ 8,645,176	\$ 7,791,579	\$ 7,060,722

The following table presents the total OPEB liability of the County calculated using the health care cost trend rate of 5 percent and long term care rates of 4.50 percent, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (4%, 3.5 % long term care trend rate) or 1-percentage point higher (6%, 5.5 % long term care trend rate) than the current rate.

Total OPEB Liability	Sensitivity Analysis		
	1% Decrease	Current	1% Increase
Healthcare Trend	\$ 7,091,330	\$ 7,791,579	\$ 8,590,668

Changes in the Total OPEB Liability

At the measurement date June 30, 2022, the changes in the total OPEB liability are as follows:

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Total OPEB Liability at December 31, 2021	\$ 9,651,621
Changes for the Year:	
Interest	204,215
Changes in Experience Data and Assumptions	(1,667,696)
Estimated Benefit Payments	(396,561)
Net Changes	(1,860,042)
Total OPEB Liability at December 31, 2022	<u>\$ 7,791,579</u>

The County reported \$(1,623,216) as LEOFF 1 OPEB expense for the calendar year 2022.

At December 31, 2022, the County reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$74,950. This will be recognized as a reduction in OPEB liability in the period ending December 31, 2023.

**NOTE 10 - RISK FINANCING**

**A. WASHINGTON COUNTIES RISK POOL**

Cowlitz 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, 2022, 25 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, education, and claims administration. The Pool’s liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. County deductibles range from \$10,000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may purchase an optional \$5,000,000 excess of \$20,000,000 layer of coverage. Allocated Loss Adjustment Expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2022, Cowlitz County selected a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the amount of the layer of coverage below. For 2019-20 through 2021-22 Fiscal Years, the Pool’s SIR was \$2,000,000 and for the Pool’s 2021-22 Fiscal Year, the Pool’s SIR was \$3,000,000. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30,000,000 (lowest reinsured layer), \$50 million, (second layer).

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The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. For the 2021-22 Fiscal Year, 16 of the Pool's 25 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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 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 four 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 2021-22, Cowlitz County was also one of twenty-four (24) 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.

Cowlitz County also participates in the jointly purchased cyber risk and security coverage from a highly rated commercial insurer. This group-purchased cyber coverage provides limits of \$2,000,000 per claim and \$5,000,000 in the aggregate. For 2022, the Pool's SIR for cyber claims was \$250,000 from January 1 through December 31, with Cowlitz County having no deductible.

Beginning in 2021-22 Fiscal Year, Cowlitz County was one of 22 counties that participated in a group purchased crime policy, which included limits of \$2,000,000 and with a county deductible of \$25,000.

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 \$100,000, c) to authorize by two-thirds majority vote commencement of lawsuits in the name of the pool.

During 2021-22, the WCRP's assets increased to \$57,838,522 while its liabilities also increased to

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\$35,879,265. The Pool’s net position ended at \$22,917,345. 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, 2022, was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

**B. SELF-INSURANCE**

The County maintains insurance against most normal hazards. For general liability, the County retains the risk for general liability up to \$100,000 per claim (our “deductible” or “self-retention”).

For workers compensation the County has elected to retain losses up to \$500,000 for all employees, per occurrence. Excess insurance has been purchased to cover claims above the deductible and self-retention. The County Risk Manager and independent claims managers’ process claims. Based on the claims manager’s estimates, the estimated ultimate loss report for general liability prepared by the Risk Pool and with management’s judgment. Estimated Claims at December 31, 2022, were \$1,318,792 for general liability and \$457,000 for workers compensation.

The County’s changes in aggregate liability were as follows:

	Risk Management	Industrial Insurance	Total
Claims Payable 12/31/2020	\$ 880,483	\$ 457,000	\$ 1,337,483
Provision for 2021	211,290	-	211,290
Increase (Decrease) in Provision for Prior Years	(82,002)	-	(82,002)
Less:			
Payment of Claims in Current Year Events	28,649	-	28,649
Payment of Claims in Prior Year Events	114,193	-	114,193
Claims Payable 12/31/2021	866,929	457,000	1,323,929
Provision for 2022	436,041		436,041
Increase (Decrease) in Provision for Prior Years	257,436		257,436
Less:			
Payment of Claims in Current Year Events	36,613		36,613
Payment of Claims in Prior Year Events	205,001		205,001
Claims Payable 12/31/2022	<u>\$ 1,318,792</u>	<u>\$ 457,000</u>	<u>\$ 1,775,792</u>

Since 1988, when Cowlitz County joined the risk pool, settlements by the County have not exceeded the annual insurance coverage.

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The County is required by the State to set aside a minimum of \$100,000 for protection of the Workers Compensation Fund. The Industrial Insurance Fund has cash and cash equivalents in the amount of \$420,190 at December 31, 2022, available to meet the projected future estimate of claims to be paid of \$457,000. This results in a December 31, 2022, total net position of (\$117,696).

The Risk Management Fund has \$139,776 at December 31, 2022, in net cash and investments to meet actual and projected claims to be paid of \$1,318,792. This results in a December 31, 2021, total net position of (\$341,732)

Claims settlements and loss expenses are accrued in the Risk Management Fund for the estimated settlement value of both reported and unreported claims (up to the aggregate stop-loss). This fund is responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements and for purchasing certain insurance policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

Also the county self-insures the Unemployment Compensation Fund. At December 31, 2022, the fund has a total net position balance of \$250,707 compared to total net position of \$336,465 at December 31, 2021.

**NOTE 11 – LONG-TERM DEBT**

The County has long-term debt reported with both governmental activities and business-type activities. Long-term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other long-term debt of the County is reported in the governmental column of the government wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed in the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds received, are reported as debt service expenditures.

General Obligation and Revenue Bonds

The County issues general obligation bonds to finance the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities and are being repaid from the applicable sources. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds outstanding are as follows:

<b>Description</b>	<b>Outstanding</b>
\$3,690,000 <b>2012A Limited Tax General Refunding Bond</b> issued May 30, 2012, to refinance the 2002 Limited General Obligation bonds. The debt is served from the proceeds of taxes levied against all of the taxable property within the County and from the state sales tax authorized for distressed counties. Also, the County pledged its resources to the payment of the bonds to obtain a more favorable rate of interest. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments beginning April 1, 2013 through April 1, 2024. After April 1, 2023, the bonds may be redeemed prior	\$760,000

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to maturity at par plus accrued interest to the date fixed for redemption. If default occurs interest continues to accrue at the same rate provided in the bond until the bond principal and interest are paid in full.	
\$4,880,000 <b>2012B Limited Tax General Refunding Bond</b> issued May 30, 2012, to refinance the 2003 Limited General Obligation bonds. The debt is serviced from the sales and hotel taxes of .033 percent, received by the Cowlitz County Public Facilities District, a component unit of Cowlitz County. This tax will expire in May 2027. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments beginning April 1, 2013, through April 1, 2027. After April 1, 2023, the bonds may be redeemed prior to maturity at par plus accrued interest to the date fixed for redemption. If default occurs interest continues to accrue at the same rate provided in the bond until the bond principal and interest are paid in full.	\$1,995,000
\$3,145,000 of the \$4,055,000 <b>2015 Limited Tax General Obligation Refunding Bonds</b> issued September 15, 2015, to refund the 2005 LTGO bonds and pay the administrative costs of refunding, issuance and sale of bonds. The debt is served from the proceeds of taxes levied against all of the taxable property within the County and from the state sales tax authorized for distressed counties. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments begin November 1, 2015, with the final payment on 11/1/2023. The remaining are special assessment bonds, to be paid by special assessment. The bonds are non-callable. If default occurs the County is obligated to pay interest on the bond at the same rate provided until the bond principal and interest are paid in full.	\$210,000
\$20,460,000 <b>2022 LTD GO Refunding Bonds</b> issued August 3, 2022, as crossover refunding bonds with an interest rate ranging from 2.99% to 3.81% to refund the 2014A and 2014B GO Bonds with an average interest rate of 4.25%. The debt is serviced from proceeds of taxes levied against all of the taxable property within the County. Principal payments are due annually on December 1 ranging in amounts from \$15,000 to \$2,345,000. Interest payments are due semiannually on June 1st and December 1st. The final payment is due December 1, 2033. If default occurs the County is obligated to pay interest on the bond at the same rate provided until the bond principal and interest are paid in full.	\$20,330,000

General obligation and revenue bond debt service requirements to maturity are as follows:

<b>Year Ending December 31</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 995,000	\$ 835,487
2024	2,575,000	669,056
2025	2,260,000	592,594
2026	2,345,000	519,875
2027	2,165,000	449,712
2028-2032	10,610,000	1,325,019
2033	2,345,000	70,116
	<u>\$23,295,000</u>	<u>\$ 4,461,859</u>

Direct Borrowing and Direct Placement Debt

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The County receives loans directly from third parties to finance the construction of major capital projects. Direct borrowing and direct placement loans outstanding are as follows:

<b>Description</b>	<b>Outstanding</b>
<p>\$1,084,158 <b>2005 Water Sewer PWTF Loan.</b> The funds were for improvements to the Ryderwood Water Treatment Plant. The loan has a 1% interest rate. Eighteen equal annual principal payments of \$60,231 are due beginning October 1, 2006, with final maturity October 1, 2023. The County has the right to repay the unpaid loan balance in full at any time without penalty. Delinquent payments shall be assessed a monthly penalty beginning the first day past the due date at a rate of one percent per month. The loan may be terminated in whole or in part if the terms of the contract are not followed and nothing shall affect the obligation to repay any unpaid balance of the loan.</p>	\$60,231
<p>\$322,035 <b>2008 Water-Sewer PWTF Loan.</b> The funds were for County Water Systems Reservoir Coating. The loan has an interest rate of .50% with annual principal payments of \$18,006 through July 1, 2027. The County has the right to repay the unpaid loan balance in full at any time without penalty. Delinquent payments shall be assessed a monthly penalty beginning the first day past the due date at a rate of one percent per month. The loan may be terminated in whole or in part if the terms of the contract are not followed and nothing shall affect the obligation to repay any unpaid balance of the loan.</p>	\$90,030
<p>\$222,669 <b>2010 Water-Sewer DOE Loan.</b> The funds are being used for the Ryderwood Infiltration and Inflow Removal. Taxes levied and a pledge of net revenue and ULID assessments are used to repay this loan. The loan has a 1% percent interest rate. Payments are due bi-annually in the amount of \$6,273.50. The term of the loan is 20 years. As of December 31, 2012, \$222,669 has been drawn from the \$223,157 available. The entire principal and accrued interest may be repaid at any time. If default occurs a late charge may be assessed at one percent per month starting on the day the debt becomes past due and until it is paid in full. The loan may also be terminated for insufficient funds or failure to commence work.</p>	\$101,987
<p>\$595,000 <b>2012 Water-Sewer PWTF Loan.</b> The funds are being used for the Toutle Sewer Lift Station Rehabilitation Project. The loan has a .5% percent interest rate. Principal payments are due annually in the amount of \$31,490. The term of the loan is 20 years. The County has the right to repay the unpaid loan balance in full at any time without penalty. Delinquent payments shall be assessed a monthly penalty beginning the first day past the due date at a rate of one percent per month. The loan may be terminated in whole or in part if the terms of the contract are not followed and nothing shall affect the obligation to repay any unpaid balance of the loan.</p>	\$283,408
<p>\$3,340,000 <b>2021B Local Agency Financing Lease.</b> The funds are being used for the Morgue building construction. The loan has a 2.11% interest rate. Principal payments are due annually ranging from \$95,000 to \$255,000. The term of the loan is 20 years. The entire principal and accrued interest may be repaid at any time. The loan may be terminated if the terms of the contract are not followed and nothing shall affect the obligation to repay any unpaid balance of the loan.</p>	\$3,245,000

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<p>\$277,531 <b>2021B Local Agency Financing Lease.</b> The funds are being used for the Morgue building equipment. The loan has a 0.94% interest rate. Principal payments are due annually ranging from \$21,761 to \$34,271. The term of the loan is 10 years. The entire principal and accrued interest may be repaid at any time. The loan may be terminated if the terms of the contract are not followed and nothing shall affect the obligation to repay any unpaid balance of the loan.</p>	\$255,770
<p>\$285,984 <b>2022B Local Agency Financing Lease.</b> The funds are being used for the Sheriff's department equipment. The loan has a 2.64272% interest rate. Principal payments are due annually ranging from \$22,633 to \$35,287. The term of the loan is 10 years. The entire principal and accrued interest may be repaid at any time. The loan may be terminated if the terms of the contract are not followed and nothing shall affect the obligation to repay any unpaid balance of the loan.</p>	\$285,984

Direct borrowing and direct placement debt service requirements to maturity are as follows:

Ending December 31	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	Principal	Interest	Principal	Interest
2023	\$ 150,829	\$ 332,983	\$ 121,280	\$ 2,754
2024	158,238	321,071	61,165	1,867
2025	165,651	308,597	61,283	1,581
2026	178,183	295,311	61,401	1,294
2027	185,843	281,212	61,521	1,006
2028-2032	1,043,010	1,018,458	169,006	1,654
2033-2037	955,000	361,375	-	-
2038-2041	950,000	98,000		
	<u>\$ 3,786,754</u>	<u>\$ 3,017,007</u>	<u>\$ 535,656</u>	<u>\$ 10,156</u>

Direct Financing Agreements

The County has entered into direct financing agreements for vehicles. Prior to the implementation of GASB Statement 87, these agreements were referred to as Capitalized Leases. The value of the assets acquired through these agreements for governmental and business type activities is \$26,724 and \$60,616, respectively. As of December 31, 2022, the outstanding balance of the financing agreement for governmental and business type activities is \$584 and \$9,031, respectively.

Direct Financing Agreements debt service requirements to maturity are as follows:

Year Ending December 31	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	Principal	Interest	Principal	Interest
2023	\$ 584	\$ 4	\$ 3,480	\$ 515
2024	-	-	5,550	120
Total	<u>584</u>	<u>4</u>	<u>9,031</u>	<u>635</u>

Discretely Presented Component Units - Public Facilities District

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The PFD is responsible for a portion of the bonds that were issued by other governments to finance the construction and improvements to the Regional Convention Center and the Columbia Theatre for the Performing Arts in the City of Longview. Additionally, the PFD is liable for operating loans used to cover tax shortfalls.

<b>Public Facilities Dist. – Due to Primary Government (Cowlitz County)</b>	<b>Outstanding</b>
\$4,880,000 from Cowlitz County – issued 2012B Limited Tax General Refunding Bond May 30, 2012, to refinance the 2003 Limited General Obligation bonds. The debt is serviced from the sales taxes of .033 percent, authorized by RCW 82.14.390, imposed by PFD Resolution 02-01 on March 20, 2002, and lodging taxes in the amount of 1% approved by the voters in September 2003. This tax will expire in May 2027. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments are due April 1, 2013, through April 1, 2027. After April 1, 2023, the Bonds may be redeemed prior to maturity at par plus accrued interest to the date fixed for redemption. If default occurs interest continues to accrue at the same rate provided in the Bond until the Bond, both principal and interest, is paid in full.	\$1,995,000
<b>Public Facilities Dist. - Notes Payable due to City of Longview</b>	<b>Outstanding</b>
\$5,775,000 from City of Longview that issued bonds on December 27, 2017, to provide new bond funds in the amount of \$965,000 and \$4,810,000 (to refund 2007 bonds which were initially used for improvements to Columbia Theatre for the Performing Arts in Longview). Sales and use tax authorized by RCW 82.14.390 in the amount of .020%, imposed by the PFD pursuant to Resolution #07-02 dated July 23, 2007, are received to repay this loan. This tax will expire in July 2047. Interest varies from 3.0% to 4.0% with future annual principal payments of \$85,000 to \$330,000 beginning December 01, 2017, through June 01, 2047. No penalties exist should default occur.	\$5,310,000

At December 31, 2022, annual debt service for debt categorized as Due to Primary Government (Cowlitz County) for the Public Facilities District follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	400,000	71,800	471,800
2024	425,000	55,300	480,300
2025	450,000	37,800	487,800
2026	480,000	19,200	499,200
2027	240,000	4,800	244,800
	<b>\$ 1,995,000</b>	<b>\$ 188,900</b>	<b>\$ 2,183,900</b>

At December 31, 2022, annual debt service requirements payable to the City of Longview are as follows:

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	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	105,000	196,906	301,906
2024	110,000	193,756	303,756
2025	120,000	190,456	310,456
2026	125,000	186,856	311,856
2027-2031	740,000	864,931	1,604,931
2032-2036	985,000	699,831	1,684,831
2037-2041	1,290,000	479,231	1,769,231
2042-2046	1,650,000	205,219	1,855,219
2047	185,000	6,244	191,244
	<u>\$ 5,310,000</u>	<u>\$ 3,023,430</u>	<u>\$ 8,333,430</u>

The PFD's debt covenants require the district to maintain a depreciation reserve account and a rate stabilization fund for the Regional Events Center, and revenue stabilization and depreciation reserve accounts for the Columbia Theatre Project. At December 31, 2022, these funds were as follows:

<b>Purpose</b>	<b>Amount</b>
Regional Events Center Rate Stabilization	\$ 476,931
Columbia Theatre Revenue Stabilization	309,712
Regional Events Center Depreciation Reserve	1,720,992
Columbia Theatre Depreciation Reserve	551,048
	<u>\$ 3,058,683</u>

Unspent loan proceeds in the amount of \$65 as of December 31, 2022, are also being presented as restricted cash.

Conduit Debt

**2015 TRRWA Special Revenue Bonds** was issued December 15, 2015, to refund the 2006 portion of the County's outstanding Limited Tax General Obligation. The debt is serviced by net revenue from user fees collected by the Cities of Kelso, Longview and Beacon Hill Sewer District and is required to be paid by TRRWA pursuant to the interlocal agreement with the County. Interest varies from 2% to 4% on principal installments of \$805,000 to \$970,000 through March 1, 2025. The bonds are non-callable.

The bonds are further secured by a pledge of the system revenue and limited tax general obligation pledge by the County. If default occurs the County is obligated to pay interest on the bond at the same rate provided until the bond principal and interest are paid in full. There is no current liability recorded related to the potential of the County to be responsible for any such payments.

The outstanding balance is \$2,805,000 at December 31, 2022.

Changes in Long Term Debt

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**Governmental Activities**

	<b>Balance</b>		<b>Restated</b>			<b>Balance</b>	<b>Due Within</b>
	<b>1/1/2022</b>	<b>Adjustment *</b>	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/2022</b>	<b>One Year</b>
<b>Bonds Payable</b>							
General Obligation Bonds	\$ 26,845,000	\$ -	\$ 26,845,000	\$ 20,460,000	\$ 24,010,000	\$ 23,295,000	\$ 995,000
Plus: Premium on Bonds	744,678	-	744,678	-	578,179	166,499	69,060
Subtotal General Obligation Bonds	27,589,678	-	27,589,678	20,460,000	24,588,179	23,461,499	1,064,060
Revenue Bonds	3,680,000	(3,680,000)	-	-	-	-	-
Plus: Premium on Bond	190,912	(190,912)	-	-	-	-	-
Subtotal Revenue Bonds	3,870,912	(3,870,912)	-	-	-	-	-
<b>Total Bonds Payable</b>	<b>31,460,590</b>	<b>(3,870,912)</b>	<b>27,589,678</b>	<b>20,460,000</b>	<b>24,588,179</b>	<b>23,461,499</b>	<b>1,064,060</b>
<b>Direct Borrowings/Placements:</b>							
Notes Payable-Other Govts.	6,074,809	(2,457,278)	3,617,531	285,984	116,761	3,786,754	150,828
Plus: Premium on NP-Other Govts.	620,896	-	620,896	484,618	60,042	1,045,472	62,030
<b>Total Direct Borrowings/Placements</b>	<b>6,695,705</b>	<b>(2,457,278)</b>	<b>4,238,427</b>	<b>770,602</b>	<b>176,803</b>	<b>4,832,226</b>	<b>212,858</b>
Direct Financing Agreements	12,145	-	12,145	-	11,561	584	584
Other Post Employee Benefits	9,651,621	-	9,651,621	204,215	2,064,257	7,791,579	386,571
Compensated Absences	4,068,224	-	4,068,224	19,925	-	4,088,149	-
Compensated Absences - Int Svc	330,840	-	330,840	-	27,482	303,358	-
Claims/Judgements - Int Svc	1,487,933	-	1,487,933	287,859	-	1,775,792	436,041
Asset Retirement Obligations	596,826	-	596,826	37,282	-	634,108	-
Net Pension Liability	2,094,489	-	2,094,489	2,523,753	-	4,618,242	-
Net Pension Liability - Int Svc	211,173	-	211,173	214,407	-	425,580	-
<b>Total Long-Term Debt</b>	<b>\$ 56,609,546</b>	<b>\$ (6,328,190)</b>	<b>\$ 50,281,356</b>	<b>\$ 24,518,043</b>	<b>\$ 26,868,282</b>	<b>\$ 47,931,117</b>	<b>\$ 2,100,114</b>

For governmental activities, claims and judgments, other post-employment benefits, and compensated absences are generally liquidated by the general fund.

\*Due to the implementation of GASB 91, the beginning balance of the Revenue Bonds and the Notes Payable – Other Governments has been restated.

**Business Type Activities**

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>1/1/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/2022</b>	<b>One Year</b>
<b>Direct Placements:</b>					
Notes Payable-Other Govts.	\$ 656,821	\$ -	\$ 121,165	\$ 535,656	\$ 121,280
Total Direct Placements	656,821	-	121,165	535,656	121,280
Landfill Closure and Postclosure Care	<b>25,887,506</b>	3,020,067	-	28,907,573	<b>263,696</b>
Direct Financing Agreements	12,270	-	3,239	9,031	3,480
Asset Retirement Obligations	3,813,294	238,210	-	4,051,504	-
Net Pension Liability	245,667	296,870	-	542,537	-
Compensated Absences	332,215	3,535	-	335,750	-
<b>Total Long-Term Debt</b>	<b>\$ 30,947,773</b>	<b>\$ 3,558,682</b>	<b>\$ 124,404</b>	<b>\$ 34,382,051</b>	<b>\$ 388,456</b>

**Component Unit - Public Facilities District**

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>1/1/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/2022</b>	<b>One Year</b>
<b>Private Placement:</b>					
Due to Primary Government Bonds	\$ 2,370,000	\$ -	\$ 375,000	1,995,000	\$ 400,000
Plus: Premium on Bonds	140,238	-	25,890	114,348	25,890
Due to Primary Government (net)	2,510,238	-	400,890	2,109,348	425,890
Notes Payable	5,410,000	-	100,000	5,310,000	105,000
Plus: Premium on Bonds	280,891	-	10,804	270,087	10,804
Less: Issuance Discounts	(42,730)	-	(1,644)	(41,086)	(1,644)
Due to Other Governments (net)	5,648,161	-	109,160	5,539,001	114,160
<b>Total Private Placement Long-Term Debt</b>	<b>\$ 8,158,399</b>	<b>\$ -</b>	<b>\$ 510,050</b>	<b>\$ 7,648,349</b>	<b>\$ 540,050</b>

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Legal Debt Margin

State law sets the County’s limitation on external long-term debt and the remaining debt that may be incurred is as follows:

<u>PURPOSE OF INDEBTEDNESS</u>	<u>REMAINING CAPACITY</u>
General Government (No vote required)	\$210,067,563
General Government (Vote required)	\$394,788,247

Debt Coverage Requirements

The 2015 special revenue refunding bonds resolution requires that net revenues of TRRWA meet either 1.3 times the aggregate annual debt service when system development charges are included in the revenues or 1.2 times the aggregate annual debt service when the system development charges are not included in the revenues.

The ratio requirement was met at December 31, 2022. The aggregate annual debt service when system development charges are included in revenue was 2.19 and excluding system development charges coverage was 2.47 times the 2022 debt service on bonds.

In March of 2008, the County’s Bond Insurer for the 2002 Revenue Bonds (FGIC) was downgraded to Baa3 from AAA. As a result, TRRWA must meet Reserve Requirements for the Bonds issued through deposit into the Reserve Account. At December 31, 2022 \$1,259,295 is being held by TRRWA to satisfy this debt service covenant.

Additionally, TRRWA is required to hold funds in a rate stabilization account. At December 31, 2022, \$409,212 was held in their account.

Refunded Debt

In July 2022, the County issued Limited Tax General Obligation Bonds in the amount of \$20,460,000. The refunded bonds, 2014A and 2014B General Obligation Bonds will be called and legally defeased in December 2023. The funds to defease the bonds were placed with an Escrow Agent in Trust, causing the bond to be defeased in substance at the issuance of the refunding debt. The county completed the current refunding to reduce its total debt service payments over the next 7 years by \$3,119,790 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,125,642.

**NOTE 12 – ASSET RETIREMENT OBLIGATIONS**

Details of the County’s asset retirement obligations (ARO) are presented below:

**Cowlitz Public Shooting Range**

The County owns and maintains a public shooting range that is approximately 80 acres. Lead management, reclamation and recycling is recognized as a serious and necessary component to range management. It is

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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required by the Special Use Permit, which states that the cleanup will follow guidelines from the United States Environmental Protection Agency document “Best Practices for Lead at Outdoor Shooting Ranges” (EPA-902-B-01-001).

The County used an estimate from a professional reclamation company which is based on costs associated with the clean-up, which includes: costs for remedial investigation/feasibility study, project planning, implementation, and reporting. This estimate was inflated, using an inflation calculator, to ensure 2022 costs of these cleanup activities were appropriately reflected in the County’s Financials.

The County is required to maintain actual cash or surety bond equal to the cost estimate.

**Hall of Justice Geothermal HVAC system Wells**

The County owns and maintains 72 Geothermal HVAC system Wells at the Hall of Justice. These wells are considered open loop heat exchange wells that are associated with buildings, they are also classified as water wells. Having these wells obligates the County to decommission them in accordance with regulations including WAC 173-160-381, WAC 173-162, and RCW Chapter 18.104 for the Washington Well Construction Act.

The County staff estimated the cost of decommissioning these wells based on the respective size x 72 (seventy-two wells exist in total). All seventy-two wells were initially drilled in 2011, are 6 inches in diameter and 200 feet deep. The County has estimated the useful lives of these wells at 50 years.

**Wastewater Sewer Lagoons**

The County owns and maintains five Lagoons within two locations: Ryderwood having 3 Lagoons (all constructed in 1978) and Woodbrook having 2 Lagoons (both constructed in 1972). Having these lagoons obligates the County to decommission them in accordance with requirements outlined throughout the Department of Ecology permits which allow the operating of the lagoons. These permits require at the end of the lagoon’s useful life it will decommissioned to avoid any residual discharge into the groundwater.

The County staff estimated the cost of decommissioning these lagoons, filling them, based on the respective size of each lagoon. These lagoons range in acreage from .29 acres to 2.8 acres and are as shallow as 4 feet and as deep as 14 feet resulting in volumes between 50,530 and 487,872 cubic feet. The County has estimated the useful lives of these lagoons at 100 years.

Pursuant to these requirements, the County reported and Asset Retirement Obligation and related deferred outflow in the 2022 financial statements as follows:

	<b>ARO Liability</b>	<b>Deferred Outflow</b>	<b>Remaining Useful Life</b>
Shooting Range	483,905	405,504	40
House of Justice Wells	150,203	119,839	40
Wastewater Lagoons	4,051,504	2,377,817	57

**Water and Groundwater Wells**

In addition to the above outlined ARO’s recorded in the County’s financials, the County has 9 water wells and 3 groundwater diversion wells that are active with decommissioning requirements. Having wells obligates the County to decommission them in accordance with regulations including WAC 173-160-381,

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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WAC 173-162 and Chapter 18.104 RCW for the Washington Well Construction Act. The County staff estimated the cost of decommissioning each well based on the respective size. The County estimates the water wells total liability to be less than \$8,400 and the groundwater diversion wells to be less than \$3,100 as of December 31, 2022. These amounts are immaterial to the total liabilities being reported the Water Sewer Fund and total governmental liabilities.

County staff estimates the useful life of these assets at 100 years from the date of placement in service of the asset. The remaining useful life of the assets vary between 48 and 92 years. Given the materiality assessments associated with the decommissioning of these wells, the County expects to fund these obligations on a pay-as-you-go basis and will not record these liabilities. The County believes that not recording these liabilities will not qualitatively or quantitatively misrepresent financial statements to users and will continue to record these activities as an operating cost, until becoming material. The County will review asset retirement obligations associated with these wells, as well as any new wells and associated costs to ensure GASB reporting requirements, as applicable and material, are met.

**NOTE 13 – CLOSURE AND POST CLOSURE CARE COSTS**

State and federal laws and regulations require municipal solid waste landfills to place a cover on their landfills and perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and post closure costs will be paid near or after designated areas of the landfill are filled, the County is required to report a portion of these closure and post closure care costs as an expense and as a liability in each period that the landfill accepts waste.

As of March 2014, the County owns two landfills; the Tennant Way Landfill and the Headquarters Landfill. The County reported \$28.9 million as landfill closure and post closure care liability at December 31, 2022. This represents the cumulative amount reported to date based on the capacity used. This cost is an estimate; actual costs may be higher due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

Tennant Way

The Tennant Way landfill consists of two separate regulatory units, the unlined landfill and the lined landfill.

The unlined landfill was at full capacity in 1992 and is monitored under WAC 173-304, which requires a 20-year monitoring period. This landfill was treated separately under Washington State regulations. As a result, 100% of the post-closure care costs have been included as a liability, in the amount of \$859,134. Although monitoring requirements for this section are 20 years, the County is recognizing 30 years of post-closure monitoring voluntarily, due to the difficulties of monitoring this site separately from the lined site. The voluntary post-closure costs for the additional ten years is included in the liability. Six years of post-closure has been completed; therefore, the liability represents the remaining 23 years.

The lined landfill was closed in April 2014, thus, the lined landfill is at 100% percent of the estimated refuse capacity at December 31, 2022. As a result, \$4.9 million is reported as landfill closure and post closure care liability, related to this section of the landfill. These amounts are based on what it would cost to perform all closure and post closure care at the end of 2022. This landfill has closed under WAC 173-351 requirements implemented by the Washington State Department of Ecology and the Cowlitz County Environmental Health Department. The lined landfill is required to be monitored for 30 years after closure. Six years of post-closure has been completed; therefore, the liability represents the remaining 23 years.

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

Headquarters Landfill

This landfill was purchased by the County in March 2014. At the time of the purchase, the landfill was at 7.9% capacity. The closure and post closure liability at the time of purchase was \$7.7 million dollars, which was assumed by the County. This is presented as excess consideration provided for acquisition on the statement of net position. At December 31, 2022, the landfill was at 18.74% capacity. Based on the capacity used thru December 31, 2022, the closure and postclosure liability is \$23.1 million. The estimated total current cost of closure and postclosure care remaining to be recognized is \$86,854,829. It is estimated that the landfill will be closed in September 2120 under WAC 173-351 Criteria for Municipal Solid Waste Landfills.

Cowlitz County is required by state regulations to accumulate funds over the remaining life of the landfill to provide for the closure and post closure care. The County is in compliance with these requirements. At December 31, 2022, the County had \$28.9 million in cash and investments held for these purposes for both landfills. The amounts are reported as restricted cash and investment on the statement of net position.

**NOTE 14 – CONTINGENT LIABILITIES**

Cowlitz County has recorded in its financial statements all material liabilities, including an estimate for situations, which are not yet resolved, but where, based on available information, management believes it is probable that the County will have to make payment. In the opinion of the management, the County's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

Cowlitz County participates in a number of federal and state assisted programs. The grants are subject to an annual audit, principally the federal programs. The audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the contracts. At this time there are no known disallowed expenditures and if any disallowed expenditures should result it is estimated that such amounts, if any to be immaterial.

Blake Legal Financial Obligation Refunds. In State v. Blake, 197 Wn.2d 170, 173 (2021), the Washington Supreme Court invalidated Washington's simple drug possession statute. The effect of this decision is to render void all such convictions dating back to 1971. It has been determined to use the State Treasury to cover the state and local costs related to this case. The Treasury is being initially used to cover these costs and costs were determined as the state level, the County has made the determination that once the state allocation funds have been depleted these liabilities belong to the state and not the County. The County will not be reporting a liability related to this activity.

**NOTE 15 – OTHER DISCLOSURES**

**A. RELATED PARTY TRANSACTIONS**

Public Facilities District (PFD)

The PFD and Cowlitz County (County) entered into an interlocal agreement in 2003 for the financing, construction, and operation of a Regional Conference and Special Events Center (center). As the primary government, the County issued bonds in the amount of \$4.9 million for the construction of the center. The center was constructed on property owned by the County. The County has a long-term lease with the PFD for the site. The PFD retains ownership of the facility. RCW 35.57.020 requires that retained sales tax used for prescribed center purposes is matched 33 percent from other public or private sources. The County

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
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provides an “in-kind” match as required by forgiving the annual fair market rental value of the site to the PFD. The match for 2022 was \$299,345. Additionally, in-kind match is provided by Cowlitz County from lodging and sales tax in the amount of \$205,262 for 2022.

The PFD is obligated to cover the operating losses of the regional conference and special events center. Payments to Cowlitz County to cover these losses were \$120,000 for 2022.

Cowlitz 911

Cowlitz 911 and the County entered into an interlocal agreement in 2018 establishing a 911 Council to oversee the Cowlitz County Public Safety Answering Point and providing for the joint operations which included providing 911 emergency and non-emergency communications and dispatch services to the citizens of Cowlitz County. RCW 82.14B.030 allows a county to impose an enhanced 911 excise tax on the use of switched access lines. \$3,164,034 was provided by Cowlitz County from the 911 excise tax in 2022. RCW 82.14.420 requires emergency communications sales and use tax to be solely used for emergency communication systems and facilities. \$1,113,065 was provided by Cowlitz County from the sales and use tax in 2022.

EMS District #1 and North Country EMS (NCEMS)

EMS District #1 was established in 1986 as a quasi-municipal corporation and an independent taxing authority under RCW 36.32.480 and service the southeastern portion of Cowlitz County. In 1986, the district entered into an Interlocal Cooperation Agreement with Clark County Emergency Medical Service District Number 1 and the Town of Yacolt to operate a joint emergency medical services agency designated as "North Country Emergency Medical Service" (NCEMS). EMS District 1 designates the Board of County Councilors as the governing body. EMS District 1 collects property taxes and remits the property taxes received through the interlocal agreement to NCEMS.

**B. JOINT VENTURE**

Southwest Washington Regional Airport Board

The cities of Longview and Kelso along with Cowlitz County and the Port of Longview entered into an agreement in February of 2012 to establish an Airport Board (Board) to jointly fund and manage the operations, maintenance, improvement and regulation of the Southwest Washington Regional Airport. Prior to the agreement the Airport had been owned and operated by the City of Kelso. This agreement took effect in January of 2013 with noncapital assets and liabilities transferred to the board which consists of a member from each party and an at large member to be appointed by majority vote of the other members.

The Board formulates its preliminary annual budget and submits it to each participating jurisdiction prior to August 1, of each year. Estimated expenses for maintenance and operations, repairs and replacements to existing facilities, capital projects, and debt service are netted against estimated airport operating revenues to determine the amount of annual subsidy required by the participating jurisdictions. Each jurisdiction is responsible for 25% of the estimated subsidy. Payments made to the airport by the County in 2022 were \$76,000.

This agreement may be terminated at any time upon the approval by a super-majority of the entities. All assets and liabilities acquired by the Board will remain the property of the airport and used for airport maintenance and operations consistent with FAA’s Revenue Use Policy. In the event the airport ceases to

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

operate, any assets or liabilities remaining from such property acquired after the commencement of this agreement, and after the full satisfaction of all federal obligations, grant repayments to the FAA, and satisfaction of FAA's Revenue Use Policy, shall be distributed to the parties in the same proportion as the financial contribution of the parties for its acquisition.

The County's ongoing financial responsibility is minimal at the end of December 31, 2022. The airport has less than \$25,000 in outstanding obligations. The airport is not accumulating significant resources or experiencing fiscal stress that would cause additional financial benefit or burden on the County in the future. The airport does not issue stand-alone financial statements.

**C. SUBSEQUENT EVENTS**

As of January 1, 2023, the County created and began operating the Cowlitz County Investment Pool for county other jurisdictional governments within the county. The Pool is not Security and Exchange Commission-(SEC) registered. Authority to manage the pool is derived from RCW 36.29.022.

**D. NEW ACCOUNTING STANDARDS IMPLEMENTATION**

GASB Statement No. 87, Leases. The County implemented GASB 87 on January 1, 2022. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of implementing this GASB, the County has reclassified two previously identified capital leases as direct financing agreements; one within Governmental Activities with a December 31, 2022, ending balance of \$584 and the second within the Business Type Activities with a December 31, 2022, ending balance of \$9,31.

GASB Statement No. 91, Conduit Debt Obligations. The County implemented GASB 91 on January 1, 2022. The primary objectives of this Statement were to provide a single method of reporting conduit obligations by issuers and eliminate diversity in practices associated with such debt.

As a result of implementing this statement, the County identified one debt obligation that met the definition and should be removed from the County's debt obligation. This also resulted in the removal of the receivable from the third-party obligor that offset this debt. As such, the County has recorded a Change in Accounting Principles of \$261,609.

**E. PRIOR PERIOD ADJUSTMENTS**

The County statements present the following prior period adjustments, by fund type:

**Cowlitz County, Washington**  
**Notes to the Financial Statements**  
**December 31, 2022**

Government Wide Corrections	Amount
Governmental Activities - Capital Asset corrections, see Note 6	272,178
Governmental Activities- Revenue accrual for grants and taxes	109,833
Governmental Activities - Prepaid Insurance adjustment	1,044,363
<b><i>Total Governmental Activities</i></b>	<b><i>1,426,374</i></b>
Business Type Activities - Revenue accrual for grants	48,509
Business Type Activities - Building & Planning capital asset correction, See Note 6	114,110
<b><i>Total Business Type Activities</i></b>	<b><i>162,619</i></b>

Fund Statement Corrections	Amount
General Fund - Revenue accrual for grants	105,689
Other Governmental Funds - Revenue accrual for grants and taxes	4,144
<b><i>Total Governmental Funds</i></b>	<b><i>109,833</i></b>
Nonmajor Emergency Management - Revenue accrual for grants	48,509
Nonmajor Enterprise Funds - Building & Planning capital asset correction	114,110
<b><i>Total Enterprise Funds</i></b>	<b><i>162,619</i></b>
Internal Service Funds - Prepaid Insurance adjustment	1,044,363
<b><i>Total Internal Service Funds</i></b>	<b><i>1,044,363</i></b>

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
 Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 1

As of June 30

Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.200633%	\$ 5,586,359	\$ 32,473,857	17.20%	76.56%
2021	0.205389%	2,551,329	31,650,203	8.06%	88.74%
2020	0.203959%	7,200,854	30,843,978	23.35%	68.64%
2019	0.210802%	8,106,085	29,314,304	27.65%	67.12%
2018	0.217995%	9,735,731	33,429,593	29.12%	63.22%
2017	0.227081%	10,775,171	32,924,479	32.73%	61.24%
2016	0.229672%	12,334,468	32,015,384	38.53%	57.03%
2015	0.236004%	12,345,204	30,193,488	40.89%	59.10%
2014	0.249000%	12,543,492	27,744,430	45.21%	61.19%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 2/3

As of June 30

Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.214571%	\$ (7,957,968)	\$ 26,871,822	-29.61%	106.73%
2021	0.218937%	(21,809,648)	26,088,495	-83.60%	120.29%
2020	0.216243%	2,765,625	25,371,491	10.90%	97.22%
2019	0.223950%	2,175,316	24,332,000	8.94%	97.77%
2018	0.229044%	3,910,722	23,836,200	16.41%	95.77%
2017	0.238035%	8,270,578	23,336,865	35.44%	90.97%
2016	0.240895%	12,128,873	23,437,513	51.75%	85.82%
2015	0.247671%	8,849,426	21,977,689	40.27%	89.20%
2014	0.254713%	5,148,669	20,044,875	25.69%	93.29%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
 Schedule of Proportionate Share of the Net Pension Liability (Asset)

PSERS

As of June 30  
 Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.800829%	\$ (572,593)	\$ 5,437,816	-10.53%	105.96%
2021	0.793536%	(1,823,062)	5,357,005	-34.03%	123.67%
2020	0.854273%	(117,548)	5,278,940	-2.23%	101.68%
2019	1.039395%	(135,163)	4,797,140	-2.82%	101.85%
2018	1.188836%	14,730	4,676,650	0.31%	99.79%
2017	1.254117%	245,719	4,607,516	5.33%	96.26%
2016	1.263375%	536,909	4,095,348	13.11%	90.41%
2015	1.307756%	238,692	3,829,065	6.23%	95.08%
2014	1.414900%	(204,892)	3,474,694	-5.90%	105.01%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)

LEOFF 1  
As of June 30  
Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
		\$	\$	\$			
2022	0.038170%	(1,094,950)	(7,406,212)	(8,501,162)	N/A	N/A	169.62%
2021	0.038085%	(1,304,625)	(8,824,453)	(10,129,078)	N/A	N/A	187.45%
2020	0.039081%	(738,048)	(4,992,140)	(5,730,188)	N/A	N/A	146.88%
2019	0.038746%	(765,858)	(5,180,242)	(5,946,100)	N/A	N/A	148.78%
2018	0.038611%	(700,983)	(4,741,435)	(5,442,418)	N/A	N/A	144.42%
2017	0.041059%	(622,955)	(4,213,655)	(4,836,610)	N/A	N/A	135.96%
2016	0.040909%	(421,480)	(2,850,878)	(3,272,358)	N/A	N/A	123.74%
2015	0.040473%	(487,789)	(3,299,393)	(3,787,182)	N/A	N/A	127.36%
2014	0.041280%	(500,640)	(3,386,317)	(3,886,957)	N/A	N/A	126.91%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)

LEOFF 2  
As of June 30  
Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.108680%	\$ (2,953,594)	\$ (1,913,274)	\$ (4,866,868)	\$ 4,348,869	-67.92%	116.09%
2021	0.104428%	(6,065,611)	(3,912,981)	(9,978,592)	3,983,557	-152.27%	142.00%
2020	0.106473%	(2,171,894)	(1,388,762)	(3,560,656)	3,943,874	-55.07%	115.83%
2019	0.113984%	(2,640,659)	(1,729,278)	(4,369,937)	3,931,619	-67.16%	119.43%
2018	0.116555%	(2,366,321)	(1,532,148)	(3,898,469)	3,795,844	-62.34%	118.50%
2017	0.112811%	(1,565,451)	(1,015,479)	(2,580,930)	3,975,652	-39.38%	113.36%
2016	0.111561%	(648,872)	(423,018)	(1,071,890)	3,379,628	-19.20%	106.04%
2015	0.111898%	(1,150,088)	(760,439)	(1,910,527)	3,247,188	-35.42%	111.67%
2014	0.108588%	(1,441,009)	(941,528)	(2,382,537)	2,754,089	-52.32%	116.75%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Employer Contributions

PERS 1

As of December 31

Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	\$ 1,231,616	\$ (1,231,616)	\$ -	\$ 32,670,555	3.77%
2021	1,394,035	(1,394,035)	-	32,134,853	4.34%
2020	1,523,316	(1,523,316)	-	31,429,426	4.85%
2019	1,477,708	(1,477,708)	-	29,606,230	4.99%
2018	1,503,454	(1,503,454)	-	34,195,896	4.40%
2017	1,417,419	(1,417,419)	-	35,385,447	4.01%
2016	1,331,327	(1,331,327)	-	31,686,421	4.20%
2015	1,254,343	(1,254,343)	-	30,436,350	4.12%
2014	1,120,168	(1,120,168)	-	30,141,980	3.72%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	\$ 1,726,998	\$ (1,726,998)	-	\$ 27,153,878	6.36%
2021	1,893,524	(1,893,524)	-	26,522,000	7.14%
2020	2,047,509	(2,047,509)	-	25,852,353	7.92%
2019	1,887,365	(1,887,365)	-	24,438,109	7.72%
2018	1,834,933	(1,834,933)	-	24,466,101	7.50%
2017	1,623,824	(1,623,824)	-	26,108,562	6.22%
2016	1,412,392	(1,412,392)	-	22,670,773	6.23%
2015	1,307,583	(1,307,583)	-	21,939,117	5.96%
2014	1,124,609	(1,124,609)	-	22,077,469	5.09%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Employer Contributions

PSERS

As of December 31

Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	\$ 356,093	\$ (356,093)	-	\$ 5,450,187	6.53%
2021	368,842	(368,842)	-	5,386,738	6.85%
2020	387,174	(387,174)	-	5,377,411	7.20%
2019	355,262	(355,262)	-	4,977,367	7.14%
2018	327,028	(327,028)	-	4,773,429	6.85%
2017	298,753	(298,753)	-	4,482,527	6.66%
2016	284,835	(284,835)	-	4,308,901	6.61%
2015	275,108	(275,108)	-	4,009,775	6.86%
2014	239,028	(239,028)	-	3,708,261	6.45%

**Cowlitz County**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Employer Contributions

LEOFF 2

As of December 31

Last Nine Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	\$ 239,382	\$ (239,382)	-	\$ 4,611,982	5.19%
2021	214,739	(214,739)	-	4,119,458	5.21%
2020	206,543	(206,543)	-	3,931,643	5.25%
2019	208,377	(208,377)	-	3,930,692	5.30%
2018	210,742	(210,742)	-	3,881,820	5.43%
2017	188,138	(188,138)	-	3,651,547	5.15%
2016	172,782	(172,782)	-	3,410,641	5.07%
2015	184,226	(184,226)	-	3,391,340	5.43%
2014	158,386	(158,386)	-	3,027,915	5.23%

**Cowlitz County**  
Notes to Required Supplemental Information - Pension

As of December 31  
Last Nine Fiscal Years

**Note 1:** Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

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.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3:** Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

**Note 4:** Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

**PERS 1**

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25%
9/1/2022	current	10.39% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

**PERS 2/3**

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>

9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25%
9/1/2022	current	10.39% *

\* Employer contribution rate includes an administrative expense rate of 0.18%  
\*

**LEOFF 1**

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
7/1/2008	8/31/2013	0.16%
9/1/2013	current	0.18%

\* Employer contribution rate includes an administrative expense rate of 0.18%

**LEOFF 2**

\*

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2017	5.23%
7/1/2017	6/30/2019	5.43%
7/1/2019	6/30/2021	5.33%
7/1/2021	current	5.30% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

Effective July 1, 2019, LEOFF employers must pay an additional 3.44% to pick up the state contributions on basis salary paid for services rendered to non-LEOFF employers

**PSERS 2**

<u>From this</u>	<u>Through this</u>	<u>Employer</u>
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	10.54%
7/1/2015	6/30/2017	11.54% *
7/1/2017	8/31/2017	11.94%
9/1/2017	8/31/2018	11.95%
9/1/2018	6/30/2019	12.38%
7/1/2019	6/30/2021	12.14%
7/1/2021	8/31/2022	10.39%
9/1/2022	current	10.63% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

COWLITZ COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS  
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
 DEFINED BENEFIT OPEB - LEOFF I  
 FOR THE YEAR ENDED DECEMBER 31  
 LAST FIVE CALENDAR YEARS

	2022	2021	2020	2019	2018
Total OPEB liability					
Interest	\$ 204,215	210,516	309,470	343,383	329,051
Changes of assumptions or other inputs	(1,667,696)	118,170	787,064	15,131	(279,648)
Estimated benefit payments	(396,561)	(403,182)	(421,217)	(357,906)	(377,836)
Net change in total OPEB liability	(1,860,042)	(74,496)	675,317	608	(328,433)
Total OPEB liability beginning	9,651,621	9,726,117	9,050,800	9,050,192	9,378,625
Total OPEB liability ending	<u>7,791,579</u>	<u>9,651,621</u>	<u>9,726,117</u>	<u>9,050,800</u>	<u>9,050,192</u>
Covered employee payroll	NA	NA	NA	NA	NA
Total OPEB liability as a percentage of covered employee payroll	NA	NA	NA	NA	NA

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

	2017
	3.58%
	3.87%
	3.50%
	2.21%
	2.16%
	3.54%

2. The County implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.

**Cowlitz County  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Superintendent of Public Instruction)	School Breakfast Program	10.553	08-458-6808	8,227	-	8,227	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Superintendent of Public Instruction)	National School Lunch Program	10.555	08-458-6808	23,524	-	23,524	-	
<b>Total Child Nutrition Cluster:</b>				<b>31,751</b>	<b>-</b>	<b>31,751</b>	<b>-</b>	
<b>Forest Service Schools and Roads Cluster</b>								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Gifford Pinchot National Forest)	Schools and Roads - Grants to States	10.665	17-SA-11060300-012	21,393	-	21,393	-	2
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Gifford Pinchot National Forest)	Schools and Roads - Grants to States	10.665	20-PA-1160300-014	10,922	-	10,922	-	2
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA Dept of Agriculture)	Schools and Roads - Grants to States	10.665	Title I 2021	60,386	-	60,386	-	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA Dept of Agriculture)	Schools and Roads - Grants to States	10.665	Title III 2021	7,165	-	7,165	-	
<b>Total Forest Service Schools and Roads Cluster:</b>				<b>99,866</b>	<b>-</b>	<b>99,866</b>	<b>-</b>	

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-106	124,840	-	124,840	121,977	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	21-62210-004	21,947	-	21,947	18,447	
			<b>Total ALN 14.228:</b>	<b>146,787</b>	<b>-</b>	<b>146,787</b>	<b>140,424</b>	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Department of Commerce)	COVID 19 - Emergency Solutions Grant Program	14.231	20-4613C-107	98,209	-	98,209	98,209	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Dept of Archaeology & Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY22-CLG- COWLITZ	2,268	-	2,268	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K17592	6,288	-	6,288	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA Dept of Commerce)	Crime Victim Assistance	16.575	22-31101- 507/23-31101- 008	61,002	-	61,002	-	

The accompanying notes are an integral part of this schedule.

**Cowlitz County  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via WA Dept of Commerce)	Violence Against Women Formula Grants	16.588	F21-31101-060	16,326	-	16,326	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA Dept of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F18-31440-004	15,307	-	15,307	9,859	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via State of WA Office of Financial Management)	Edward Byrne Memorial Competitive Grant Program	16.751	2019-DS-BX- 0024	19,015	-	19,015	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Attorney General of Washington)	National Sexual Assault Kit Initiative	16.833	RU-22-08	1,500	-	1,500	-	
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 8261	1,603,253	-	1,603,253	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9335	15,042	-	15,042	-	

The accompanying notes are an integral part of this schedule.

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9677	54,639	-	54,639	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9964	17,202	-	17,202	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9965	185,399	-	185,399	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9966	861	-	861	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9967	4,950	-	4,950	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA 9968	4,164	-	4,164	-	
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,885,510</b>	<b>-</b>	<b>1,885,510</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATOR, TRANSPORTATION, DEPARTMENT OF (via WA State Military)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E22-143	7,950	-	7,950	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	2,414,190	2,414,190	71,395	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	21-4619C-107	7,500,960	-	7,500,960	7,477,187	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Dept of Health & WASPC)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	D&M COVID 19 Jails 2022-001	15,973	-	15,973	-	
			<b>Total ALN 21.027:</b>	<b>7,516,933</b>	<b>2,414,190</b>	<b>9,931,123</b>	<b>7,548,582</b>	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	Local Assistance and Tribal Consistency Fund	21.032		-	101,231	101,231	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Dept of Health)	Public Health Emergency Preparedness	93.069	CLH131008	110,656	-	110,656	-	2

*The accompanying notes are an integral part of this schedule.*

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND DRUG ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Association of Food and Drug Officials)	Food and Drug Administration Research	93.103	G-BDEV- 202109-00947	4,035	-	4,035	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Dept of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH31008	428,425	-	428,425	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Dept of Social & Health Services)	Temporary Assistance for Needy Families	93.558	2163-19706	5,425	-	5,425	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	2110-80610	561,152	-	561,152	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	2163-32127	15,168	-	15,168	-	
<b>Total ALN 93.563:</b>				<b>576,320</b>	<b>-</b>	<b>576,320</b>	<b>-</b>	

*The accompanying notes are an integral part of this schedule.*

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH31008	55,493	-	55,493	-	2
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Executive Office of the President)	High Intensity Drug Trafficking Areas Program	95.001	G20NW0011A	28,348	-	28,348	-	
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Executive Office of the President)	High Intensity Drug Trafficking Areas Program	95.001	G21NW0011A	30,481	-	30,481	-	
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Executive Office of the President)	High Intensity Drug Trafficking Areas Program	95.001	G22NW0011A	11,652	-	11,652	-	
<b>Total ALN 95.001:</b>				<b>70,481</b>	<b>-</b>	<b>70,481</b>	<b>-</b>	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via WA State Parks and Recreation)	Boating Safety Financial Assistance	97.012	LE:MLE1206	8,815	-	8,815	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military)	Emergency Management Performance Grants	97.042	E22-174	37,182	-	37,182	-	

*The accompanying notes are an integral part of this schedule.*

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military)	Emergency Management Performance Grants	97.042	E22-226	20,518	-	20,518	-	
			<b>Total ALN 97.042:</b>	<b>57,700</b>	<b>-</b>	<b>57,700</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Office of Homeland Security)	Homeland Security Grant Program	97.067	E20-100SHSP	36,305	-	36,305	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military)	Homeland Security Grant Program	97.067	E21-092	44,725	-	44,725	-	
			<b>Total ALN 97.067:</b>	<b>81,030</b>	<b>-</b>	<b>81,030</b>	<b>-</b>	
			<b>Total Federal Awards Expended:</b>	<b>11,307,092</b>	<b>2,515,421</b>	<b>13,822,513</b>	<b>7,797,074</b>	

*The accompanying notes are an integral part of this schedule.*

**Cowlitz County, Washington**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2022**

**NOTE 1 – BASIS OF ACCOUNTING**

The schedule is prepared on the same basis of accounting as the county's financial statements. The county uses the modified accrual basis of accounting for governmental funds and full accrual basis for proprietary funds.

**NOTE 2 – INDIRECT COST RATE**

The amount expended includes amounts claimed as indirect cost recovery using an approved indirect rate provided by individual contracts to the following programs:

93.069	28,257
93.268	630
93.323	130,708
93.994	15,746
10.665	2,938
	<u>\$ 178,278</u>

The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in 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.



**Carolyn Fundingsland  
AUDITOR**

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER  
UNIFORM GUIDANCE**

**Cowlitz County  
January 1, 2022 through December 31, 2022**

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).

<b>Finding ref number:</b> 2022-001	<b>Finding caption:</b> The County’s internal controls were inadequate for ensuring accurate financial reporting
<b>Name, address, and telephone of County contact person:</b> KayLee McKay 207 N. Fourth Avenue Kelso, WA 98626	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The County is enhancing their Financial Statement checklist to better track GASB implementation, continuing to contract with a specialized outside contractor and providing as many opportunities as we can for new staff to receive all relevant training.</i>	
<b>Anticipated date to complete the corrective action:</b> 12/31/2023	

<b>Finding ref number:</b> 2022-002	<b>Finding caption:</b> The County lacked adequate internal controls for ensuring compliance with federal suspension and debarment requirements.
<b>Name, address, and telephone of County contact person:</b> KayLee McKay 207 N. Fourth Avenue Kelso, WA 98626	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The County is working on a checklist specific to federal funding that county departments are able to utilize to ensure all 2 CFR 200 requirements are being met.</i>	
<b>Anticipated date to complete the corrective action:</b> 12/31/2023	

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