



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

Cowlitz County

For the period January 1, 2013 through December 31, 2013

Published September 22, 2014

Report No. 1012650





Washington State Auditor
Troy Kelley

September 22, 2014

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,

TROY KELLEY
STATE AUDITOR

Table of Contents

Cowlitz County January 1, 2013 through December 31, 2013

Federal Summary	4
Schedule Of Prior Federal Audit Findings.....	6
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	7
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	15
About The State Auditor’s Office.....	; 9

Federal Summary

Cowlitz County January 1, 2013 through December 31, 2013

The results of our audit of Cowlitz County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information.

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 no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
16.738	JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA - JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (Recovery Act)
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The County qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

Cowlitz County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Cowlitz County. The State Auditor's Office has reviewed the status as presented by the County.

Audit Period: 01/01/2012- 12/31/2012	Report Reference No: 1010612	Finding Reference No: 1	CFDA Number(s): 97.067
Federal Program Name and Granting Agency: Homeland Security Grant Program, U.S. Department of Homeland Security		Pass-Through Agency Name: Clark County and Military Department	
Finding Caption: The County did not have adequate internal controls to ensure that it spent federal funds on allowable activities, did not ensure compliance with suspension and debarment requirements, and did not comply with equipment record documentation.			
Background: The County did not maintain time and effort documentation, did not ensure vendors/subrecipients were not suspended or debarred and did not maintain equipment records that identify equipment purchased with federal funds.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>In addition to the normal time sheets used in Cowlitz County for entry into the County's CHAMPS payroll system, a monthly reconciliation of time and effort solely dedicated to activities identified in the Region 4 Homeland Security Scope of Work by the employee funded through State Homeland Security Grant sources is created. This reconciliation is signed by this grant-funded employee. This reconciliation is also being checked by the Emergency Management Director and signed for certification.</i> <i>A written policy has been established requiring one of three actions be taken to verify vendors or subrecipients have not been suspended or debarred.</i> <i>A written policy has been established requiring the recording of all equipment. The inventory tracking spreadsheet has been updated to reflect federal requirements. The spreadsheet includes item description, serial number, model number, location of item, cost, source, acquisition date, disposal date, sale amount, verification date and percent of federal participation.</i>			

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**Cowlitz County
January 1, 2013 through December 31, 2013**

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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Cowlitz County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 16, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

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.



TROY KELLEY
STATE AUDITOR

September 16, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Cowlitz County
January 1, 2013 through December 31, 2013**

Board of Commissioners
Cowlitz County
Kelso, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Cowlitz County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 16, 2014

Independent Auditor's Report on Financial Statements

Cowlitz County January 1, 2013 through December 31, 2013

Board of Commissioners
Cowlitz County
Kelso, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Cowlitz County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Cowlitz County, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and County Road funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 26 and information on postemployment benefits other than pensions on page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

September 16, 2014

Financial Section

Cowlitz County January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013

General Fund Budgetary Comparison – 2013

County Road Fund Budgetary Comparison – 2013

Statement of Fund Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2013

Statement of Cash Flows – Proprietary Funds – 2013

Statement of Fiduciary Net Position – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits – Schedule of Funding Progress – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

Management's Discussion and Analysis

Cowlitz County's discussion and analysis are intended to serve as an introduction to and overview of the County's basic financial statements for fiscal year ended December 31, 2013. The discussion emphasizes results for calendar year 2013 with comparison to the prior year. We encourage readers to consider 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.

I. Financial Highlights

- The total assets and deferred outflows of Cowlitz County exceeded its liabilities by \$250.9 million. Net investment in capital assets (net of depreciation and related debt) accounts for 76% of this amount with a value of \$191.7 million. Of the unrestricted net position, \$24.7 million of governmental activity and \$18.8 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 \$7.3 million in 2013. The net position of business-type activities decreased by approximately \$403,000 and total net position of governmental activities increased \$7.7 million compared to 2012.
- At December 31, 2013, Cowlitz County's governmental funds reported a combined ending fund balance of \$40.5 million, an increase of \$4.4 million compared to the prior year.
- The General Fund unassigned fund balance at December 31, 2013 was \$8.1 million, an 8% increase compared to the December 31, 2012 total of \$7.5 million. The December 31, 2013 unassigned fund balance represents 42% of 2013 total liabilities, deferred inflows and fund balance.
- The County Road Fund assigned fund balance at December 31, 2013 totaled \$7.6 million, an increase of 25% compared to the December 31, 2012 balance. The ending assigned fund balance represents 68% of the 2013 Road Fund total liabilities, deferred inflows and fund balance.
- Cowlitz County's total noncurrent liabilities (without component unit) as of December 31, 2013 totaled \$76.3 million, a net decrease of nearly \$4 million from the previous year.
- At December 31, 2013 the County's remaining capacity for issuing nonvoted debt is \$116.9 million.

II. 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 and 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 2013.)

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, a regional wastewater facility, operation of a solid waste landfill site, a 911 communication center, maintaining law enforcement records, emergency 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 a legally separate entity—the Public Facilities District (PFD) that has a five member board appointed by the Board of County Commissioners that also had some debt issued by the County for its construction project. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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 (trust/agency 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.

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*.

Cowlitz County had 50 individual governmental funds at the close of 2013 used for financial reporting purposes. 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, Road Fund, and Capital Improvement Fund, Three Rivers Regional Wastewater, and Solid Waste 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 45 governmental and proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary Funds. 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 Three Rivers Regional Wastewater. The Solid Waste and Three Rivers funds are identified as major funds. The 911 Communication Center, Water/Sewer Utility, Public Shooting Range, Law Enforcement Records, 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, and elections. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements.

All Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary Funds of Cowlitz County are used to account for assets held by the county on behalf of other governmental entities or held for the benefit of parties outside the government which are classified as agency funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to finance County operations. The statements detailing these funds 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.

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

Notes to 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.

III. Condensed Financial Information

Government-wide Financial Analysis. 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 by \$250.9 million at December 31, 2013 compared to \$243.5 million at December 31, 2012.

Prior to 2002, infrastructure (roads, bridges, drainage systems, etc.) was not included in capital assets reported for Cowlitz County. GASB Statement No. 34 requires that all capital assets including infrastructure be reported. Cowlitz County has elected to use the depreciation method (not the conditional assessment approach) to account for infrastructure assets. Infrastructure at December 31, 2013 net of depreciation totals \$89.8 million of Cowlitz County's investment in capital assets.

Cowlitz 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.

Cowlitz County's Net Position

	Governmental Activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 61,304,381	\$ 55,974,017	40,744,974	43,346,999	\$ 102,049,355	\$ 99,321,016
Capital assets (net of depreciation.	150,419,246	147,680,129	80,932,237	81,854,499	231,351,483	229,534,628
Total assets	<u>\$211,723,627</u>	<u>\$203,654,146</u>	<u>121,677,211</u>	<u>125,201,498</u>	<u>333,400,838</u>	<u>328,855,644</u>
Total deferred outflows of resources	285,232	307,301	-	-	285,232	307,301
Noncurrent Liabilities	24,036,491	24,811,293	52,288,359	55,509,126	76,324,850	80,320,419
Other liabilities	4,830,735	3,719,596	1,674,574	1,574,733	6,505,309	5,294,329
Total liabilities	<u>28,867,226</u>	<u>28,530,889</u>	<u>53,962,933</u>	<u>57,083,859</u>	<u>82,830,159</u>	<u>85,614,748</u>
Net Position:						
Net Investment in						
Capital Assets	147,550,209	145,219,879	44,124,227	41,252,246	191,674,436	186,472,125
Restricted	10,890,985	8,245,360	4,753,198	5,397,569	15,644,183	13,642,929
Unrestricted	24,700,439	21,965,319	18,836,853	21,467,829	43,537,292	43,433,148
Total net position	<u>\$183,141,633</u>	<u>\$175,430,558</u>	<u>\$67,714,278</u>	<u>\$68,117,644</u>	<u>\$250,855,911</u>	<u>\$243,548,202</u>

At December 31, 2013 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 2012. Cowlitz

County's total net position increased \$7.3 million in 2013 compared to December 31, 2012. The bulk of this change comes from governmental activities. In addition to reducing expenses across the board to preserve cash flow, the expenditures in the health function are greatly reduced as the activities are now performed by the Southwest Washington Behavioral Health Regional Support Network.

Statement of Changes in Net Position. Key elements in the net increase in net position for 2013 along with comparative amounts for 2012 follows:

Cowlitz County –Changes in Net Position

	Governmental Activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 17,517,511	\$ 22,935,104	\$ 19,475,418	\$ 18,953,049	\$ 36,992,929	\$ 41,888,153
Operating grants & contributions	8,521,484	9,326,578	269,939	984,378	8,791,423	10,310,956
Capital grants and contributions	3,308,697	1,719,110	543,545	224,989	3,852,242	1,944,099
<i>General Revenues</i>						
Taxes	42,657,747	41,021,403	950,459	964,214	43,608,206	41,985,617
Gain (loss) on sale of assets	542,044	725,858	-	24,543	542,044	750,401
Interest earned on investments	1,215,255	82,259	60,318	81,473	1,275,573	163,732
Total revenues	73,762,738	75,810,312	21,299,679	21,232,646	95,062,417	97,042,958
Program Expenses						
General Government	13,018,238	10,738,436	-	-	13,018,238	10,738,436
Public Safety	19,937,485	21,826,278	4,656,759	4,155,337	24,594,244	25,981,615
Judicial	5,561,012	5,958,095	-	-	5,561,012	5,958,095
Utilities	519,181	480,063	-	-	519,181	480,063
Transportation	17,074,402	14,074,287	-	-	17,074,402	14,074,287
Economic environment	1,575,061	4,057,170	-	-	1,575,061	4,057,170
Social services	6,414,355	13,042,831	-	-	6,414,355	13,042,831
Culture & recreation	759,854	966,950	2,538,233	2,388,673	3,298,087	3,355,623
Sewer	-	-	8,715,135	9,261,942	8,715,135	9,261,942
Solid Waste	-	-	4,472,919	4,988,942	4,472,919	4,988,942
Water/Sewer	-	-	1,554,174	1,690,549	1,554,174	1,690,549
Interest on long-term debt	636,757	472,882	-	-	636,757	472,882
Total Expenses	65,496,345	71,616,992	21,937,220	22,485,443	87,433,565	94,102,435
Excess (deficiency) of revenues over (under) expenses	8,266,393	4,193,320	(637,541)	(1,252,797)	7,628,852	2,940,523
Special Items	-	(2,228,847)	-	-	-	(2,228,847)
Transfers	(234,177)	(208,180)	234,177	208,180	-	-
Change in Net Position	8,032,216	1,756,293	(403,364)	(1,044,617)	7,628,852	711,676
Net position January 1	175,430,558	173,360,984	68,117,642	34,706,885	243,548,200	208,067,869
Change in Acct Principle	-	(81,907)	-	(1,728,843)	-	(1,810,750)
Prior period adjustment	(321,141)	395,188	-	36,184,217	(321,141)	36,579,405
Net position -December 31	\$ 183,141,633	\$ 175,430,558	\$ 67,714,278	\$ 68,117,642	\$ 250,855,911	\$ 243,548,200

Cowlitz County revenue totaled \$95.1 million in 2013. Governmental activities provided \$73.8 million, 77.6%, while business activities provided \$21.3 million. Taxes (\$43.6 million) account for 45.9% of the 2013 primary government revenues compared to \$42.0 million in 2012.

Governmental activities net position of Cowlitz County increased by \$7.7 million in 2013. Revenues decreased when comparing 2013 to 2012. The largest decreases presented themselves in the charges for services (\$5.4 million) and operating grants (\$.8 million). Charges for services revenue totaled \$17.5 million in 2013 compared to \$22.9 million in 2012. Mental health services transferring to the regional support network caused a decrease of \$6.3 million charges for services. Capital grants and contributions totaled \$3.3 million in 2013 and \$1.7 million in 2012. The increase is resulted from more transportation projects funded by grants. Tax revenues increased \$1.6 million. This represents a \$2.3 million increase in sales tax, \$1.6 million increase in other taxes, and a \$2.3 million decrease in property taxes. Investment earnings increased by \$1.1 million due to re-classifying interest on taxes out of property taxes. County governmental activity expenses in 2013 totaled \$65.5 million, a 8.5% (\$6.1 million) decrease compared to 2012. This was caused by the social services decrease with mental health service expenditures transferring to the regional support network.

Business type activities expenses for Cowlitz County in 2013 totaled \$21.9 million compared to \$22.5 million in 2012. Expenses included public safety programs consisting of (911 communications, law enforcement records and emergency management) - \$4.7 million; the solid waste landfill \$4.5 million; the water sewer utility \$1.6 million in expenses, culture and recreation had \$2.5 million, and sewer of \$8.7 million. Likewise, overall revenues remained relatively stable in 2013. Charges for services revenues of \$19.5 million accounted for 91.4% of total business revenues. Other business revenues consisted of \$950 thousand in 911 communication taxes. Interest earnings on investments totaled \$60,318 in 2013 compared to \$81,473 in 2012.

Financial Analysis of County Funds. As noted earlier, Cowlitz County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 Capital Improvement Fund are the County’s major governmental funds. These funds account for 70% of the total governmental funds as of the December 31, 2013 ending fund balance.

	Fund Balance	Percent
General Fund	\$ 13,415,860	33.12%
Road Fund	9,792,569	24.17%
Capital Improvement Fund	5,052,648	12.47%
Other Governmental Funds	12,248,283	30.24%
Total Governmental Fund Balance	\$ 40,509,360	100.00%

Approximately 20.1% of the governmental fund’s fund balance or \$8.1 million constitutes unassigned fund balance. However, the County does have a minimum fund balance policy discussed in Note 1 to the Notes to the Financial Statements. \$12.8 million (31.8%) constitutes

assigned fund balance in the appropriate fund types as shown in Note 1 in the Notes to the Financial Statements. The remainder of fund balance is classified as nonspendable, restricted, or committed to indicate that it is not available for new spending as discussed in the notes.

Governmental Funds Revenue/Expenditure Analysis. The following exhibit and chart shows the revenue and expenditure amounts for the major governmental funds and all other governmental funds in 2013.

	Revenues	Expenditures
General Fund	\$39,415,775	\$37,082,778
County Road	16,983,876	16,443,918
Capital Improvement Fund	2,804,972	1,537,395
Other Governmental Funds	14,365,739	13,822,605

Governmental fund revenues in 2013 totaled \$73.6 million which is less than 2012 governmental fund revenues of \$75.8 million by \$2.2 million. This decrease is mostly seen in the charges for services category, resulting from the mental health services being transferred to the regional support network.

The **General Fund** is the chief operating fund of Cowlitz County. At December 31, 2013 the unassigned fund balance of the General Fund was \$8.1 million; this represents 20% of the total fund balance for all governmental funds. The General Fund's 2013 total fund balance at December 31, 2013 was \$13.4 million compared to \$12.4 million at the end of 2012. This change is a result of reducing expenses while fines and forfeiture and charges for services revenue increased. The General Fund had \$39.4 million in revenues in 2013 compared to \$38.8 million in 2012. Total tax revenues totaled \$24.1 million at the end of 2013 compared to \$24.8 million at the end of 2012. This change is a result of displaying nearly \$1 million of interest on property tax with interest in 2013 instead of property tax. General Fund 2013 expenditures remained stable at \$37.0 million. Public Safety expenditures of the General Fund of \$18.6 million represent 50.1% of the General Fund expenditures.

The General Fund transfers out in 2013 to support other County funds totaled \$1.7 million compared to \$1.5 million in 2012.

The **County Road's** fund balance increased \$0.9 million to \$9.8 million at December 31, 2013. Total revenues in 2013 were \$17.0 million compared to \$16.7 million in 2012. Road Fund expenditures for 2013 totaled \$16.4 million compared to \$14.1 million in 2012. Road construction expenditures totaled \$6.2 million compared to \$2.8 million in 2012. Intergovernmental revenues of \$6.4 million in 2013 represent a \$0.6 million increase over 2012 intergovernmental revenues. Additionally, this fund presents a tax decrease of \$0.7 million or 6.8% when compared to 2012.

The **Capital Improvements** fund balance at December 31, 2013 totaled \$5.1 million. This was an increase of \$0.7 million from 2012. Revenues were \$2.8 million in 2013 compared to \$2.4 million in 2012. Expenditures were \$1.5 million in 2013 compared to \$3.8 million in 2012. Bond proceeds of \$407,250 were received in 2013.

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 Three Rivers that account for 78% of the \$67.8

million net position for total enterprise funds at December 31, 2013. The December 31, 2013 unrestricted net position and changes in unrestricted net position of the major enterprise funds for 2013 were:

	Unrestricted Net Position 12/31/13	Increase (Decrease) for Year
Solid Waste	13,404,162	(1,725,395)
Three Rivers	2,667,594	(195,771)

The Solid Waste utility operating revenue of \$4.1 million accounted for 19.2% of the business-type revenues reported in 2013, a slight increase over 2012. Net position of the Solid Waste Utility totaled \$19.4 million at December 31, 2013, a decrease of approximately \$100 thousand from 2012. Interest income in 2013 totaled \$44.8 thousand versus \$60.5 thousand in 2012.

Three Rivers charges for service revenues totaled \$8.5 million in 2013 and a total net position at year-end of \$33.5 million.

IV. Budget Analysis –General Fund Budgetary Highlights

The net difference between the original General Fund budget total expenditures for 2013 and the final amended budget was a \$253 thousand increase in appropriations over the original budget of \$38.0 million. The amended net changes to appropriations for 2013 were as follows:

Increases (Decreases) To Budget	Activity
\$ 10,350	General Government
144,118	Public Safety
83,736	Judicial
2,500	Culture and Recreation
12,436	Mental and Physical Health

V. 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, 2013 total \$231 million (net of accumulated depreciation). The capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges and construction in progress.

The total increase in Cowlitz County’s capital assets net of depreciation was \$1.8 million over 2012. This consisted of a \$2.7 million increase in governmental activity capital assets and a \$0.9 million decrease in business-type activity capital assets.

COWLITZ COUNTY CAPITAL ASSETS

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 11,757,535	\$ 11,663,605	\$ 2,064,431	\$ 1,735,140	\$ 13,821,966	\$ 13,398,745
Buildings& Syst.	32,275,431	30,940,800	69,229,709	72,709,595	101,505,140	103,650,395
Improve other than Buildings	3,258,982	3,478,808	1,584,111	1,961,766	4,843,093	5,440,574
Machinery&Equip.	7,276,136	6,950,962	2,308,319	1,656,166	9,584,455	8,607,128
Intangible	42,030	57,283	1,790,485	231,060	1,832,515	288,343
Infrastructure	89,828,296	90,281,565			89,828,296	90,281,565
Construction in Progress	5,979,208	4,307,104	3,955,181	3,560,772	9,934,389	7,867,876
Total	\$ 150,417,618	\$ 147,680,127	\$ 80,932,236	\$ 81,854,499	\$ 231,349,854	\$ 229,534,626

For more information see note disclosure 4D.

Long-Term Debt. At December 31, 2013 Cowlitz County has \$24.0 million in long-term debt owed from *governmental activities* and \$52.3 million in long-term debt for *business type activities*. The bonded debt balances are as follows:

COWLITZ COUNTY OUTSTANDING DEBT

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$14,819,086	\$15,512,750	\$0	\$0	\$14,819,086	\$15,512,750
Revenue bonds			\$24,715,000	\$27,350,000	\$24,715,000	\$27,350,000
Special assessment bonds with Govt. commitment	1,291,684	1,470,682			1,291,684	1,470,682
	\$16,110,770	\$16,983,432	\$24,715,000	\$27,350,000	\$40,825,770	\$44,333,432

For more information see note disclosure 9.

VI. Economic Factors and Budgets

The Board of Commissioners considered many factors when setting the budget, tax rates, and fees to charge for the business-type activities. One of those factors is the economy. Unemployment rates in Cowlitz County are improving slightly compared to one year ago, however, the Employment Security Department urges caution. The improvement may be due to fewer people eligible for extended Federal benefits.

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 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.

- Recognized that some of the increases in sales tax receipts are the result of several large local construction projects, rather than a substantially improved local economy, and that these revenues should not be considered on-going revenues increasing the base.
- 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, early retirement incentives, work hour adjustments.
- Bond obligations.
- Assessed value in Cowlitz County which increased for the first time in five years; however, values are still well below historic levels of 2009.

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 4th Avenue No., Kelso, Wa. 98626.

Cowlitz County, Washington
Statement of Net Position
December 31, 2013

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Public Facilities District
ASSETS				
Cash, cash equivalents & pooled investments	\$ 39,949,371	\$ 18,650,661	\$ 58,600,032	\$ 597,453
Receivables (net)	15,544,869	1,764,299	17,309,168	164,767
Internal Balances	227,266	(227,266)	-	-
Inventories	622,709	357,498	980,207	-
Loan Receivable			-	-
Prepaid items	186,179	87,987	274,166	19,223
Due from component unit	4,665,000	392,736	5,057,736	-
Restricted cash, cash equivalents & pooled investments:			-	-
Customer deposits	108,987	41,761	150,748	-
Debt service		4,753,198	4,753,198	433,712
Closure and postclosure	-	14,924,100	14,924,100	-
<i>Capital Assets:</i>			-	-
Nondepreciable assets	11,757,534	2,064,431	13,821,965	-
Depreciable assets (net)	42,899,788	74,912,624	117,812,412	14,846,076
Infrastructure (net)	89,782,716	-	89,782,716	-
Construction in progress	5,979,208	3,955,182	9,934,390	-
Total Assets	211,723,627	121,677,211	333,400,838	16,061,231
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding	285,232	-	285,232	302,387
Total Deferred outflows of resources	285,232	-	285,232	302,387
LIABILITIES				
Accounts payable & accrued exp.	2,735,426	1,317,127	4,052,553	61,641
Other current liabilities	1,934,375	315,686	2,250,061	-
Customer Deposits	109,587	41,761	151,348	-
Unearned Revenue	51,347	-	51,347	-
<i>Noncurrent Liabilities:</i>				
Due within one year	2,476,809	10,914,137	13,390,946	127,983
Due primary gov. within one yr.	-	-	-	255,890
Due in more than one year	21,559,682	41,374,222	62,933,904	5,398,691
Due primary gov. more than one year	-	-	-	5,149,204
Total Liabilities	28,867,226	53,962,933	82,830,159	10,993,409
NET POSITION				
Net investment in capital assets	147,550,209	44,124,227	191,674,436	4,609,431
Restricted for:				
Economic environment	2,666,008	-	2,666,008	-
General government	1,660,487	-	1,660,487	-
Public safety	144,762	-	144,762	-
Judicial	96,292	-	96,292	-
Social Services	3,002,187	-	3,002,187	-
Utilities	496,960	-	496,960	-
Transportation-roads	2,819,291	-	2,819,291	-
Culture & recreation	4,998	-	4,998	433,712
Restricted, for debt purposes		4,753,198	4,753,198	-
Unrestricted	24,700,439	18,836,853	43,537,292	327,066
Total Net Position	\$ 183,141,633	\$ 67,714,278	\$ 250,855,911	\$ 5,370,209

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, 2013

FUNCTIONS/PROGRAMS <i>Governmental Activities:</i>	Program Revenues					Net (Expense) Revenue and Changes in Net Position		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Primary Government	
								Public Facilities District	District
	\$	\$	\$	\$	\$	\$			
General Government	13,018,238	3,429,729	1,005,264	-	(8,583,245)	-	-	-	(8,583,245)
Public Safety	19,937,485	4,478,774	1,304,208	103,145	(14,051,358)	-	-	-	(14,051,358)
Judicial	5,561,012	2,651,430	174,557	-	(2,735,025)	-	-	-	(2,735,025)
Utilities	519,181	391,858	162,165	-	34,842	-	-	-	34,842
Transportation	17,074,402	873,649	718,437	3,205,552	(12,276,764)	-	-	-	(12,276,764)
Economic Environment	1,575,061	3,816,312	1,482,096	-	3,723,347	-	-	-	3,723,347
Social Services	6,414,355	1,666,708	3,641,560	-	(1,106,087)	-	-	-	(1,106,087)
Culture & Recreation	759,854	209,051	33,197	-	(517,606)	-	-	-	(517,606)
Interest on long-term debt	636,757	-	-	-	(636,757)	-	-	-	(636,757)
Total governmental activities	65,496,345	17,517,511	8,521,484	3,308,697	(36,148,653)	-	-	-	(36,148,653)
<i>Business-type Activities:</i>									
Water/Sewer	1,554,174	1,506,538	22,144	5,955	-	(19,537)	-	-	(19,537)
Sewer	8,715,135	8,507,665	-	74,367	-	(133,103)	-	-	(133,103)
Garbage & Solid Waste	4,472,919	4,133,070	176,847	-	-	(163,002)	-	-	(163,002)
Public Safety	4,656,759	2,986,496	70,948	-	-	(1,589,315)	-	-	(1,589,315)
Culture & Recreation	2,538,233	2,331,649	-	463,223	-	256,639	-	-	256,639
Total business-type activities	21,937,220	19,475,418	269,939	543,545	-	(1,648,318)	-	-	(1,648,318)
Total Primary Government	\$ 87,433,565	\$ 36,992,929	\$ 8,791,423	\$ 3,852,242	\$ (36,148,653)	\$ (1,648,318)	\$ (1,648,318)	\$ (1,152,078)	\$ (37,796,971)
Component Unit									
Public Facilities District	1,308,855	12,050	-	144,727	-	-	-	-	(1,152,078)
Total Component Units	\$ 1,308,855	\$ 12,050	\$ -	\$ 144,727	\$ -	\$ -	\$ -	\$ -	\$ (1,152,078)
GENERAL REVENUES:									
Property Taxes					26,088,250	-	-	-	26,088,250
Sales Taxes					9,128,912	-	-	947,336	9,128,912
911 Taxes					-	950,459	-	-	950,459
Other Taxes					7,440,585	-	-	-	7,440,585
Investment Earnings					1,215,255	60,318	-	1,241	1,275,573
Gain (loss) on sale of capital assets					542,044	-	-	-	542,044
					(234,177)	234,177	-	-	-
TRANSFERS					44,180,869	1,244,954	45,425,823	948,577	48,420,823
Total General Revenues, Special Items & Transfers					8,032,216	(403,364)	7,628,852	(203,501)	7,425,351
Change in Net Position					175,430,558	68,117,642	243,548,200	5,573,710	249,122,810
Net position - January 1					(321,141)	-	(321,141)	-	(321,141)
Prior period adjustment					-	-	-	-	-
Net position - December 31					\$ 183,141,633	\$ 67,714,278	\$ 250,855,911	\$ 5,370,209	\$ 255,981,820

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

**Cowlitz County, Washington
Balance Sheet
Governmental Funds
December 31, 2013**

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>County Road</u>	<u>Capital Improvements</u>		
ASSETS					
Cash, cash equivalents & pooled investments	\$ 8,265,079	\$ 7,569,354	\$ 4,292,011	\$ 9,296,741	\$ 29,423,185
Receivables (net)	6,221,659	3,349,602	1,003,831	4,595,397	15,170,489
Due from other funds	199,794	254,514	3,248	203,900	661,456
Due from component unit	4,665,000	-	-	-	4,665,000
Customer deposits & seized	18,107	-	-	90,880	108,987
Total assets	\$ 19,369,639	\$ 11,173,470	\$ 5,299,090	\$ 14,186,918	\$ 50,029,117
LIABILITIES					
Accounts payable	\$ 394,049	\$ 450,352	\$ 237,216	\$ 1,289,144	\$ 2,370,761
Payable to other governments	101,677	29,972	-	60,727	192,376
Due to other funds	346,129	293,709	7,134	167,885	814,857
Advance due to other funds	325,000	-	-	-	325,000
Unearned Revenue	-	-	-	51,347	51,347
Other current liabilities	1,296,508	259,821	2,092	201,286	1,759,707
Customer deposits and seized payable	18,707	-	-	90,880	109,587
Total liabilities	\$ 2,482,070	\$ 1,033,854	\$ 246,442	\$ 1,861,269	\$ 5,623,635
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,195,669	347,047	-	15,477	2,558,193
Unavailable revenue - grants	48,051	-	-	61,889	109,940
Unavailable revenue - court	1,227,989	-	-	-	1,227,989
Total deferred inflows of resources	\$ 3,471,709	\$ 347,047	\$ -	\$ 77,366	\$ 3,896,122
FUND BALANCE					
Nonspendable	\$ -	-	\$ 743,030	\$ -	\$ 743,030
Restricted	4,665,000	2,201,210	2,256,488	9,632,172	18,754,870
Committed	-	-	-	-	-
Assigned	622,865	7,591,359	2,053,130	2,616,111	12,883,465
Unassigned	8,127,995	-	-	-	8,127,995
Total fund balance	\$ 13,415,860	\$ 9,792,569	\$ 5,052,648	\$ 12,248,283	\$ 40,509,360
Total liabilities, deferred inflows of resources and fund balance	\$ 19,369,639	\$ 11,173,470	\$ 5,299,090	\$ 14,186,918	\$ 50,029,117

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, 2013

Total fund balances as shown on the Governmental Funds Balance Sheet	\$ 40,509,360
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 \$5,967,190 are included as part of reconciling item further down the page).	144,452,056
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.	15,853,069
Allocation to enterprise funds share of net (income) loss of internal service funds.	61,436
Other long-term assets are not available to pay for current-period expenditures and, therefore are not recognized as payable/receivable in the funds	285,232
Accrued interest receivable was less than interest receivable modified accrual	77,873
Other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	3,896,122
Inventories not recorded in governmental funds are recorded in governmental activities.	195,971
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>(22,189,486)</u>
Net position of governmental activities	<u><u>\$ 183,141,633</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, 2013

	<u>Major Funds</u>			Other Governmental Funds	Total Governmental Funds
	General	County Road	Capital Improvements		
REVENUES					
Taxes	\$ 24,111,995	\$ 9,661,873	\$ 2,343,186	\$ 2,685,830	\$ 38,802,884
Licenses & Permits	126,347	-	-	1,707,029	1,833,376
Intergovernmental	5,615,737	6,437,307	306,907	5,308,851	17,668,802
Charges for Services	6,227,393	836,776	-	1,838,173	8,902,342
Fines & Forfeitures	1,503,129	-	-	90,944	1,594,073
Investment Earnings	1,082,697	11,047	27,166	27,498	1,148,408
Rents & Leases	338,999	1,327	36,517	28	376,871
Special Assessments	-	-	-	703,997	703,997
Insurance Premiums & Recoveries	-	7,801	-	-	7,801
Miscellaneous Revenues	409,478	27,745	91,196	2,003,389	2,531,808
Total revenues	39,415,775	16,983,876	2,804,972	14,365,739	73,570,362
EXPENDITURES					
<i>Current:</i>					
General Government	11,853,945	-	622,742	367,062	12,843,749
Public Safety	18,587,246	-	-	34,423	18,621,669
Judicial	3,666,963	-	-	1,774,208	5,441,171
Utilities	170,064	-	9,910	333,198	513,172
Economic Environment	1,557,297	-	23,985	-	1,581,282
Transportation	60,150	10,179,487	-	3,699,459	13,939,096
Social Services	636,753	-	-	5,678,471	6,315,224
Culture & Recreation	550,360	-	6,397	-	556,757
<i>Debt Service:</i>					
Principal	-	70,000	-	1,279,913	1,349,913
Interest	-	570	302	615,271	616,143
Other	-	-	-	-	-
<i>Capital Outlay</i>					
	-	6,193,861	874,059	40,600	7,108,520
Total expenditures	37,082,778	16,443,918	1,537,395	13,822,605	68,886,696
Excess (deficiency) of revenues over (under) expenditures	2,332,997	539,958	1,267,577	543,134	4,683,666
OTHER FINANCING SOURCES (USES)					
Transfers in	290,540	141,208	35,738	2,162,308	2,629,794
Transfers out	(1,681,323)	-	(1,009,752)	(746,905)	(3,437,980)
Sale of capital assets	238,023	228,164	-	2,948	469,135
General obligation bonds issued	-	-	407,250	-	407,250
Total other financing sources (uses)	(1,152,760)	369,372	(566,764)	1,418,351	68,199
Net change in fund balance	1,180,237	909,330	700,813	1,961,485	4,751,865
Fund balances--beginning	12,417,484	8,883,239	4,351,835	10,426,078	36,078,636
Prior period adjustment	(181,861)	-	-	(139,280)	(321,141)
Fund balances--ending	\$ 13,415,860	\$ 9,792,569	\$ 5,052,648	\$ 12,248,283	\$ 40,509,360

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, 2013**

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 \$ 4,751,865

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. 2,576,217

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. 999,320

Change in accrual interest earnings versus on modified accrual basis (5,892)

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. This amount accounts for the change in deferred revenues during the year. (544,128)

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, accrued compensation payable for year and deferred outflows of resources. (250,886)

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. 505,720

Change in net position-governmental activities- on the Statement of Activities \$ 8,032,216

The notes to 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, 2013

	General Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<i>Revenues:</i>				
Taxes	\$ 23,467,803	\$ 23,467,803	\$ 24,111,995	\$ 644,192
Licenses & Permits	82,010	82,010	126,347	44,337
Intergovernmental	4,904,568	4,904,568	5,615,737	711,169
Charges for services	6,005,790	5,983,290	6,222,195	238,905
Fines and forfeits	1,637,260	1,637,260	1,503,129	(134,131)
Interest	899,080	899,080	1,082,054	182,974
Miscellaneous	799,658	799,658	748,207	(51,451)
<i>Total revenues</i>	<u>37,796,169</u>	<u>37,773,669</u>	<u>39,409,664</u>	<u>1,635,995</u>
<i>Expenditures:</i>				
General government	12,078,678	12,089,028	11,672,742	416,286
Public safety	18,882,534	19,026,652	18,335,303	691,349
Judicial	3,801,094	3,884,830	3,666,963	217,867
Utilities	207,130	207,130	170,064	37,066
Economic environment	1,578,561	1,578,561	1,557,297	21,264
Transportation	64,730	64,730	60,150	4,580
Social Services	700,365	712,801	636,753	76,048
Culture & recreation	600,225	602,725	550,360	52,365
Debt Service - Principal		-	-	-
Capital outlay	58,632	58,632	-	58,632
<i>Total Expenditures</i>	<u>37,971,949</u>	<u>38,225,089</u>	<u>36,649,632</u>	<u>1,575,457</u>
Excess (deficiency) of revenues over expenditures	<u>(175,780)</u>	<u>(451,420)</u>	<u>2,760,032</u>	<u>3,211,452</u>
<i>Other financial sources (uses):</i>				
Proceeds-sale fixed assets	240,000	240,000	238,023	(1,977)
Loans Received	-	560,000	-	(560,000)
Transfers In	46,000	296,487	290,540	(5,947)
Transfers (out)	(2,022,815)	(2,582,815)	(2,044,984)	537,831
<i>Total Other financial sources (uses):</i>	<u>(1,736,815)</u>	<u>(1,486,328)</u>	<u>(1,516,421)</u>	<u>(30,093)</u>
Net change in fund balances	(1,912,595)	(1,937,748)	1,243,611	3,181,359
Fund balance, January 1	5,240,278	5,240,278	11,731,245	6,490,967
Prior Period Adjustments	-	-	(181,861)	(181,861)
Fund balance, December 31	<u>\$ 3,327,683</u>	<u>\$ 3,302,530</u>	<u>12,792,995</u>	<u>\$ 9,490,465</u>
<i>Adjustment to GAAP basis:</i>				
GIS Fund			225,495	
Benefits Administration Fund			397,370	
Fund balance - GAAP basis			<u>\$ 13,415,860</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, 2013

	County Road			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 8,745,414	\$ 8,745,414	\$ 9,661,873	\$ 916,459
Licenses & Permits		-	-	-
Intergovernmental	7,811,617	7,811,617	6,437,307	(1,374,310)
Charges for services	498,500	498,500	836,776	338,276
Fines and forfeits		-	-	-
Interest	8,000	8,000	11,047	3,047
Miscellaneous	51,000	51,000	36,873	(14,127)
<i>Total revenues</i>	<u>17,114,531</u>	<u>17,114,531</u>	<u>16,983,876</u>	<u>(130,655)</u>
<i>Expenditures:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Judicial	-	-	-	-
Utilities	-	-	-	-
Economic environment	-	-	-	-
Transportation	11,337,692	11,337,692	10,179,487	1,158,205
Social Services	-	-	-	-
Culture & recreation	-	-	-	-
Debt Service - Principal	-	-	70,570	(70,570)
Capital outlay	7,639,001	7,639,001	6,193,861	1,445,140
<i>Total Expenditures</i>	<u>18,976,693</u>	<u>18,976,693</u>	<u>16,443,918</u>	<u>2,532,775</u>
Excess (deficiency) of revenues over expenditures	<u>(1,862,162)</u>	<u>(1,862,162)</u>	<u>539,958</u>	<u>2,402,120</u>
<i>Other financial sources (uses):</i>				
Proceeds-sale fixed assets	300,000	300,000	228,164	(71,836)
Loans Received	-	-	-	-
Transfers In	74,000	74,000	141,208	67,208
Transfers (out)	-	-	-	-
<i>Total Other financial sources (uses):</i>	<u>374,000</u>	<u>374,000</u>	<u>369,372</u>	<u>(4,628)</u>
Net change in fund balances	(1,488,162)	(1,488,162)	909,330	2,397,492
Fund balance, January 1	4,850,000	4,850,000	8,883,239	4,033,239
Prior Period Adjustments	-	-	-	-
Fund balance, December 31	<u>\$ 3,361,838</u>	<u>\$ 3,361,838</u>	<u>\$ 9,792,569</u>	<u>\$ 6,430,731</u>
Adjustment to GAAP basis:				
GIS Fund				
Benefits Administration Fund				
Fund balance - GAAP basis				

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

**Cowlitz County, Washington
Statement of Fund Net Position
Proprietary Funds
December 31, 2013**

	Solid Waste	Three Rivers	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
ASSETS					
<i>Current assets:</i>					
Cash, cash equivalents & pooled investments	\$ 12,222,064	\$ 2,974,082	\$ 3,454,515	\$ 18,650,661	\$ 10,526,186
Receivables (net)	353,041	7,078	273,574	633,693	7,018
Interest receivable	3,574	-	-	3,574	-
Due from other funds	4,482	22	9,461	13,965	468,823
Due from other governments	686,514	212,769	227,749	1,127,032	289,489
Interfund loan receivable - current	59,691	-	-	59,691	-
Inventories	11,852	345,646	-	357,498	426,738
Prepaid items	8,328	27,049	52,610	87,987	186,179
Restricted cash and cash equivalents (\$6,927,318 for landfill, \$41,761 for customer deposits)	6,927,318	-	41,761	6,969,079	-
<i>Total Current Assets</i>	<u>20,276,864</u>	<u>3,566,646</u>	<u>4,059,670</u>	<u>27,903,180</u>	<u>11,904,433</u>
<i>Noncurrent assets:</i>					
Restricted cash, cash equivalents & investments:					
Debt Requirements	-	4,753,198	-	4,753,198	-
Cash & equivalents for closure & postclosure	7,996,782	-	-	7,996,782	-
Interfund loan receivable	245,000	-	-	245,000	325,000
Due from component unit	392,736	-	-	392,736	-
Deferred charges & other assets	-	-	-	-	-
Investments for closure & postclosure	-	-	-	-	-
<i>Capital assets:</i>					
Land	389,392	586,540	1,088,499	2,064,431	20,795
Construction in progress	3,513,599	441,583	-	3,955,182	74,854
Buildings and system	4,258,266	94,739,043	15,590,950	114,588,259	428,217
Improvements and other than bldgs.	8,376,431	7,297	2,531,046	10,914,774	-
Machinery and equipment	2,488,032	1,004,974	2,310,925	5,803,931	14,881,900
Intangible	25,387	-	3,282,859	3,308,246	1,073,719
Less accumulated depreciation	(13,006,007)	(35,714,833)	(10,981,746)	(59,702,586)	(10,512,295)
Total capital assets (net of accum depr.)	6,045,100	61,064,604	13,822,533	80,932,237	5,967,190
Total assets	<u><u>34,956,482</u></u>	<u><u>69,384,448</u></u>	<u><u>17,882,203</u></u>	<u><u>122,223,133</u></u>	<u><u>18,196,623</u></u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	416,871	223,744	215,698	856,313	114,173
Payable to other governments	9,479	48,016	72,713	130,208	58,117
Contract retainage payable	-	-	-	-	-
Due to other funds	67,393	14,363	98,039	179,795	149,592
Accrued interest payable	-	330,606	-	330,606	-
Claims and judgements	-	-	-	-	862,518
Revenue Bonds Payable	-	2,906,351	-	2,906,351	-
Notes Payable	-	925,559	154,909	1,080,468	34,094
Landfill closure and postclosure costs	6,927,318	-	-	6,927,318	-
Interfund loans payable-current	-	-	59,691	59,691	-
Other current liabilities	30,992	93,383	191,311	315,686	96,795
Customer deposits payable from restricted assets	-	-	41,761	41,761	-
Total current liabilities	7,452,053	4,542,022	834,122	12,828,197	1,315,289
<i>Noncurrent liabilities:</i>					
Compensated absences	58,385	188,940	308,924	556,249	187,511
Landfill closure and postclosure costs	7,996,782	-	-	7,996,782	-
Claims and judgements	-	-	-	-	754,082
Bonds payable & net of unamortized discount)	-	22,762,637	-	22,762,637	-
Interfund loan payable	-	-	245,000	245,000	-
Notes Payable	-	8,348,963	1,709,591	10,058,554	86,672
Total non current liabilities	8,055,167	31,300,540	2,263,515	41,619,222	1,028,265
Total liabilities	<u><u>15,507,220</u></u>	<u><u>35,842,562</u></u>	<u><u>3,097,637</u></u>	<u><u>54,447,419</u></u>	<u><u>2,343,554</u></u>
NET POSITION					
Net investment in capital assets	6,045,100	26,121,094	11,958,033	44,124,227	5,846,424
Restricted - debt covenants	-	4,753,198	-	4,753,198	-
Unrestricted	13,404,162	2,667,594	2,826,533	18,898,289	10,006,645
Total net position	<u><u>\$ 19,449,262</u></u>	<u><u>\$ 33,541,886</u></u>	<u><u>\$ 14,784,566</u></u>	<u><u>67,775,714</u></u>	<u><u>\$ 15,853,069</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				(61,436)	
Net position of business-type activities				<u><u>\$ 67,714,278</u></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, 2013

	<u>Business-type Activities-Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Solid Waste	Three Rivers	Nonmajor Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES					
<i>Charges for Services:</i>					
Water - Sewer	\$ -	\$ -	\$ 1,485,527	\$ 1,485,527	\$ -
Sewer	-	8,488,229	-	8,488,229	-
Garbage & Solid Waste	4,083,131	-	-	4,083,131	-
Public Safety	-	-	2,963,788	2,963,788	-
Culture & Recreation	-	-	2,261,458	2,261,458	-
Other services	-	-	-	-	7,412,752
Total operating revenues	<u>4,083,131</u>	<u>8,488,229</u>	<u>6,710,773</u>	<u>19,282,133</u>	<u>7,412,752</u>
OPERATING EXPENSES					
Maintenance & operations	3,084,774	3,969,115	7,895,836	14,949,725	6,893,012
Closure & postclosure care	552,569	-	-	552,569	-
Depreciation	852,048	3,423,303	824,771	5,100,122	901,629
Total operating expenses	<u>4,489,391</u>	<u>7,392,418</u>	<u>8,720,607</u>	<u>20,602,416</u>	<u>7,794,641</u>
Operating income (loss)	<u>(406,260)</u>	<u>1,095,811</u>	<u>(2,009,834)</u>	<u>(1,320,283)</u>	<u>(381,889)</u>
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	950,459	950,459	-
Intergovernmental	176,847	-	93,092	269,939	7,961
Investment earnings	44,799	11,483	4,036	60,318	16,082
Interest expense	-	(1,322,717)	(14,564)	(1,337,281)	(4,438)
Gain (loss) on disposition of assets	20,120	-	-	20,120	71,582
Write off of gas to energy construction in progress	-	-	-	-	-
Miscellaneous nonoperating revenues	49,939	19,436	123,910	193,285	83,790
Total nonoperating income (expense)	<u>291,705</u>	<u>(1,291,798)</u>	<u>1,156,933</u>	<u>156,840</u>	<u>174,977</u>
Income before contributions and transfers	<u>(114,555)</u>	<u>(195,987)</u>	<u>(852,901)</u>	<u>(1,163,443)</u>	<u>(206,912)</u>
Capital contributions	-	74,367	469,178	543,545	120,977
Transfers in	-	-	234,177	234,177	574,009
Change in net position	<u>(114,555)</u>	<u>(121,620)</u>	<u>(149,546)</u>	<u>(385,721)</u>	<u>488,074</u>
Net position--beginning	<u>19,563,817</u>	<u>33,663,506</u>	<u>14,934,112</u>		<u>15,364,995</u>
Net position--ending	<u>\$ 19,449,262</u>	<u>\$ 33,541,886</u>	<u>\$ 14,784,566</u>		<u>\$ 15,853,069</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>(17,643)</u>	
Change in net position of business-type activities				<u>\$ (403,364)</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, 2013

	<u>Business-type Activities-Enterprise Funds</u>				<u>Governmental Activities-</u>
	<u>Solid Waste</u>	<u>Three Rivers</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
<u>Cash flows from operating activities</u>					
Cash received from customers	\$ 3,995,260	\$ 8,769,571	\$ 6,626,026	\$ 19,390,857	\$ 7,477,738
Cash payments for goods and services	(2,489,580)	(1,936,924)	(3,830,804)	(8,257,308)	(5,078,845)
Cash payments to employees for services	(632,390)	(2,012,742)	(3,905,836)	(6,550,968)	(1,941,034)
Miscellaneous revenue	143,607	19,436	76,124	239,167	49,565
<i>Net cash provided (used) by operating activities</i>	<u>1,016,897</u>	<u>4,839,341</u>	<u>(1,034,490)</u>	<u>4,821,748</u>	<u>507,424</u>
<u>Cash flows from noncapital financing activities</u>					
Loans made to other funds	(240,000)		-	(240,000)	(325,000)
Loans made to other governments	(200,000)		-	(200,000)	-
Repayment (pmt) of interfund loan principal	101,753		-	101,753	-
Operating grants received	-		152,445	152,445	7,961
Receipts from 911 tax	-		957,744	957,744	-
Payments of claims liability recognized prior yrs.	-		-	-	(7,805)
Transfers in from other County fund	-		234,180	234,180	574,009
<i>Net cash provided by noncapital financing activities</i>	<u>(338,247)</u>		<u>1,344,369</u>	<u>1,006,122</u>	<u>249,165</u>
<u>Cash flows from capital and related financing activities</u>					
State funding for 911 capital outlays	-		(151,498)	(151,498)	-
System development fees & hookup fees	-	74,367	5,955	80,322	-
Payment on interfund loan	-		(101,753)	(101,753)	-
Acquisition and construction of capital assets	(2,401,414)	(375,668)	(914,670)	(3,691,752)	(824,601)
Proceeds from interfund loans	-		240,000	240,000	-
Principal paid on note/lease/bonds	-	(3,560,560)	-	(3,560,560)	(44,067)
Proceeds from loans	-		59,500	59,500	-
Principal paid on bonds	-		-	-	-
Interest paid on capital debt	-	(1,492,855)	(15,444)	(1,508,299)	(4,438)
Capital grant Received	-		81,199	81,199	-
Proceeds from sale of capital assets	-		-	-	93,348
<i>Net cash provided (used) for capital and related financing activities</i>	<u>(2,401,414)</u>	<u>(5,354,716)</u>	<u>(796,711)</u>	<u>(8,552,841)</u>	<u>(779,758)</u>
<u>Cash flows from investing activities</u>					
Proceeds from sale and maturities of investments	7,103,438		-	7,103,438	-

Interest on investments	39,943	11,483	4,036	55,462	12,067
Net cash provided (used) by investment activities	7,143,381	11,483	4,036	7,158,900	12,067
Net increase (decrease) in cash and cash equivalents	5,420,617	(503,892)	(482,796)	4,433,929	(11,102)
Cash and cash equivalents, January 1 (including \$7,269,827, \$5,397,569 and \$36,130 for the Solid Waste, Three Rivers and Nonmajor Enterprise funds, respectively, reported in restricted accounts)	21,725,547	8,231,172	3,979,072	33,935,791	10,537,288
Cash and cash equivalents, December 31 (including \$14,924,100, \$4,753,198 and \$41,761 Solid Waste, Three Rivers and Nonmajor Enterprise funds, respectively, reported in restricted accounts)	\$ 27,146,164	\$ 7,727,280	\$ 3,496,276	\$ 38,369,720	\$ 10,526,186

Reconciliation of operating income to net cash provided (used) by operating activities

Operating income (loss)	\$ (406,260)	\$ 1,095,811	\$ (2,009,834)	\$ (1,320,283)	\$ (381,889)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	852,048	3,423,303	824,771	5,100,122	901,629
(Increase) decrease in accounts receivable	(87,871)	(5,288)	(94,462)	(187,621)	(5,042)
(Increase) decrease in due from other funds	(1,721)	(22)	(2,006)	(3,749)	81,414
(Increase) decrease in due from other governments	(81,458)	286,630	2,374	207,546	(49,626)
(Increase) decrease in inventory	17,902	(13,912)	-	3,990	60,898
(Increase) decrease in prepaid expense	423	(24)	2,913	3,312	33,461
Increase (decrease) in accounts payable and other accrued liabilities	494,095	20,563	145,350	660,008	(95,442)
Increase (decrease) in employee leave benefits	(2,252)	12,844	11,016	21,608	44,593
Increase (decrease) in customer deposits	-	-	9,231	9,231	-
Increase (decrease) in estimated future claims payable	-	-	-	-	(170,377)
Miscellaneous revenue	231,991	19,436	76,160	327,587	87,805
Total adjustments	1,423,157	3,743,530	975,347	6,142,034	889,313
Net cash provided by operating activities	\$ 1,016,897	\$ 4,839,341	\$ (1,034,487)	\$ 4,821,751	\$ 507,424

Noncash Investing, Capital and Financing Activities

Contribution of infrastructure asset from Developer	-	-	450,000	450,000	-
Contributions from other funds	-	-	13,223	13,223	120,977
Purchase of capital asset with lease	-	-	-	-	140,717

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

**Cowlitz County, Washington
Statement of Fiduciary Net Position
December 31, 2013**

Assets	<u>Agency Funds</u>
Cash, cash equivalents & pooled & pooled investments	\$ 182,322,759
Taxes Receivable	4,729,239
Assessments receivable, current	297,859
Total assets	<u><u>\$ 187,349,857</u></u>
Liabilities	
Due to other governments	\$ 177,728,690
Warrants payable	9,621,167
Total liabilities	<u><u>\$ 187,349,857</u></u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cowlitz County conform 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 State of Washington laws applicable to second-class counties with a commissioner form of government.

Cowlitz County provides public safety, judicial services, roads, health and social services, parks, and general administrative services. It operates and owns water, sewer and solid waste facilities.

The county's combined financial statements include the assets and liabilities of all funds for which the county has a custodial or trust responsibility. The county has one discretely presented component unit.

Discretely presented component unit:

The **Public Facilities District** is a five-member board appointed by the Cowlitz County Commissioners. The members are volunteers and serve a four-year term. The district 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 Cowlitz County Auditor's Office at 207 Fourth Avenue North, Kelso, Washington 98626.

B. GOVERNMENT-WIDE

Government wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. 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. The government-wide focus is on the county as a whole.

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*.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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 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 government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period except 60 days for property taxes. 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.

Revenues susceptible to accrual are interest earnings, and sales tax. Intergovernmental revenues such as grants are recognized as revenues when grant expenditures are incurred and grant requirements have been met. All other items are considered to be measurable and available only when the County receives cash.

Cowlitz County reports the following major governmental funds:

- *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except the other funds required to be accounted for and reported separately.
- *County Road Fund* accounts for the restricted resources accumulated for the design, construction and maintenance of county roads and bridges.
- *Capital Improvement Fund* accounts for funds used to finance major county projects, such as land acquisition, capital construction and equipment, except those paid from proprietary funds.

Cowlitz County reports the following major proprietary funds:

- *Solid Waste Fund* accounts for operations of the solid waste landfill site and the maintenance of the closed portions of landfills.
- *Three Rivers Regional Wastewater Authority* accounts for operations of wastewater treatment.

Additionally, Cowlitz 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.
- *Non-major enterprise funds* which provide services to customers and other agencies in the form of water-sewer, 911 communication services, 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.
- *Agency 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments for water, sewer, garbage, law enforcement records and 911 communications. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions.

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 water-sewer, solid waste, law enforcement records, 911 communications and emergency management are charges to customers for services. Operating expenses for enterprise funds and internal service funds 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. ASSETS, LIABILITIES, AND NET POSTION OR FUND BALANCE

1. Cash and Cash Equivalents and Pooled Investments

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. Investments for the county, as well as for its component units, are reported at fair value.

2. Receivables and payables

Taxes receivable consist of property taxes and related interest and penalties. See (Note 4b Property Taxes)

Accrued interest consists of amounts earned on investments and notes.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “Interfund loan receivable/payable--current” or “Interfund loan receivable/payable—noncurrent” for proprietary funds; likewise for governmental funds, these are referred to as “Advance due from/to other funds”. 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”.

Customer accounts receivable consist of amounts owing from private individuals or companies for goods and services including amounts owed for which billings have not been prepared.

3. 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.

4. Deferred outflows of Resources

Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. This is an amount recognized as deferred amount on refunding of debt that will be amortized to interest expense over the life of the refunding bond issue.

5. Restricted net position

- a) for economic environment totals \$2,666,008 consisting of
 - a. \$139,646 which is restricted for promotion of tourism,
 - b. \$930,641 for building and planning as restricted by RCW 82.02.020,
 - c. \$252,943 for cumulative reserve
 - d. \$1,342,778 provided from state 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 job in the County

- b) for general government \$1,660,487 consisting of
 - a. \$247,575 Treasurer’s Operation and Maintenance
 - b. \$533,036 Auditor’s Operation and Maintenance
 - c. \$155,624 for REET technology
 - d. \$724,252 for capital improvements from REET funds

- c) for public safety \$144,762 consisting of \$44,823 for boat safety purposes; and the balance is to eradicate drug trafficking.

- d) for judicial \$96,292 for superior court law library.

- e) for transportation \$2,819,291 consisting of
 - a. \$2,548,257 for Road Fund activity
 - b. \$271,034 for future Paths & Trails Fund

- f) for social services \$3,002,187 consisting of
 - a. \$214,181 for emergency financial assistance to veterans and their surviving spouses
 - b. \$23,596 for human services
 - c. \$1,329,560 for community mental health
 - d. \$1,434,850 is restricted per RCW 36.22.17 and 36.22.178 for housing projects or units with housing projects for low income, operating costs for emergency shelters and rental assistance

- g) for culture and recreation \$4,998 for the Convention Center;

- h) for utilities \$496,960 consisting of
 - a. \$217,557 for storm water
 - b. \$245,569 noxious weed programs
 - c. \$33,834 for capital improvement programs

6. Capital Assets

Capital assets include land, land improvements, buildings, building improvements, vehicles, and equipment. Vehicles and equipment are capitalized if the individual cost is \$5,000 or more and estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed. Construction in progress is transferred to the appropriate capital asset category when the project is substantially complete and in use.

Building, equipment and improvements are depreciated using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 60 years
Building Improvements	10 - 30 years
Light Vehicles	4 - 7 years
Heavy Duty Vehicles	7 - 15 years
Office equipment	5 - 10 years
Infrastructure	15-70 years
Intangible Assets	3-10 years

7. Deferred inflows of Resources

Deferred inflows of resources are an acquisition of net position by the County that is applicable to a future reporting period. These are amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

8. Compensated Absences

County employees may accumulate up to 248 hours of vacation pay. Accumulated unpaid employee vacation pay 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, death or retirement 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.

9. Long-term Obligations

Revenue bonds and other 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 straight line method, which currently is not materially different from 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.

10. Fund Balance Classification

The County fund balances are classified into five categories in accordance with Statement 54 from the Governmental Accounting Standards Board: 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.

11. 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.

12. Detailed Fund Balance Constraints

Fund Balances:	General	County Road	Capital Improve-ments	Nonmajor Gov'tal Funds	Total
Nonspendable for:					
Long Term Receivable	\$ -	\$ -	\$ 743,030	\$ -	\$ 743,030
Restricted for:					
Transportation		2,201,210			2,201,210
Debt Service	4,665,000			3,623,298	8,288,298
REET Technology			879,876		879,876
Utilities			33,834	413,126	446,960
Economic Environment			1,342,778	1,323,230	2,666,008
Transportation				271,034	271,034
Culture & Recreation				4,998	4,998
Judicial				96,292	96,292
Treasurer's O&M				247,575	247,575
Auditor's O&M				533,036	533,036
Social Services				2,974,821	2,974,821
Public Safety				144,762	144,762
Assigned to:					
General Government	225,495			10,007	235,502
Economic Environment				15,748	15,748
Physical Environment				497,562	497,562
Transportation		7,591,359			7,591,359
Capital Improvements			2,053,130		2,053,130
Social Services				1,610,706	1,610,706
Public Safety	397,370			482,088	879,458
Unassigned	8,127,995				8,127,995
	\$ 13,415,860	\$ 9,792,569	\$ 5,052,648	\$ 12,248,283	\$ 40,509,360

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	\$ 14,819,086
Add: Deferred amounts for premiums	662,468
Special assessment bonds payable	1,291,682
Compensated absences	2,834,260
OPEB Liability	2,206,618
Notes Payable	297,500
Accrued interest payable	<u>77,872</u>

Net adjustment to reduce <i>fund balance governmental funds</i> to Arrive at <i>net position-governmental activities</i>	<u>\$ (22,189,486)</u>
---	------------------------

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:

Capital Outlays (Net of amounts transferred to Internal Svc. Funds)	\$(7,398,705)
Depreciation expense	4,822,488
Net adjustment to increase <i>net changes in fund balances- total Governmental funds</i> to arrive at <i>change governmental activities</i>	<u>\$2,576,217</u>

Another element in the reconciliation of long-term debt (e.g. bonds) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized on the statement of activities. The details of the difference are as follows:

Amortization of charges for discount and premium	\$ 56,656
Principal receipts	(407,250)
Premium and deferred amounts on refunding	
Principal repayments:	
General obligation bonds	1,100,914
Special revenue bonds	179,000
Note Payable	70,000
Special assessment bonds	
Net adjustments to increase <i>fund balances-total governmental funds</i> To arrive at <i>changes in net position of governmental activities</i>	<u>\$ 999,320</u>

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”.

Interest payable	\$ (5,892)
OPEB Expense	217,763
Amortization of amount on refunding	22,069
Inventory	(26,240)
Compensated absences	<u>43,186</u>
Net adjustment to decrease <i>net changes in fund balances-total</i>	
<i>Governmental funds</i> to arrive at <i>changes in net position of governmental</i>	
<i>Activities</i>	<u>\$ 250,886</u>

NOTE 3– STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related legal or contractual provisions and expenditures have not exceeded legal appropriations in any funds of the County.

BUDGETARY INFORMATION

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. From a budgetary perspective, the County budgets activity within the GIS Fund and Benefits Administration Fund separately from the General Fund. From a GAAP perspective, the General Fund column of the fund statements contains General Fund and GIS Fund and Benefits Administration Fund activity. 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 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.

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.

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 \$253,140 and transfers out to support other County funds by \$560,000. The amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at fiscal yearend.

e. Deficit Net position/Fund Balance

The Industrial Accident Insurance fund had a deficit net position balance of \$117,862 at December 31, 2013. The deficit is due to recognition of an estimate for projected future year's pay out on the industrial accidents incurred of \$279,000. At December 31, 2013 the fund had \$168,767 in cash and investments to meet current payables of \$105,532.

Risk Management had a deficit net position balance of \$210,602 at December 31, 2013. At December 31, 2013 the fund had \$1,176,501 in cash and investments to meet current payables of \$792,360.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The county's deposits and certificates of deposit are entirely covered by federal depository insurance FDIC or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All of the county's investments are held in the County's name.

As of December 31, 2013, Cowlitz County had the following investments:

	Maturities- Weighted Average Days	Fair Value County Investments	Fair Value Investments held by County as agent for other local governments	Total
WA State Investment Pool	1	\$ 59,607,530	\$ 167,321,309	\$ 226,928,839
Total Investments		\$ 59,607,530	\$ 167,321,309	\$ 226,928,839

County monies are invested by certain individual funds for the benefit of the respective fund. The remaining County monies are aggregated in a residual account, and invested in an internal pool for the benefit of the General fund. Pooled investments, during 2013, included Certificates of Deposit, monies invested with the Washington State Local Government Investment Pool and money market accounts. The interest earned on the pooled investments accrues to the County General Fund in accordance with state law.

Interest Rate Risk - The County's formal written investment policy limits the investment maturities as a means of limiting exposure to fair value losses arising from increasing interest rates. The County has held investments to maturity therefore not being subject to loss due to current market values.

Credit Risk – State law limits investments to obligations of the U.S. Government, the State Treasurer's Investment Pool, banker's acceptances, deposits with Washington State banks and savings and loan institutions and certain other governmental obligations. The County's investment policy further limits investments in banker's acceptances to financial institutions with a net worth of at least \$150,000,000.

Concentration Risk – Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Treasurer's policy requires that the portfolio be structured to diversity investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. U.S. treasuries and federal agencies that have fixed rates are not limited because they carry little credit risk.

As of December 31, 2013, the county's investment in the state investment pool was not rated.

Washington State Investment Pool - The State Treasurer's Investment Pool was created by the Washington State Legislature in 1986 and is administered by the State Treasurer. Additionally, the State Finance Committee adopts and administers appropriate rules relating to the State Treasurer's Investment Pool. The State Treasurer created the Local Government Investment Pool Advisory Committee to give advice on the operation of the pool. The committee is comprised of 12 members selected from active pool participants. Washington statutes and the federal Single Audit Act of 1984 require an annual single audit of the state including the State Treasurer's Office. In addition, the pool contracts with the State Auditor's Office for an outside independent audit of the pool's financial statements.

Total Cash, Cash Equivalents, Pooled Investments, and Investments - Total cash and cash equivalents, and investments at fair value (excluding discretely presented component units (\$1,031,165)) on December 31, 2013 of \$260,750,837.

A reconciliation of cash, cash equivalents, pooled investments, and investments as shown on the fund statements is as follows:

Checking Accounts	\$ 32,403,086
Petty Cash	76,640
Deposits Held in Trust	112,683
Certificate of Deposits (classified as deposits)	308,826
State Investment Pool (classified as deposits)	226,928,839
Money Market (Pooled investments classified as deposits)	1,951,928
	<u>\$ 261,782,002</u>
Cash, cash equivalents, pooled investments	\$ 58,600,032
Cash, cash equivalents, pooled investments - restricted	19,828,046
Cash, cash equivalents, pooled investments - component unit	597,453
Cash, cash equivalents, pooled investments - component unit - restricted	433,712
Cash, cash equivalents, pooled investments - fiduciary	182,322,759
	<u>\$ 261,782,002</u>

B. PROPERTY TAXES

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

Property Tax Calendar

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

Property taxes are recorded as a receivable in the year levied. Property taxes collected in advance are recorded as deferred inflow of resources—unavailable revenue and recognized in the period to which they apply. 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 is authorized to impose (i) a regular levy (up to \$1.80 per \$1,000 of assessed value, which may be increased to a rate not to exceed \$2.475 per \$1,000 of assessed value for general county purposes if (a) the total levies for both the County and any road district within the County do not exceed \$4.05 per \$1,000 of assessed value and (b) no other taxing district has its levy reduced as a result of the increased County levy) and (ii) excess levies (unlimited as to rate or amount). The regular levy is imposed without a vote of the electors for general municipal purposes, including payment of debt service on limited tax general obligation bonds, such as the Bonds, and for road district purposes, and is subject to other limitations (see additional discussion following). The road district levy, which is levied in unincorporated areas of the County for road construction and maintenance and other County services provided in the unincorporated areas, is limited to \$2.25 per \$1,000 of assessed value. Excess levies are imposed upon voter approval. An excess levy also may be imposed without a vote to prevent the impairment of the obligations of a contract (RCW 84.52.052).

Maximum Rate Limitation. A county may levy taxes at a maximum rate of \$1.80 per \$1,000 of assessed value against all the real and personal property in the county subject to taxation for general county purposes, including the payment of principal of and interest on bonds issued by the county without a vote of the people, such as the Bonds. This rate, however, may be increased to a rate not to exceed \$2.475 per \$1,000 of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed \$4.050 per \$1,000 of assessed value and no other taxing district has its levy reduced as a result of the increased county levy.

The One Percent Aggregate Regular Levy Limitation. Article VII, Section 2 of the State Constitution, as amended in 1973, limits aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to one percent of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

\$5.90/\$1,000 Aggregate Regular Levy Limitation. Within the one percent limitation described above, RCW 84.52.043(2) imposes an aggregate limitation on regular tax levies by all taxing districts, other than the State, of \$5.90 per \$1,000 of assessed value, except levies for any port or public utility district; excess levies authorized in Article VII, Section 2 of the State Constitution; certain levies for acquiring conservation futures, for emergency medical services or care, and to finance affordable housing; certain metropolitan park district levies; ferry district levies; transit levies by certain counties; the protected

portion of levies by flood control zone districts in certain counties; and the portions of levies by fire protection districts that are protected under RCW 84.52.125.

Uniformity Requirement. Article VII, Section 1 of the State Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district levying such taxes. The State Constitution provides that with only limited exceptions, all real estate constitutes one class of property. It is possible that due to different overlapping taxing districts in different areas of the County, the maximum permissible levy might vary within the County. In that event, to comply with the constitutional requirement for uniformity of taxation, the lowest permissible rate for a taxing district for any part of the taxing district would be applied to the entire taxing district.

Prioritization of Levies. RCW 84.52.010 provides that if aggregate levies certified by all taxing districts exceed the aggregate levy limitations described above, levies certified by junior taxing districts are reduced or eliminated in order to bring the aggregate levy into compliance with the statutory maximum prescribed by RCW 84.52.050 and 84.52.043. RCW 84.52.043 defines “junior taxing districts” as all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The County is not a “junior taxing district” that would be affected under this provision.

The Levy Limitation. The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amount of regular property taxes levied by an individual local taxing district such as the County to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, annexations, improvements and State-assessed property at the previous year's rate. The limit factor is the lesser of 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or 100 percent plus inflation, unless a greater amount is approved by a simple majority of the voters. With a supermajority vote of the Board, the limit factor is a flat 101 percent.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as “banked” levy capacity. The County has banked levy capacity of \$547,437.

With a majority vote of its electors, a taxing district may levy, within the rate limitations described above, more than what otherwise would be allowed by the tax increase limitation indefinitely or for a limited period or to satisfy a limited purpose, as allowed by RCW 84.55.050. This is known as a “levy lid lift.” A newly created taxing district can initiate its levy at the maximum permitted statutory levy rate, unless that rate would exceed any of the limitations described above.

Since the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction, improvements and State-assessed property) which exceed the rate of growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy or the taxing district uses banked levy capacity. Decreases in the assessed value of all property in the taxing district (including new construction, improvements and State-assessed property) or increases in such assessed value that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates.

The county assessed valuation, levy and taxes for 2013 were:

<u>Purpose</u>	<u>Assessed Valuation</u>	<u>2013 Levy Rate Per \$1,000</u>	<u>Property Taxes 2013</u>
General Fund	\$ 8,679,876,403	\$1.905	\$ 16,532,092
Human Svcs/Mental Hlth	\$ 8,679,876,403	\$0.025	\$ 216,997
Veterans Relief	\$ 8,679,876,403	\$0.011	\$ 97,649
County Roads	\$ 4,649,251,343	\$1.987	\$ 9,237,281

Maximum Levy subject to limitations mentioned in a. and b. above.

In 2013 the General Fund for law enforcement purposes as permitted by state law codified in RCW 36.33.220 used \$637,695 of the road taxes. Special levies approved by the voters are not subject to the limitations listed above.

C. RECEIVABLES

Notes receivable owed to the Capital Improvements Fund (rural county public facilities department) of \$732,691 at December 31, 2013 are long-term and consist of the following:

Capital Improvement Fund - Notes Receivable					12/31/2013
	<u>Int. rate</u>	<u>Qtrly/Annual Pmts</u>	<u>Final Pmt.</u>		<u>Balance</u>
Port of Woodland	3.02%	\$ 6,250.50	3/31/2026		\$274,752
Port of Woodland	4.00%	5,916.21	3/31/2022		154,742
Port of Longview	3.00%	22,954.79	7/1/2024		211,881
City of Kalama	1.00%	7,602.15	1/31/2031		60,544
City of Castle Rock	1.00%	5,309.60	1/31/2019		30,772
Total Notes Receivable					<u>\$732,691</u>

The Due from Component Unit of \$5,057,736 represents a receivable for bonds issued by Cowlitz County from which the Public Facilities District 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.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land	\$ 11,663,605	\$ 93,930	\$ -	\$ 11,757,535
Construction in progress	4,307,104	6,626,828	4,954,724	5,979,208
Total capital assets, not being depreciated	<u>15,970,709</u>	<u>6,720,758</u>	<u>4,954,724</u>	<u>17,736,743</u>
Capital Assets, being depreciated				
Buildings	48,800,872	2,672,372	-	51,473,244
Improvements other than buildings	7,083,675	-	-	7,083,675
Machinery and equipment	18,095,683	1,404,605	1,009,453	18,490,835
Intangible	1,087,512	-	13,793	1,073,719
Infrastructure	135,699,336	2,658,685	62,469	138,295,552
Total capital assets being depreciated	<u>210,767,078</u>	<u>6,735,662</u>	<u>1,085,715</u>	<u>216,417,025</u>
Less accumulated depreciation for:				
Buildings	17,860,072	1,337,741	-	19,197,813
Improvements other than buildings	3,604,867	219,826	-	3,824,693
Machinery and equipment	11,144,720	1,057,859	987,880	11,214,699
Intangible	1,030,229	13,625	12,165	1,031,689
Infrastructure	45,417,771	3,095,066	45,581	48,467,256
Total accumulated depreciation	<u>79,057,659</u>	<u>5,724,117</u>	<u>1,045,626</u>	<u>83,736,150</u>
Total capital assets being depreciated, net	<u>131,709,419</u>	<u>1,011,545</u>	<u>40,089</u>	<u>132,680,875</u>
Governmental capital assets, net	<u>\$ 147,680,128</u>	<u>\$ 7,732,303</u>	<u>\$ 4,994,813</u>	<u>\$ 150,417,618</u>
Business-type activities:				
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,735,140	\$ 329,291	\$ -	\$ 2,064,431
Construction in progress	3,560,772	1,869,377	1,474,968	3,955,181
Total capital assets, not being depreciated	<u>5,295,912</u>	<u>2,198,668</u>	<u>1,474,968</u>	<u>6,019,612</u>
Capital assets, being depreciated:				
Buildings and system	114,132,137	433,106	-	114,565,243
Improvements other than building	10,515,200	399,574	-	10,914,774
Machinery and equipment	5,361,741	797,589	150,591	6,008,739
Intangible	1,515,582	1,823,891	213,019	3,126,454
Total capital assets, being depreciated	<u>131,524,660</u>	<u>3,454,160</u>	<u>363,610</u>	<u>134,615,210</u>
Less accumulated depreciation for:				
Buildings and system	41,422,542	3,912,992	-	45,335,534
Improvements other than buildings	8,553,435	777,228	-	9,330,663
Machinery and equipment	3,500,766	350,245	150,591	3,700,420
Intangible	1,489,331	59,657	213,019	1,335,969
Total accumulated depreciation	<u>54,966,074</u>	<u>5,100,122</u>	<u>363,610</u>	<u>59,702,586</u>
Total capital assets, being depreciated, net	<u>76,558,586</u>	<u>(1,645,962)</u>	<u>-</u>	<u>74,912,624</u>
Business-type activities capital assets, net	<u>\$ 81,854,498</u>	<u>\$ 552,706</u>	<u>\$ 1,474,968</u>	<u>\$ 80,932,236</u>

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

General Government	\$ 163,180
Public Safety	1,017,134
Judicial	75,898
Transportation	3,288,786
Physical Environment	4,897
Economic Environment	13,353
Health	51,430
Culture & Recreation	207,810
Capital assets held by the government's Internal Service funds are charged to the various functions based on their usage of the assets	901,629
	<u>\$ 5,724,117</u>

Business-type activities:

Water/Sewer	\$ 375,744
Three Rivers	3,423,303
Solid Waste-Landfill	852,048
Public Safety	409,008
Expo Center	26,084
Public Shooting Range	13,935
Total depreciation expense-business-type activities	<u>\$ 5,100,122</u>

Commitments:

At the end of December 31, 2013, the Solid Waste Fund was the only fund which had significant construction projects in process. Project costs through December 31, 2013 were \$3,513,599. Accumulated costs for the individual projects with contractual commitments are as follows:

- Headquarters Landfill acquisition and pipeline \$3,450,124. A limited tax general obligation bond was issued in 2014 in the amount of \$34.5 million to fund this acquisition and additional construction.
- 1600 Road Realignment \$10,810. The bid process is anticipated for mid-2014. Engineer's estimate is approximately \$200,000.

Discretely Presented Component Unit – Public Facilities District

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning	Increases	Decreases	Ending
Capital Assets being depreciated:				
Buildings	\$ 5,923,278	\$ 144,728	\$ -	\$ 6,068,006
Leasehold improvements	11,167,292	-	-	11,167,292
Improvements other than buildings	566,565	-	-	566,565
Machinery and equipment	662,587	-	-	662,587
Total capital assets being depreciated	<u>18,319,722</u>	<u>144,728</u>	<u>-</u>	<u>18,464,450</u>
Less: accumulated depreciation for:				
Buildings	888,492	130,527	-	1,019,019
Leasehold improvements	1,397,110	507,604	-	1,904,714
Improvements other than buildings	281,390	22,302	-	303,692
Machinery and equipment	358,563	32,386	-	390,949
Total accumulated depreciation	<u>2,925,555</u>	<u>692,819</u>	<u>-</u>	<u>3,618,374</u>
Total capital assets, being depreciated net	<u>\$ 15,394,167</u>	<u>\$ (548,091)</u>	<u>\$ -</u>	<u>\$ 14,846,076</u>
Total capital assets, net	<u>\$ 15,394,167</u>	<u>\$ (548,091)</u>	<u>\$ -</u>	<u>\$ 14,846,076</u>

E. TRANSFERS, INTERFUND RECEIVABLES AND PAYABLES

Interfund transfers are funds provided to support other funds with no obligation for repayment and consisted of the following for 2013:

	Transfers Out			Total
	General Fund	Capital Improv.	Non-major Govt.	
<u>Transfers in:</u>				
General Fund			\$ 290,540	\$ 290,540
Roads		\$ 141,208		\$ 141,208
Capital Improvement			35,738	35,738
Debt Service	215,000	820,098	239,000	1,274,098
Nonmajor Governmental	742,314		145,896	888,210
Governmental	<u>957,314</u>	<u>961,306</u>	<u>711,174</u>	<u>2,629,794</u>
Nonmajor Enterprise	150,000	48,446	35,731	234,177
Internal Service Funds	574,009	-	-	574,009
Total Transfers	<u>\$ 1,681,323</u>	<u>\$ 1,009,752</u>	<u>\$ 746,905</u>	<u>\$ 3,437,980</u>

Interfund receivables and payables consisted of the following as of December 31, 2013:

	Due From:								
	General Fund	Roads	Capital Improv.	Non-major Govt.	Solid Waste	Three Rivers	Non-major Enterprise	Internal Service	Total
Due To:									
General Fund		15,818	7,134	136,494	945	4,040	35,363		199,794
Road Fund	85,511			21,340	52,075	6,755	54,371	34,463	254,515
Nonmajor Governmental	203,900								203,900
Capital Improvement				3,248					3,248
Three Rivers					22				22
Solid Waste	469	381				3,540	92		4,482
Nonmajor-Enterprise	466	64		1,202	417			7,311	9,460
Internal Service Funds	55,783	277,446		5,601	13,934	28	8,213	107,818	468,823
Total	346,129	293,709	7,134	167,885	67,393	14,363	98,039	149,592	1,144,244

Additionally, the Solid Waste fund has provided loans to other non-major enterprise funds. The 911 Center fund borrowed funds for the radio project. At December 31, 2013, \$59,691 was outstanding on this loan. The loan will be paid in full during 2014. The Public Shooting Range borrowed \$245,000 for capital purposes and start-up costs. This loan must be paid in full on or before July 1, 2015. The general fund also borrowed \$325,000 from the ER&R fund for a software project, which was fully outstanding at December 31, 2013. This loan must be paid in full on or before December 31, 2016. Total interfund loans outstanding at December 31, 2014 are \$629,691.

NOTE 5-INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedules of Financial Assistance provide a listing of all federal assistance programs in which the county participates.

NOTE 6 – PENSION PLANS

Substantially all county 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

**Public Employees’ Retirement System (PERS) Plans 1, 2, and 3
Plan Description**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local

governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest- paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an

occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** Plan 3 defined benefit portion only.
- ***Minimum rate.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$ 71,006	\$ 1,482,749	\$ 334,346
2012	\$ 58,798	\$ 1,312,698	\$ 284,668
2011	\$ 48,500	\$ 1,128,898	\$ 262,726

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	27,784

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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 DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	\$ 0	\$ 162,228
2012	\$ 0	\$ 168,010
2011	\$ 0	\$ 170,274

**Public Safety Employees' Retirement System (PSERS)
Plan 2**

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

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.

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

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

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Nonvested	2,167
Total	4,337

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PSERS Plan 2
Employer*	10.54%
Employee	6.36%

* The employer rate includes an employer administrative expense fee of 0.18%.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	PSERS Plan 2
2013	\$ 378,221
2012	\$ 357,421
2011	\$ 317,205

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

LEOFF I OPEB

Plan Description

The County provides all health insurance benefits for retired public safety employees who are vested in LEOFF I under a single-employer defined benefit plan. All County LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County.

There are 23 participants eligible to receive these benefits. There are no LEOFF I members employed at the County who have not yet retired. The benefits are 100 percent provided by the County in order to meet State statutory requirements under the LEOFF I system, whereby the County pays their medical and dental premiums and out-of-pocket medical costs for life.

The County does not issue a stand-alone financial report nor is the plan included in the report of another entity.

Funding Policy and Funding Status

The County has the authority to establish and amend contribution requirements. Plan members are not required to contribute to the plan.

This plan is not currently funded. The County was required to contribute \$469,706 but only contributed \$251,943 at December 31, 2013. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. Since the County's healthcare plan is experience rated, the annual required contributions can fluctuate. The difference between the OPEB costs and the required contribution is called the Net OPEB Obligation (NOO).

As of December 31, 2012, the most recent valuation date, the liability for benefits was \$6,082,679.

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the current year and the two preceding years were as follows:

Year Ending December 31	Annual		Percentage of Annual OPEB Cost Contributed	
	OPEB Cost	Contribution	OPEB Cost	Net OPEB Obligation
2013	\$ 469,706	\$ 251,943	53.64%	\$ 2,206,618
2012	480,775	271,146	56.40%	1,988,855
2011	527,742	250,761	47.52%	1,779,226

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance within the parameters of GASB 45 using the alternative method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2013, the amount actually contributed to the plans, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 566,381
Interest on net OPEB obligation	89,498
Adjustments to the annual required contribution	(186,173)
Annual OPEB cost (expense)	469,706
Employer Contributions made	251,943
Increase in the net OPEB obligation	217,763
Net OPEB obligation, beginning of year	1,988,855
Net OPEB obligation, end of year	\$ 2,206,618

Methods and Assumptions

The County has used the alternative measurement method permitted under GASB Statement No. 45 to calculate the annual required contribution of the employer. 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 required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	4.50%
Projected Payroll Growth	N/A
Investment Return	N/A
Amortization Method	Open
Amortization Period - Open	15

Additionally, a single retirement age of 56.24 was assumed for all active members to determine the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with four active groupings and four inactive groupings. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 8 - RISK FINANCING

A. WASHINGTON COUNTIES RISK POOL

Cowlitz County is one of 27 members of the Washington Counties Risk Pool (“Pool”). The Pool was formed August 18, 1988 after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide member counties with “joint” programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling, and risk management. Washington’s pools operate under the state’s “pooling” laws and regulations, more specifically, RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor’s Office.

Noteworthy is the definition of “insurer” within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an “insurer” under this code.

Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

The Pool's mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims. Its core values include: being committed to learn, understand and respond to the member counties' insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations. The Pool's board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes, and being committed to continuous planning and innovation in product development and service delivery.

A Membership Compact was added as an addendum to the Interlocal Agreement in 2000. It constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. It obligates member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover any costs to analyze the member's loss data and risk profile, but they are normally only required to contribute their proportional shares on their entry year's insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

Joint Self-Insurance Liability Program (“JSILP”): The Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3rd-party liability coverage since October 1, 1988 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the \$1 million limit that existed during the Pool's initial two insuring months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million occurrence limit that has existed since October 1, 2003. (Note: Additional occurrence limits of \$5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.

The initial \$10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to \$15 million, is acquired as “following form” excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000.

Reinsurance is acquired from higher rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention (“SIR”) equal to the greater of the applicable member's deductible or \$100,000. The reinsuring agreements also include first and second layer corridor elements – to \$1 million and from \$1 to \$2 million – with cumulative (WCRP) retentions of \$2.95 and \$0.65 million and annual aggregate limits of \$40 and \$20 million respectively.

Washington Counties Property Program (“WCPP”):

The WCPP includes All Other Peril coverage limits of \$500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverages each include annual aggregate limits of \$200 million. The WCPP coverage also includes

sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism (\$20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles are applicable to losses resulting from catastrophe relevant losses.

Other Insurances: Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverages.

Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Board, which is made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Pool's Annual Meeting. The board of directors is responsible for a) determining the extent of the 3rd-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the Pool's financial health; b) approve case settlements exceeding the applicable member's deductible by at least \$50,000; c) review all claims with incurred loss estimates exceeding \$100,000; and d) evaluate the Pool's operations and program deliverables as well as the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO (\$0) as there were no known contingent liabilities at that time.

The Washington Counties Risk Pool publishes an annual report that includes financial summaries. This report can be accessed at www.wcrp.infor.reports.asp. Additional information can be obtained by contacting the Washington Counties Risk Pool at 2558 R.W. Johnson Rd, Suite 106: Tumwater, WA 98512-6103; Phone: (360) 292-4500.

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 law enforcement employees and \$350,000 for all other employees, per occurrence. Excess insurance has been purchased to cover the difference. 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, 2013 were \$1,337,600 for general liability and \$279,000 for workers compensation.

The county's changes in aggregate liability were as follows:

	Risk Management	Industrial Insurance	Total
Claims Payable 12-31-11	\$ 1,067,106	\$ 413,000	\$ 1,480,106
Provision for 2011	495,500	137,947	633,447
Increase (Decrease) in Provision for Prior Years	235,402	(115,354)	120,048
Less:			
Payment of Claims in Current Year Events	25,481	37,404	62,885
Payment of Claims in Prior Year Events	301,745	74,189	375,934
Claims Payable 12-31-12	<u>1,470,782</u>	<u>324,000</u>	<u>1,794,782</u>
Provision for 2013	648,600	51,860	700,460
Increase (Decrease) in Provision for Prior Years	(572,021)	(72,125)	(644,146)
Less:			
Payment of Claims in Current Yr. Events	43,674	16,930	60,604
Payment of Claims in Prior Yr. Events	166,087	7,805	173,892
Claims Payable 12-31-13	<u>\$ 1,337,600</u>	<u>\$ 279,000</u>	<u>\$ 1,616,600</u>

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

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 in the amount of \$168,767 at December 31, 2013 available to meet the projected future estimate of claims to be paid out of \$279,000. This results in a December 31, 2013 total net position of (\$117,862).

The Risk Management Fund has \$1,176,501 at December 31, 2013 in net cash and investments to meet actual and projected claims to be paid of \$1,337,600. This results in a December 31, 2013 total net position of (\$210,602).

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, 2013 the fund has a total net position balance of \$158,651 compared to total net position of \$86,826 at December 31, 2012.

NOTE 9 – LONG-TERM DEBT AND CAPITAL LEASES

A. LONG-TERM DEBT

Note 9 summarizes long-term debt as follows: 1) Description of primary government individual debt issues and related debt service requirements to maturity on general obligation bonds and notes 2) Debt Service Requirements to Maturity 3) Discretely Presented Component Unit – Public Facilities District and its long-term debt, 4) summary of changes in long-term debt, 5) presents the County’s legal debt margin, and 6) Capital lease information.

1. Description of Primary Government Individual Long-term Liabilities

<i>Bonds and Other Long Term Liabilities – Governmental Activities</i>	<i>Debt Outstanding</i>
\$700,000 Public Work Building Note Payable issued on May 15, 2008 for the purchase of the new Public Works facility. Principal payments are \$17,500 quarterly. Interest is equal to the published Monthly Net Earnings Rate of the Washington State Local Government Investment Pool for the month proceeding such calendar quarter.	\$297,500
\$6,740,000 of the \$8,565,000 2005 Limited GO Refunding Bonds issued September 9, 2005 to refund certain of the Limited Tax General Obligation Bonds 1998 and Limited Tax General Obligation Bonds 1999 and pay the administrative costs of refunding, issuance and sale of bonds. The 2005 bonds have interest rates of 3% to 4.25% on principal installments of \$50,000 to \$855,000 through November 1, 2023. The remaining \$1,210,000 of this issue is classified as special assessment debt.	\$4,335,000
\$2,500,000 2011 Limited Tax General Obligation Bond issued October 18, 2011 to provide to provide upgrades to certain heating and cooling facilities of the County and pay the administrative costs of issuing the bonds. Funds from this bond are drawn down as needed. The interest rate on the outstanding principal is 3.4% through November 30, 2016. On December 1, 2016, the bond has an interest rate of 4.55% on principal installments. Semiannual principal payments beginning December 1, 2013 through December 1, 2021.	\$2,369,086
\$3,690,000 2012A Limited Tax General Refunding Bond issued May 30, 2012 to refinance the 2002 Limited General Obligation bonds. The debt is serviced 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.	\$3,450,000
\$4,880,000 2012B Limited Tax General Refunding Bond issued May 30, 2012 to refinance the 2003 Limited General Obligation bonds. The debt is serviced from the sales and hotel taxes received by the Cowlitz County Public Facilities District, a component unit of Cowlitz County. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments beginning April 1, 2013 through April 1, 2027.	\$4,665,000
<i>Special Assessment Debt</i>	<i>Debt Outstanding</i>
\$172,038 Road Improvement District Special Assessment Bond issued	

October 23, 2009 to finance road improvement. The interest rate on the bonds is 4.5%, with the entire principal payment due on October 1, 2021. The debt is paid from assessments collected from benefitted property owners; principal payments can be made annually on October 1, without pre-payment penalty, if assessments are collected. This County is required to establish a reserve to cover defaults by property owners.	\$81,684
\$1,825,000 of the \$8,565,000 2005 Limited GO Refunding Bonds issued September 9, 2005 to refund certain of the Limited Tax General Obligation Bonds 1998 and Limited Tax General Obligation Bonds 1999 and pay the administrative costs of refunding, issuance and sale of bonds. The special assessment portions of the 2005 bonds have interest rates of 3% to 4.25% on principal installments of \$140,000 to \$230,000 through November 1, 2019. The remaining \$6,470,000 of this issue is classified as general obligation bonds.	\$1,210,000

<i>Revenue Debt – Business Type Activity</i>	<i>Debt Outstanding</i>
\$7,000,000 1999 TRRWA Public Works Trust Fund Loan from State of Washington - \$6,300,000 issued August 23, 1999 and \$700,000 issued May 12, 2004 for improvements to the sewer facilities. Interest is 1% per annum with \$375,329 future annual principal payments on June 30, 2005 through June 30, 2019.	\$ 2,251,974
\$3,000,000 2001 TRRWA Public Works Trust Fund Loan from State of Washington \$2,850,000 issued May 26, 2001 and \$150,000 issued May 10, 2004 for improvements to treatment plant. Interest is .05% per annum with \$158,333 future annual principal payments on June 30, 2005 through June 30 2021.	\$ 1,266,667
\$653,050 2002 Water Sewer Washington State Department of Community Development Public Works Trust Fund (PWTF) Loan. The funds were for improvements to the Toutle Wastewater Treatment Facility. Interest is 2 percent per annum through June 30, 2003, and 1% per annum thereafter with annual principal payments through June 30, 2020 of \$34,623.	\$242,358
\$35,400,000 2002 Special Revenue Refunding Bonds- issued September 5, 2002 to pay the costs of the Central Sewer's (Three Rivers) portion of the County's outstanding Limited Tax General Obligation Bonds-1999. Interest varies from 2.5% to 5.5% on principal installments of \$1.6 million to \$2.79 million through November 1, 2019. Revenues from user fees collected by the Cities of Kelso, Longview and Beacon Hill Sewer District will service the debt on this issue. Up front money provided by the Central Sewer has paid for an insurance policy to fund the debt in case of default by the users.	\$ 14,690,000
\$1,084,158 2005 Water Sewer PWTF Loan. 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.	\$602,310
\$13,760,000 Special Sewer Revenue Bonds 2006 issued June 1, 2006 to provide	

construction improvements to the wastewater treatment plant. Interest varies from 4.25% to 5.25% with future principal payments of \$470,000 to \$1,090,000 through March 1, 2025. The debt is paid from revenues collected by the Three Rivers Regional Wastewater Authority (TRRWA), an enterprise fund of the County.	\$10,025,000
\$776,287 2006 TRRWA City of Longview , a public works trust fund loan. September 21, 2006 TRRWA received \$750,000 and \$26,387 from the City in June 2007. Interest is .05% per annum with future annual principal payments of \$40,487 beginning June 30, 2007 through June 30, 2025.	\$ 490,286
\$322,035 2008 Water-Sewer PWTF Loan . The funds were for County Water Systems Reservoir Coating The loan has an interest rate of .50% with annual principal payments of 16,949 through July 1, 2027.	\$252,084
\$6,630,750 2008 TRRWA Public Works Trust Fund Loan from State of Washington by TRRWA to replace two clarifiers and associated piping. Interest is 0.5% per annum with future annual principal payments of \$331,538 beginning July 1, 2009 through July 1, 2027.	\$ 5,265,596
\$535,500 2012 Water-Sewer PWTF Loan . 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.	\$566,816
\$211,719 2010 Water-Sewer DOE Loan . The funds are being used for the Ryderwood Infiltration and Inflow Removal. The loan has a 1% percent interest rate. Payments are due bi-annually in the amount of \$6,344.70. The term of the loan is 20 years. As of December 31, 2012, \$211,719 has been drawn from the \$223,157 available.	\$200, 935

2. DEBT SERVICE REQUIREMENTS TO MATURITY

Annual debt service requirements to maturity for **general obligation bonds** are as follows:

Year Ending	Governmental Activities	
	Principal	Interest
<u>December 31</u>		
2014	\$ 1,273,540	\$ 569,423
2015	1,322,748	520,778
2016	1,377,272	469,102
2017	1,425,110	431,226
2018	1,473,000	370,671
2019-2023	5,962,416	968,056
2024-2027	1,985,000	225,725
Total	<u>\$ 14,819,086</u>	<u>\$ 3,554,981</u>

Annual debt service requirements for notes payables are as follows:

Governmental Activities		
Year Ending		
December 31	Principal	Interest
2014	\$ 70,000	\$ 551
2015	70,000	446
2016	70,000	341
2017	70,000	236
2018	17,500	26
Total	\$ 297,500	\$ 1,600

Annual debt service requirements for **special assessments bonds** are as follows:

Special Assessment Debt		
Year Ending		
December 31	Principal	Interest
2014	\$ 180,000	\$ 68,601
2015	185,000	58,701
2016	195,000	48,526
2017	205,000	37,801
2018	215,000	27,038
2019-2021	311,684	23,102
Total	\$ 1,291,684	\$ 263,769

Annual debt service requirements for the **special sewer revenue bonds**, which are paid from revenues collected by Three Rivers Regional Wastewater Authority enterprise fund, are as follows:

Special Sewer Revenue Bonds		
Year Ending		
December 31	Principal	Interest
2014	\$ 2,765,000	\$ 1,295,900
2015	2,910,000	1,151,063
2016	3,045,000	998,944
2017	3,225,000	835,350
2018	3,400,000	658,725
2019-2023	7,240,000	1,294,425
2024-2028	2,130,000	107,750
Total	\$ 24,715,000	\$ 6,342,157

Annual debt service requirements payable to the other governments for business type activities are as follows:

Business Type Activities - Intergovernmental Loans		
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2014	1,080,468	70,776
2015	1,080,574	63,046
2016	1,080,681	55,321
2017	1,080,790	47,583
2018	1,080,899	39,848
2019-2023	3,484,324	115,394
2024-2028	2,125,919	42,811
2029-2031	125,371	2,693
	<u>\$ 11,139,026</u>	<u>\$ 437,472</u>

3. Discretely Presented Component Unit – Public Facilities District

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 Theater for the Performing Arts in the City of Longview. Additionally, the PFD is liable for operating loans used to cover tax shortfalls.

Public Facilities Dist. – Due to Primary Government (Cowlitz County)	Debt Outstanding December 31, 2013
Up to \$810,000 from Cowlitz County Solid Waste fund to cover shortfalls in retained sales tax receipts. Loan is to be paid back when funds are not restricted for other debt, but must be repaid by July 1, 2033. No scheduled payments, but interest accrues monthly at the Washington State Local Government Investment Pool rate. Interest payments are made annually.	\$392,736
\$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 Retained Sales Tax 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 on September 16, 2003. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments are due April 1, 2013 through April 1, 2027	\$4,665,000

Public Facilities Dist. - Notes Payable due to City of Longview	Debt Outstanding December 31, 2013
\$6,130,000 from City of Longview, that issued bonds on December 27, 2007 to provide funding for improvements to Columbia Theatre for the Performing Arts in Longview received by the District January 8, 2008. Sales and use tax received pursuant to 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. Interest varies from 4.0% to 5.0% with future annual principal payments of \$130,000 to \$510,000 beginning December 1, 2008 through June 1, 2032.	\$5,565,000

At December 31, 2013, annual Debt service for debt categorized as Due to Primary Government (Cowlitz County) for the Public Facilities District follows:

**Public Facilities District
Due to Primary Government - Cowlitz County**

	Principal	Interest	Total
2014	\$ 230,000	\$ 159,550	\$ 389,550
2015	245,000	154,800	399,800
2016	260,000	148,450	408,450
2017	275,000	140,425	415,425
2018	295,000	131,875	426,875
2019-2023	1,765,000	488,125	2,253,125
2024-2027	1,987,736	117,100	2,104,836
	<u>\$ 5,057,736</u>	<u>\$ 1,340,325</u>	<u>\$ 6,398,061</u>

Annual debt service requirements payable to the City of Longview are as follows:

**Public Facilities District
Due to City of Longview**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 130,000	\$ 234,325	\$ 364,325
2015	145,000	228,825	373,825
2016	155,000	222,050	377,050
2017	175,000	213,800	388,800
2018	190,000	205,625	395,625
2019-2023	1,200,000	896,325	2,096,325
2024-2028	1,710,000	601,503	2,311,503
2029-2032	1,860,000	170,280	2,030,280
	<u>\$ 5,565,000</u>	<u>\$ 2,772,733</u>	<u>\$ 8,337,733</u>

The PFD's bond covenants require the district to maintain a rate stabilization fund and depreciation reserve account for the regional events center, and a revenue stabilization account for the Columbia Theater Project. At December 31, 2013, these funds were as follows:

<u>Purpose</u>	<u>Amount</u>
Regional Events Center Rate Stabilization	\$ 198,154
Columbia Theater Revenue Stabilization	52,119
Columbia Theater Depreciation Reserve	183,439
	<u>\$ 433,712</u>

4. CHANGES IN LONG-TERM DEBT

Changes in Governmental Activities General Long Term Debt

	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 15,512,750	\$ 407,250	(1,100,914)	\$ 14,819,086	\$ 1,273,540
Special Assessment Bonds					
with governmental commitment	1,470,682	-	(179,000)	1,291,682	180,000
Less amounts:					
for premium	719,125	-	(56,657)	662,468	56,657
	<u>17,702,557</u>	<u>407,250</u>	<u>(1,336,571)</u>	<u>16,773,236</u>	<u>1,510,197</u>
Notes Payable	367,500	-	(70,000)	297,500	70,000
Other post employee benefits	1,988,855	469,706	(251,943)	2,206,618	-
Compensated Absences	2,791,074	2,692,647	(2,649,461)	2,834,260	-
Capital Lease - Int Svc.	24,116	140,717	(44,067)	120,766	34,094
Comp. Absences - Int Svc.	142,410	158,180	(113,079)	187,511	-
Claims/Judgements-Int Svc.	1,794,782	700,460	(878,642)	1,616,600	862,518
Total Gen'l Long-Term Debt	<u>\$ 24,811,294</u>	<u>\$ 4,568,960</u>	<u>\$ (5,343,763)</u>	<u>\$ 24,036,491</u>	<u>\$ 2,476,809</u>

For governmental activities, other post-employment benefits, and compensated absences are generally liquidated by the general fund. The internal charges received from other funds are used to liquidate the claims and judgments in the internal service funds.

Changes in Business Type Activities Long-Term Debt

	<u>Balance</u> <u>1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	\$ 27,350,000	\$ -	\$ (2,635,000)	\$ 24,715,000	\$ 2,765,000
Plus (minus):					
Premium on bond issuance	1,095,342	-	(141,354)	953,988	141,351
Total bonds payable	<u>28,445,342</u>	<u>-</u>	<u>(2,776,354)</u>	<u>25,668,988</u>	<u>2,906,351</u>
Notes Payable-Other Govts.	12,156,911	59,500	(1,077,389)	11,139,022	1,080,468
Landfill Closure and Postclosure Care	14,371,531	552,569	-	14,924,100	6,927,318
Compensated Absences	535,337	482,222	(461,310)	556,249	-
Total Debt	<u>\$ 55,509,121</u>	<u>\$ 1,094,291</u>	<u>\$ (4,315,053)</u>	<u>\$ 52,288,359</u>	<u>\$ 10,914,137</u>

Changes in Long-Term Debt Component Unit (Public Facilities District)

	<u>1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2013</u>	<u>Due Within</u> <u>One Year</u>
Due to Primary Government Bonds	\$ 4,880,000	\$ -	\$ 215,000	\$ 4,665,000	\$ 230,000
Notes Payable	392,736	-	-	392,736	-
Plus (minus)					
For issuance discounts	-	-	-	-	-
For issuance premiums	373,248	-	25,890	347,358	25,890
Due to Primary Government (net)	<u>5,645,984</u>	<u>-</u>	<u>240,890</u>	<u>5,405,094</u>	<u>255,890</u>
Notes Payable	5,685,000	-	120,000	5,565,000	130,000
Less deferred amounts:					
For issuance discounts	(40,343)	-	(2,017)	(38,326)	(2,017)
Due to Other Governments (net)	<u>5,644,657</u>	<u>-</u>	<u>117,983</u>	<u>5,526,674</u>	<u>127,983</u>
Total Long Term Debt	<u>\$ 11,290,641</u>	<u>\$ -</u>	<u>\$ 358,873</u>	<u>\$ 10,931,768</u>	<u>\$ 383,873</u>

5. 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</u> <u>INDEBTEDNESS</u>	<u>REMAINING</u> <u>CAPACITY</u>
General Government (No vote required)	\$ 116,941,144
General Government (Vote required)	\$ 89,196,330

6. PRIOR YEAR DEFEASANCE OF DEBT:

The County defeased certain general obligations bonds by placing the proceeds of the new bonds and/or cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the County's financial statements. At December 31, 2013, \$8,795,000 of bonds outstanding is considered to be defeased.

8. DEBT COVERAGE REQUIREMENTS:

The 2002 special revenue refunding bonds resolution requires that net revenues of Three Rivers 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 not met at December 31, 2013. The aggregate annual debt service when system development charges are included in revenue was 1.21 and excluding system development charges coverage was 1.19 times the 2013 debt service on bonds. The ratio was not met in 2013 due to decreased charges for services and system development fees. In accordance with Bond Covenants, TRRWA transferred \$100,000 during May 2014 from the rate stabilization fund to satisfy this deficiency.

In March of 2008, the County’s Bond Insurer for the 2002 Revenue Bonds (FGIC) was downgraded to Baa3 from AAA. As a result, Three Rivers must meet Reserve Requirements for the Bonds issued through deposit into the Reserve Account. At December 31, 2013 \$2,950,667 is being held to satisfy this debt service covenant.

In June of 2009, Standard & Poor’s (S&P) lowered its rating on MBIA to A from AA which affects the 2006 Bonds. Over the next five years, Three Rivers will need to establish a reserve account for \$1,120,633. As of December 31, 2013, Three Rivers has \$1,121,224 in reserves to satisfy this requirement

Additionally, Three Rivers is required to hold funds in a rate stabilization account. At December 31, 2013, \$681,307 was held in this account.

B. CAPITALIZED LEASES

The County has entered into three separate lease agreements as lessee for computer servers and related equipment. These lease agreements qualify as capital leases for accounting purposes, as, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The value of assets acquired through capital lease for governmental activities is \$146,461 (\$183,794 less accumulated depreciation of \$37,333).

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

2014	\$	38,073
2015		30,620
2016		30,620
2017		30,620
Total minimum lease payments		<u>129,933</u>
Less amount representing interest		<u>(9,168)</u>
Present value of minimum lease payments	\$	<u><u>120,765</u></u>

NOTE 10 –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 up to 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.

The County reported \$14.9 million as landfill closure and post closure care liability at December 31, 2013. 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.

The County's 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 \$1.1 million. 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.

The lined landfill is at 98.9 percent of the estimated refuse capacity at December 31, 2013. As a result, \$13.8 million is reported as landfill closure and post closure care liability, related to this section of the landfill. The county will recognize the remaining estimated costs of closure and post closure care of \$99,000 during 2014, because the Landfill was closed in April 2014. These amounts are based on what it would cost to perform all closure and post closure care at the end of 2013. The estimated life for the landfill is 1 years, with final closure in 2014. This landfill will close 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.

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, 2013 the County had \$14.9 million in cash and investments held for these purposes. The amounts are reported as restricted cash and investment on the balance sheet.

NOTE 11 – 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 management the County's insurance policies and/or 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.

NOTE 12 – OTHER DISCLOSURES

A. RELATED PARTY TRANSACTIONS

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 \$6.565 million for the construction of the center. The PFD is obligated to repay this loan with retained sales tax and lodging taxes received by the PFD. The PFD also has a loan with Cowlitz County Solid Waste in the authorized in the amount of \$810,000, with a balance of \$392, 736. (see note 5). 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 provides an “in-kind” match as required by forgiving the annual fair market rental value of the site to the PFD. The match for 2013 was \$192,960 and the match for 2012 was \$183,772. Additionally, in-kind match is provided by Cowlitz County from lodging and sales tax in the amount of \$628,164 and \$582,468, respectively, for 2013 and 2012.

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 \$135,000 and \$140,000, for 2013 and 2012, respectively.

Additionally, during 2013, the County made donated energy conservation improvements to the Conference Center building in the amount of \$144,728.

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 2013 were \$60,000.

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 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, 2013. The airport has less than \$50,000 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

Landfill Purchase: On March 12, 2014, Cowlitz County completed the purchase of the Headquarters Landfill. The County issued approximately \$34,040,000 of tax-exempt bonds to finance the acquisition of and improvements to a new solid waste landfill. Bond proceeds will be used to (i) pay or reimburse the costs of acquiring and improving a solid waste landfill and constructing associated infrastructure, (ii) pay the costs of issuance and sale of the bonds and (iii) other lawful County purposes.

The bonds were issued as qualified private activity bonds under Section 142 of the Internal Revenue Code in order to provide the County maximum flexibility in negotiating use terms with Weyerhaeuser and other potential private wholesale customers of the new solid waste landfill. The County pledged its full faith and credit for repayment of the bonds. It agreed to include debt service payments (both principal and interest) as an expense in annual budgets until the debt is fully retired. The County agreed to levy taxes within its constitutional and statutory tax limitations without a vote of the people and plans to use other money legally available to it for debt service payments on the bonds. Even though the bonds are secured by the County's general obligation pledge, the County does not expect to use General Fund dollars for the bond payments since operating revenues from the landfill are expected to be sufficient. The County will make two semi-annual payments: June 1 (interest only) and December 1 (interest and principal) each year. The first interest only payment was made June 1, 2014. The payment in June will be for interest only and the payment in December will include interest and principal. The bonds will be fully paid in twenty (20) years - on or before December 2033.

D. PRIOR PERIOD ADJUSTMENTS

The *Governmental Activities* column of the Statement of Activities presents a prior period adjustment in the amount of (\$321,141). This represents revenues that were recorded in the improper period of availability in 2012. Likewise, the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances display prior period adjustments for the same reason, with \$181,861 representing the *General Fund*, and with \$139,280 representing the *Other Governmental Funds*.

**Cowlitz County, Washington
Required Supplementary Information
Other Post Employment Benefit
Schedule of Funding Progress**

LEOFF 1 Retiree Medical Benefits

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded Actuarial Accrued Liabilities (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
(Note 1 & 2)						
12/31/2007	\$ -	\$ 7,772,118	\$ 7,772,118	0%	\$ 202,510	3838%
12/31/2010	\$ -	\$ 6,379,253	\$ 6,379,253	0%	\$ -	0%
12/31/2012	\$ -	\$ 6,082,679	\$ 6,082,679	0%	\$ -	0%

Note 1 = Actuary valuation conducted every three years.

Note 2 = Alternative method used for valuation.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture/SPI	School Breakfast Program	10.553	NA	14,126		14,126	
Food And Nutrition Service, Department Of Agriculture/SPI	National School Lunch Program	10.555	NA	21,628		21,628	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	USFS 13-CO-1106030		115,099	115,099	5
Dept of HUD/WA Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	11-64100-025	156,704		156,704	5
Bureau Of Justice Assistance, Department Of Justice	Drug Court Discretionary Grant Program	16.585	2010DCBX0063		113,368	113,368	
Violence Against Women Office, Department Of Justice/WA Commerce	Violence Against Women Formula Grants	16.588	F12-31103-076	17,468		17,468	
Violence Against Women Office, Department Of Justice/WA Commerce	Violence Against Women Formula Grants	16.588	F1131103076	0		0	
Total CFDA 16.588				17,468	0	17,468	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	NA		34,987	34,987	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	NA		5,433	5,433	
Bureau Of Justice Assistance, Department Of Justice/WACJTC	Project Safe Neighborhoods	16.609	NA	33,250		33,250	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Enforcing Underage Drinking Laws Program	16.727	1163-27298		7,276	7,276	
Bureau Of Justice Assistance, Department Of Justice/WA Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M1234021007	172,693		172,693	
Department Of Justice/WA Commerce	Recovery Act - Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units Of Local Government	16.804	2009-F2530-WA-SU	31,800		31,800	3
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7021	1,714		1,714	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7825	382,156		382,156	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7675	10,110		10,110	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7007	235		235	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7679	16,105		16,105	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 6975	89,659		89,659	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7686	516,903		516,903	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7332/7227	1,691,205		1,691,205	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7644	14,135		14,135	
Federal Highway Administration (fhwa), Department Of Transportation/WSDOT	Highway Planning and Construction	20.205	LA 7011	1,805		1,805	
Total CFDA 20.205				2,724,027	0	2,724,027	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WTSC	State and Community Highway Safety	20.600	NA	13,246		13,246	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WTSC	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	NA	2,123		2,123	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WTSC	Occupant Protection Incentive Grants	20.602	NA	1,304		1,304	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WTSC	Incentive Grant Program to Increase Motorcyclist Safety	20.612	NA	415		415	
Office Of Air And Radiation, Environmental Protection Agency	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	00J67501		4,733	4,733	
U.s. Election Assistance Commission/WA SOS	Help America Vote Act Requirements Payments	90.401	G-2833	127		127	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Public Health Emergency Preparedness	93.069	C14945	89,042		89,042	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Environmental Public Health and Emergency Response	93.070	C14945;C16882	6,866		6,866	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79T1023401-02		1,166	1,166	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA DSHS	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-77296	1,029		1,029	4

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA DSHS	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-77296	2,060		2,060	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA DSHS	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1263-59011	31,244		31,244	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79T1023401-03		200,648	200,648	4
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA DSHS	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1263-59011	58,745		58,745	4
Total CFDA 93.243				93,078	201,814	294,892	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Immunization Cooperative Agreements	93.268	C16882	17,218		17,218	
Office Of The Secretary, Department Of Health And Human Services/WA DSHS	Pregnancy Assistance Fund Program	93.500	C16882	28,427		28,427	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Health Resources And Services Administration, Department Of Health And Human Services/WA DSHS	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	FY13 C6 ICA	214,669		214,669	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16882	2,374		2,374	
Administration For Children And Families, Department Of Health And Human Services/WA DSHS	Temporary Assistance for Needy Families	93.558	1163-23151	4,675		4,675	
Administration For Children And Families, Department Of Health And Human Services/WA DCS	Child Support Enforcement	93.563		434,548		434,548	4
Administration For Children And Families, Department Of Health And Human Services/WA DCS	Child Support Enforcement	93.563	7663-15012	10,022		10,022	4
Administration For Children And Families, Department Of Health And Human Services/WA DCS	Child Support Enforcement	93.563	2110-80610	120,894		120,894	4
Total CFDA 93.563				565,464	0	565,464	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Voting Access for Individuals with Disabilities_Grants to States	93.617	EAID G-10/323;12/009;4155	7,834		7,834	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733	C16882	850		850	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA DSHS	Medical Assistance Program	93.778	1163-27298	160,296		160,296	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27298	160,420		160,420	
Health Resources And Services Administration, Department Of Health And Human Services/WA DSHS	Maternal and Child Health Services Block Grant to the States	93.994	C16882	95,842		95,842	
Executive Office Of The President	High Intensity Drug Trafficking Areas Program	95.001	900100058		30,000	30,000	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Executive Office Of The President	High Intensity Drug Trafficking Areas Program	95.001	G10NWW0011A		42,418	42,418	
Total CFDA 95.001				0	72,418	72,418	
Department Of Homeland Security/WSMD	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1817-DR-WA	80,811		80,811	
Department Of Homeland Security/WSMD	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1817-DR-WA	134,229		134,229	
Department Of Homeland Security/WSMD	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1817-DR-WA	29,984		29,984	
Total CFDA 97.036				245,024	0	245,024	
Department Of Homeland Security/WSMD	Hazard Mitigation Grant	97.039	E10-014	17,484		17,484	
Department Of Homeland Security/WSMD	Emergency Management Performance Grants	97.042	E12-064;E13-017;E12-318	16,660		16,660	
Department Of Homeland Security/Clark County	Homeland Security Grant Program	97.067	na	103,145		103,145	
Department Of Homeland Security/Clark County	Homeland Security Grant Program	97.067	K1035	2,179		2,179	
Department Of Homeland Security/WSMD	Homeland Security Grant Program	97.067	E12-246	25,095		25,095	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Department Of Homeland Security/WSMD	Homeland Security Grant Program	97.067	K858; E11-108	9,531		9,531	
Total CFDA 97.067				139,950	0	139,950	
Total Federal Awards Expended:				5,055,084	555,128	5,610,212	

COWLITZ COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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-PROGRAM COSTS

The amounts shown as current year expenditures represent only federal, state or local grant portion of the program costs. Entire program costs including the county's portion may be more than shown.

Note 3 - American Recovery And Reinvestment Act (ARRA) of 2009

Expenditures for this program were funded by ARRA.

Note 4 - Indirect Cost Rate

The amount expended includes amounts claimed as indirect cost recovery using an approved indirect rate of 17.34% to the following programs:

93.243	\$	8,282
93.563	\$	214,652
		<u>\$ 222,934</u>

Note 5 - Amounts Awarded to Subrecipients

Included in the total amount expended for the following programs are amounts passed through to subrecipients that administered its own project.

14.228	\$	156,704
10.665	\$	8,334
		<u>\$ 165,038</u>

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov