



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Cowlitz County

For the period January 1, 2014 through December 31, 2014

Published September 30, 2015

Report No. 1015323





Washington State Auditor's Office

September 30, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Cowlitz County **January 1, 2014 through December 31, 2014**

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>
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
93.563	Child Support Enforcement

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.

**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, 2014 through December 31, 2014**

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, 2014, 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 29, 2015. As discussed in Note 1 to the financial statements, during the year ended December 31, 2014, the County implemented Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of County's financial statements will not be prevented, or

detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

In addition, we noted certain matters that we have reported to the management of the County in a separate letter dated September 29, 2015.

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.

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JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 29, 2015

**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, 2014 through December 31, 2014**

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, 2014. 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, 2014.

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.

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JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 29, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Cowlitz County **January 1, 2014 through December 31, 2014**

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 16.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the 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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2014, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to this matter.

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 17 through 28 and information on postemployment benefits other than pensions on page 94 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 29, 2015 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.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 29, 2015

FINANCIAL SECTION

Cowlitz County January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2014

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget (GAAP basis) and Actual – General Fund - 2014

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget (GAAP basis) and Actual – County Road Fund - 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits – Schedule of Funding Progress – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

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, 2014. The discussion emphasizes results for calendar year 2014 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 of Cowlitz County exceeded its liabilities by \$251.3 million. Net investment in capital assets (net of depreciation and related debt) accounts for 74% of this amount with a value of \$185.1 million. Of the unrestricted net position, \$30.5 million of governmental activity and \$20.5 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 \$405,891 in 2014. The net position of business-type activities increased by \$3.1 million and total net position of governmental activities decreased \$2.7 million compared to 2013.
- At December 31, 2014, Cowlitz County's governmental funds reported a combined ending fund balance of \$45.0 million, an increase of \$4.5 million compared to the prior year.
- The General Fund unassigned fund balance at December 31, 2014 was \$11.7 million, a 44% increase compared to the December 31, 2013 total of \$8.1 million. The December 31, 2014 unassigned fund balance represents 53% of 2014 total liabilities, deferred inflows and fund balance.
- The County Road Fund assigned fund balance at December 31, 2014 totaled \$8.1 million, an increase of 6% compared to the December 31, 2013 balance. The ending assigned fund balance represents 76% of the 2014 Road Fund total liabilities, deferred inflows and fund balance.
- Cowlitz County's total noncurrent liabilities (without component unit) as of December 31, 2014 totaled \$106.8 million, a net increase of \$30.5 million from the previous year.
- At December 31, 2014 the County's remaining capacity for issuing nonvoted debt is \$121.8 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 2014.)

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 2014 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 (Three Rivers), 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. 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 \$251.3 million at December 31, 2014 compared to \$250.8 million at December 31, 2013.

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, 2014 net of depreciation totals \$92.9 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 65,849,462	\$ 61,304,381	43,354,572	40,744,974	\$ 109,204,034	\$ 102,049,355
Capital assets (net of depreciation.	141,659,984	150,419,246	106,060,766	80,932,237	247,720,750	231,351,483
Total assets	\$ 207,509,446	\$ 211,723,627	149,415,338	121,677,211	356,924,784	333,400,838
Total deferred outflows of resources	263,163	285,232	7,673,389	-	7,936,552	285,232
Noncurrent Liabilities	22,844,917	24,036,491	83,973,719	52,288,359	106,818,636	76,324,850
Other liabilities	4,474,294	4,830,735	2,306,604	1,674,574	6,780,898	6,505,309
Total liabilities	27,319,211	28,867,226	86,280,323	53,962,933	113,599,534	82,830,159
Net Position:						
Net Investment in						
Capital Assets	139,188,881	147,550,209	45,935,887	44,124,227	185,124,768	191,674,436
Restricted	10,768,380	10,890,985	4,357,191	4,753,198	15,125,571	15,644,183
Unrestricted	30,496,137	24,700,439	20,515,326	18,836,853	51,011,463	43,537,292
Total net position	\$ 180,453,398	\$ 183,141,633	\$ 70,808,404	\$ 67,714,278	\$ 251,261,802	\$ 250,855,911

Governmental activities current and other assets increased by 7.6% or \$4.6 million. The largest portion of this classification is made of \$47.5 million in cash, cash equivalents and pooled investments. This increased \$7.5 million (19%) over 2013. This is a result of realizing

receivables in the amount of \$3.6 million. The \$2.6 million (6.4%) increase in business activity current and other assets is a result of setting aside additional cash reserves for the landfill closure and post-closure.

The 40% increase in noncurrent liabilities is a result of issuing general obligation bonds, payable from Solid Waste revenues in the amount of \$34.0 million to purchase a new landfill. The purchase of the land fill is the largest contributor to the 31% increase in capital assets, net of depreciation for business-type activities.

At December 31, 2014 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 2013. Cowlitz County's total net position increased \$406 thousand in 2014 compared to December 31, 2013. The business type activities presents a \$3.1 million increase mostly due to the Solid Waste fund collecting fees from the new landfill. The governmental activities presents a decrease of \$2.7 million as revenues remained stable and expenses increased. See the discussion on the Governmental Activities under the Statement of Changes in Net Position.

Statement of Changes in Net Position. Key elements in the net increase in net position for 2014 along with comparative amounts for 2013 follows:

Cowlitz County –Changes in Net Position

	Governmental Activities		Business-type activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 19,426,103	\$ 17,517,511	\$ 28,400,678	\$ 19,475,418	\$ 47,826,781	\$ 36,992,929
Operating grants & contributions	7,116,906	8,521,484	257,874	269,939	7,374,780	8,791,423
Capital grants and contributions	648,585	3,308,697	929,335	543,545	1,577,920	3,852,242
<i>General Revenues</i>						
Taxes	43,742,478	42,657,747	1,115,302	950,459	44,857,780	43,608,206
Gain (loss) on sale of assets	429,364	542,044	-	-	429,364	542,044
Interest earned on investments	1,072,390	1,215,255	39,840	60,318	1,112,230	1,275,573
Total revenues	72,435,826	73,762,738	30,743,029	21,299,679	103,178,855	95,062,417
Program Expenses						
General Government	12,344,651	13,018,238	-	-	12,344,651	13,018,238
Public Safety	19,700,129	19,937,485	4,182,810	4,656,759	23,882,939	24,594,244
Judicial	5,115,233	5,561,012	-	-	5,115,233	5,561,012
Utilities	467,157	519,181	-	-	467,157	519,181
Transportation*	21,876,298	13,374,943	-	-	21,876,298	13,374,943
Economic environment*	6,528,075	5,274,520	-	-	6,528,075	5,274,520
Social services	7,146,557	6,414,355	-	-	7,146,557	6,414,355
Culture & recreation	658,229	759,854	2,651,990	2,538,233	3,310,219	3,298,087
Sewer	-	-	9,085,107	8,715,135	9,085,107	8,715,135
Solid Waste	-	-	10,325,437	4,472,919	10,325,437	4,472,919
Water/Sewer	-	-	1,679,601	1,554,174	1,679,601	1,554,174
Interest on long-term debt	595,198	636,757	-	-	595,198	636,757
Total Expenses	74,431,527	65,496,345	27,924,945	21,937,220	102,356,472	87,433,565
Excess (deficiency) of revenues over (under) expenses	(1,995,701)	8,266,393	2,818,084	(637,541)	822,383	7,628,852
Transfers	(188,184)	(234,177)	188,184	234,177	-	-
Change in Net Position	(2,183,885)	8,032,216	3,006,268	(403,364)	822,383	7,628,852
Net position January 1	183,141,633	175,430,558	67,714,278	68,117,642	250,855,911	243,548,200
Prior period adjustment	(504,350)	(321,141)	87,858	-	(416,492)	(321,141)
Net position -December 31	\$ 180,453,398	\$ 183,141,633	\$ 70,808,404	\$ 67,714,278	\$ 251,261,802	\$ 250,855,911

*Restated the 2013 column from 2013 audit report due to misclassification.

Cowlitz County revenue totaled \$103.2 million in 2014. Governmental activities provided \$72.4 million, 70.2%, while business activities provided \$30.7 million. Taxes (\$44.9 million) account for 43.5% of the 2014 primary government revenues compared to \$43.6 million in 2013.

Governmental activities net position of Cowlitz County decreased by \$2.2 million in 2014. Revenues decreased when comparing 2014 to 2013. The largest increases presented themselves in the capital grants and contributions (\$2.6 million) and operating grants and contributions (\$1.4 million). Capital grants and contributions totaled \$648 thousand in 2014 and \$3.3 million in 2013. The decrease is resulted from less transportation projects funded by grants, as the application process is becoming more competitive. Operating grants and contributions totaled \$7.1 million in 2014, down from \$8.5 in 2013. The largest decrease is in economic environment, down with the conclusion of the Housing and Essential Needs Commerce grant (\$842,000).

Charges for services revenue totaled \$19.4 million in 2014 compared to \$17.5 million in 2013. Tax revenues increased \$1.1 million. This represents an increase of \$1.1 million in sales tax, a decrease of \$806,000 in other taxes, and a \$724,000 increase in property taxes.

County governmental activity expenses in 2014 totaled \$74.4 million, a 13.6% (\$8.9 million) increase compared to 2013. This was caused by the transportation increase of \$8.5 million (64%), mostly resulting from a change in lives of some infrastructure depreciation from 40 years to 25 years.

Business type activities expenses for Cowlitz County in 2014 totaled \$27.9 million compared to \$21.9 million in 2013. Expenses included public safety programs consisting of 911 communications, law enforcement records and emergency management, \$4.2 million; the solid waste landfill \$10.3 million; the water sewer utility \$1.7 million in expenses, culture and recreation had \$2.7 million, and Three Rivers of \$9.1 million. The 27% increase in expenses resulted from the addition of the Headquarters Landfill which began operation in March 2014.

Likewise, revenues increased \$9.3 million or 46%. The increase occurred in Charges for Services, again, related to the addition of the Headquarters Landfill, which brought in \$8.1 million (197%) additional revenues compared to 2013. Charges for services revenues of \$28.4 million accounted for 92.4% of total business revenues. Other business revenues consisted of \$1.1 million in 911 communication taxes. Interest earnings on investments totaled \$39,840 in 2014 compared to \$60,318 in 2013.

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, 2014 ending fund balance.

	Fund Balance	Percent
General Fund	\$ 16,586,453	36.87%
Road Fund	9,496,073	21.11%
Capital Improvement Fund	5,587,853	12.42%
Other Governmental Funds	13,318,155	29.60%
Total Governmental Fund Balance	\$ 44,988,534	100.00%

Approximately 26.0% of the governmental fund’s fund balance of \$11.7 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. \$14.8 million (33.0%) 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 2014.

	Revenues	Expenditures	Governmental fund revenues in 2014 totaled
General Fund	\$40,986,465	\$36,087,121	
County Road	13,651,975	14,189,696	
Capital Improvement Fund	2,943,807	1,515,938	
Other Governmental Funds	14,551,155	14,913,373	

\$72.1 million which is less than 2013 governmental fund revenues of \$73.6 million by \$1.5 million. This decrease is mostly seen in the intergovernmental services category (decreasing by \$4.1 million) resulting mostly from decreased transportation capital grant funding. Licenses and permits increased by \$1.6 million. Building permit fees increased \$852,000 and health department fees increased over \$749,000.

The **General Fund** is the chief operating fund of Cowlitz County. At December 31, 2014 the unassigned fund balance of the General Fund was \$11.7 million; this represents 26% of the total fund balance for all governmental funds. The General Fund's total fund balance at December 31, 2014 was \$16.6 million compared to \$13.4 million at the end of 2013. This change is a result of reducing expenses while taxes and charges for services increased. The General Fund had \$41.0 million in revenues in 2014 compared to \$39.4 million in 2013. Total tax revenues totaled \$25.1 million at the end of 2014 compared to \$24.1 million at the end of 2013. General Fund 2013 expenditures decreased from \$37.1 million in 2013 to \$36.1 million in 2014. The largest decrease is in the Economic Environment category. Public Safety expenditures of the General Fund of \$18.4 million represent 51.0% of the General Fund expenditures.

The General Fund transfers out in 2014 to support other County funds totaled \$2.0 million compared to \$1.7 million in 2013.

The **County Road's** fund balance decreased \$0.3 million to \$9.5 million at December 31, 2014. Total revenues in 2014 were \$13.7 million compared to \$17.0 million in 2013. Intergovernmental revenues of \$3.3 million in 2014 represent a \$3.1 million decrease from 2013 intergovernmental revenues. This is due to fewer federal highway grants in 2014. Road Fund expenditures for 2014 totaled \$14.2 million compared to \$16.4 million in 2013. Road construction expenditures in 2014 totaled \$3.7 million compared to \$6.2 million in 2013. Reduced capital grants caused the reduction in transportation capital expenses.

The **Capital Improvements** fund balance at December 31, 2014 totaled \$5.6 million. This was an increase of \$0.5 million from 2013. Revenues were \$2.9 million in 2014 compared to \$2.8 million in 2013. Expenditures remained stable at \$1.5 million in 2014 and 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 76% of the \$63.1 million net position for total enterprise funds at December 31, 2014. The December 31, 2014 unrestricted net position and changes in unrestricted net position of the major enterprise funds were:

	Unrestricted Net Position 12/31/2014	Increase (Decrease) for Year
Solid Waste	14,062,584	658,422
Three Rivers	3,044,379	376,785

The Solid Waste utility operating revenue of \$12.2 million accounted for 43.3% of the business-type revenues reported in 2014, an increase over 2013, due to the addition of the Headquarters Landfill. The fund obtained \$34 million in general obligation bonds for this purchase and incurred \$7.7 million dollars of additional land fill closure and post-closure liabilities. Interest expense related to the bond was \$1.4 million, whereas this fund had not had interest expense in the past. The Tennant Way landfill closure was mostly completed during 2014 and will be finalized in 2015. Net position of the Solid Waste Utility totaled \$21.5 million at December 31, 2014, an increase of approximately \$2.1 million from 2013.

Three Rivers charges for service revenues totaled \$9.2 million in 2014 and a total net position at year-end of \$34.3 million. The fund had an operating income of \$1.3 million at December 31, 2014 compared to \$1.1 at December 31, 2013.

IV. Budget Analysis –General Fund Budgetary Highlights

The net difference between the original General Fund budget total expenditures for 2014 and the final amended budget was a \$92 thousand increase in appropriations over the original budget of \$37.8 million. The amended net changes to appropriations for 2014 were as follows:

Increases (Decreases) To Budget	Activity
\$ 6,415	General Government
25,000	Public Safety
1,852	Judicial
28,751	Culture and Recreation
30,000	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, 2014 total \$248 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 \$16.3 million over 2013. This consisted of an \$8.8 million decrease in governmental activity capital assets and a \$25.1 million increase in business-type activity capital assets.

The County completed the \$2.5 million for the Hazel Dell Road Intersection Improvement project and the \$1.2 million West Side Highway Shoulder Widening. Additionally, the County has nearly \$1 million in construction in progress for a new financial software system. However, the \$14.5 million depreciation expense exceeded the additions made in the governmental activities.

The \$24.6 million addition related to the Headquarters Landfill caused the majority of the increase in business activities. Additionally, the County began the Headquarters Landfill Pipeline project increasing \$7.7 million in construction in progress.

COWLITZ COUNTY CAPITAL ASSETS

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 11,864,506	\$ 11,757,535	\$ 2,095,031	\$ 2,064,431	\$ 13,959,537	\$ 13,821,966
Buildings& Syst.	31,331,487	32,275,431	86,411,899	69,229,709	117,743,386	101,505,140
Improve other than Buildings	3,062,843	3,258,982	3,559,313	1,584,111	6,622,156	4,843,093
Machinery&Equip.	7,131,090	7,276,136	2,321,798	2,308,319	9,452,888	9,584,455
Intangible	50,901	43,658	1,741,823	1,790,485	1,792,724	1,834,143
Infrastructure	81,384,418	89,828,296	-	-	81,384,418	89,828,296
Construction in Progress	6,834,739	5,979,208	9,930,902	3,955,181	16,765,641	9,934,389
Total	\$ 141,659,984	\$ 150,419,246	\$ 106,060,766	\$ 80,932,236	\$ 247,720,750	\$ 231,351,482

For more information see note disclosure 4D.

Long-Term Debt. At December 31, 2014 Cowlitz County has \$22.8 million in long-term debt owed from *governmental activities* and \$84.0 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 13,545,546	\$ 14,819,086	\$ 32,100,000	\$ -	\$ 45,645,546	\$ 14,819,086
Revenue bonds	-	-	21,950,000	24,715,000	21,950,000	\$ 24,715,000
Special assessment bonds with Govt. commitment	1,086,382	1,291,684	-	-	1,086,382	1,291,684
	\$ 14,631,928	\$ 16,110,770	\$ 54,050,000	\$ 24,715,000	\$ 68,681,928	\$ 40,825,770

The County issued \$34.0 million in general obligation bonds during 2014 to finance the purchase of the Headquarters Landfill. Unspent bond proceeds of \$5.7 million are being held for additional improvements on this landfill. All other changes result from scheduled debt service payments. 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.

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

- Property taxes account for nearly 47% of unrestricted General Fund Revenues. Increases in taxes are limited to an increase of 1% of the prior year levy (plus taxes on the values of new construction). Expenses, largely outside the control of the Board of Commissioners, are increasing faster than 1% per year. The property tax limitations provide inadequate revenues to meet service demands. In accordance with the County's Financial Management Policy, fees are reviewed annually, generally during the budget review period. In appropriate circumstances, the Commissioners considered fees increases, moving toward a fee-for-service model, where the service provided by the County wholly or substantially benefits a specific constituent.
- 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, work hour adjustments.
- Bond obligations.
- Assessed value in Cowlitz County (county-wide) increased for the second year in a row (2013 & 2014) following four straight years of decline (2009-2012). While 69% of the value lost has been recovered, 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, 2014

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Public Facilities District
ASSETS				
Cash, cash equivalents & pooled investments	\$ 47,495,836	\$ 12,374,958	\$ 59,870,794	\$ 561,480
Receivables (net)	12,739,443	2,819,716	15,559,159	166,596
Internal Balances	470,889	(470,889)	-	-
Inventories	582,076	388,357	970,433	-
Prepaid items	74,123	198,095	272,218	20,373
Due from component unit	4,435,000	392,736	4,827,736	-
Restricted cash, cash equivalents & pooled investments:			-	
Customer deposits	52,095	48,322	100,417	-
Debt service		4,357,191	4,357,191	527,319
Capital Outlay		5,705,734	5,705,734	
Closure and postclosure	-	12,740,837	12,740,837	-
Restricted investment for closure and postclosure	-	4,799,515	4,799,515	
<i>Capital Assets:</i>			-	
Nondepreciable assets	18,699,245	12,025,933	30,725,178	-
Depreciable assets (net)	122,960,739	94,034,833	216,995,572	14,142,655
Total Assets	207,509,446	149,415,338	356,924,784	15,418,423
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding	263,163	-	263,163	231,356
Excess consideration provided for acquisition	-	7,673,389	7,673,389	-
Total Deferred outflows of resources	263,163	7,673,389	7,936,552	231,356
LIABILITIES				
Accounts payable & accrued exp.	2,553,180	1,908,269	4,461,449	4,027
Other current liabilities	1,872,714	350,013	2,222,727	58,161
Customer Deposits	48,400	48,322	96,722	-
<i>Noncurrent Liabilities:</i>				
Due within one year	2,784,484	6,210,441	8,994,925	142,983
Due primary gov. within one yr.	-	-	-	270,890
Due in more than one year	20,060,433	77,763,278	97,823,711	5,255,709
Due primary gov. more than one year	-	-	-	4,878,313
Total Liabilities	27,319,211	86,280,323	113,599,534	10,610,083
NET POSITION				
Net investment in capital assets	139,188,881	45,935,887	185,124,768	4,218,852
Restricted for:				
Economic environment	2,642,245	-	2,642,245	-
General government	1,052,555	-	1,052,555	-
Public safety	168,394	-	168,394	-
Judicial	112,823	-	112,823	-
Social Services	3,892,126	-	3,892,126	-
Utilities	582,693	-	582,693	-
Transportation-roads	2,073,954	-	2,073,954	-
Culture & recreation	243,590	-	243,590	-
Restricted, for debt purposes		4,357,191	4,357,191	527,319
Unrestricted	30,496,137	20,515,326	51,011,463	293,525
Total Net Position	\$ 180,453,398	\$ 70,808,404	\$ 251,261,802	\$ 5,039,696

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, 2014

FUNCTIONS/PROGRAMS Governmental Activities:	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Operating		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Public Facilities District	
		Charges for Services	Grants and Contributions						
General Government	\$ 12,344,651	\$ 3,219,841	\$ 734,356	\$ -	\$ (8,390,454)	\$ -	\$ (8,390,454)		
Public Safety	19,700,129	6,245,939	1,104,240	-	(12,349,950)	-	(12,349,950)		
Judicial	5,115,233	2,631,692	171,569	-	(2,311,972)	-	(2,311,972)		
Utilities	467,157	399,267	102,673	-	34,783	-	34,783		
Transportation	21,876,298	722,886	487,158	648,585	(20,017,669)	-	(20,017,669)		
Economic Environment	6,528,075	3,113,584	1,457,266	-	(1,957,225)	-	(1,957,225)		
Social Services	7,146,557	2,427,850	3,059,644	-	(1,659,063)	-	(1,659,063)		
Culture & Recreation	658,229	665,044	-	-	6,815	-	6,815		
Interest on long-term debt	595,198	-	-	-	(595,198)	-	(595,198)		
Total governmental activities	74,431,527	19,426,103	7,116,906	648,585	(47,239,933)	-	(47,239,933)		
Business-type Activities:									
Water/Sewer	1,679,601	1,612,624	31,925	3,970	-	(31,082)	(31,082)		
Sewer	9,085,107	9,181,789	-	671,861	-	768,543	768,543		
Garbage & Solid Waste	10,325,437	12,238,557	123,833	-	-	2,036,953	2,036,953		
Public Safety	4,182,810	2,965,190	64,113	-	-	(1,153,507)	(1,153,507)		
Culture & Recreation	2,651,990	2,402,518	38,003	253,504	-	42,035	42,035		
Total business-type activities	27,924,945	28,400,678	257,874	929,335	-	1,662,942	1,662,942		
Total Primary Government	\$ 102,356,472	\$ 47,826,781	\$ 7,374,780	\$ 1,577,920	\$ (47,239,933)	\$ 1,662,942	\$ (45,576,991)		
Component Unit									
Public Facilities District	1,306,889	8,974	-	-	-	-	-	(1,297,915)	
Total Component Units	\$ 1,306,889	\$ 8,974	\$ -	\$ -				(1,297,915)	
GENERAL REVENUES:									
Property Taxes					26,812,667	-	26,812,667	-	
Sales Taxes					10,295,510	-	10,295,510	-	1,018,801
911 Taxes					-	1,115,302	1,115,302	-	-
Other Taxes					6,634,301	-	6,634,301	-	-
Investment Earnings					1,072,390	39,840	1,112,230	999	-
Gain (loss) on sale of capital assets					429,364	-	429,364	-	-
TRANSFERS					(188,184)	188,184	-	-	-
Total General Revenues, Special Items & Transfers					45,056,048	1,343,326	46,399,374	1,019,800	(278,115)
Change in Net Position					(2,183,885)	3,006,268	822,383		
Net position - January 1					183,141,633	67,714,278	250,855,911	5,370,209	
Prior period adjustment					(504,350)	87,858	(416,492)	(52,398)	
Net position - December 31					\$ 180,453,398	\$ 70,808,404	\$ 251,261,802	\$ 5,039,696	

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

**Cowlitz County, Washington
Balance Sheet
Governmental Funds
December 31, 2014**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	County Road	Capital Improvements		
ASSETS					
Cash, cash equivalents & pooled investments	\$ 10,886,466	\$ 9,209,688	\$ 4,829,025	\$ 10,969,541	\$ 35,894,720
Receivables (net)	6,450,812	1,204,143	820,594	4,050,999	12,526,548
Due from other funds	362,276	131,919	-	148,072	642,267
Due from component unit	4,435,000	-	-	-	4,435,000
Customer deposits & seized	22,528	-	3,695	25,872	52,095
Total assets	\$ 22,157,082	\$ 10,545,750	\$ 5,653,314	\$ 15,194,484	\$ 53,550,630
LIABILITIES					
Accounts payable	\$ 506,605	\$ 152,122	\$ 51,649	\$ 1,213,196	\$ 1,923,572
Payable to other governments	105,508	20,534	2,906	182,644	311,592
Due to other funds	69,635	326,935	8,828	182,946	588,344
Advance due to other funds	288,333	-	-	-	288,333
Other current liabilities	1,235,355	237,584	2,078	227,225	1,702,242
Customer deposits and seized payable	22,528	-	-	25,872	48,400
Total liabilities	\$ 2,227,964	\$ 737,175	\$ 65,461	\$ 1,831,883	\$ 4,862,483
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,096,038	312,502	-	13,608	2,422,148
Unavailable revenue - grants	69,497	-	-	30,838	100,335
Unavailable revenue - court	1,177,130	-	-	-	1,177,130
Total deferred inflows of resources	\$ 3,342,665	\$ 312,502	\$ -	\$ 44,446	\$ 3,699,613
FUND BALANCE					
Nonspendable	\$ -	\$ -	\$ 533,489	\$ -	\$ 533,489
Restricted	4,335,000	1,433,478	1,844,142	10,328,185	17,940,805
Committed	-	-	-	-	-
Assigned	561,185	8,062,595	3,210,222	2,989,970	14,823,972
Unassigned	11,690,268	-	-	-	11,690,268
Total fund balance	\$ 16,586,453	\$ 9,496,073	\$ 5,587,853	\$ 13,318,155	\$ 44,988,534
Total liabilities, deferred inflows of resources and fund balance	\$ 22,157,082	\$ 10,545,750	\$ 5,653,314	\$ 15,194,484	\$ 53,550,630

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, 2014

Total fund balances as shown on the Governmental Funds Balance Sheet	\$ 44,988,534
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).	134,856,877
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.	17,104,085
Allocation to enterprise funds share of net (income) loss of internal service funds.	48,782
Other long-term assets are not available to pay for current-period expenditures and, therefore are not recognized as payable/receivable in the funds	263,163
Accrued interest receivable was less than interest receivable modified accrual	71,800
Other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	3,699,613
Inventories not recorded in governmental funds are recorded in governmental activities.	170,147
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>(20,749,603)</u>
Net position of governmental activities	<u><u>\$ 180,453,398</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, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	County Road	Capital Improvements		
REVENUES					
Taxes	\$ 25,107,661	\$ 9,573,964	\$ 2,268,933	\$ 3,232,732	\$ 40,183,290
Licenses & Permits	54,835	8,329	-	3,308,654	3,371,818
Intergovernmental	5,077,816	3,348,028	124,002	5,027,358	13,577,204
Charges for Services	7,785,329	596,230	-	1,567,697	9,949,256
Fines & Forfeitures	1,471,947	-	-	152,525	1,624,472
Investment Earnings	969,248	7,336	20,662	15,985	1,013,231
Rents & Leases	347,458	1,106	7,440	22	356,026
Special Assessments	-	-	-	377,950	377,950
Insurance Premiums & Recoveries	-	8,261	-	-	8,261
Miscellaneous Revenues	172,171	108,721	522,770	868,232	1,671,894
Total revenues	40,986,465	13,651,975	2,943,807	14,551,155	72,133,402
EXPENDITURES					
<i>Current:</i>					
General Government	11,825,896	-	61,355	321,198	12,208,449
Public Safety	18,395,292	-	-	27,790	18,423,082
Judicial	3,712,278	-	-	1,362,404	5,074,682
Utilities	163,529	-	-	299,352	462,881
Natural Economic Environment	844,595	-	1,236,745	4,439,024	6,520,364
Transportation	65,168	10,376,241	-	0	10,441,409
Social Services	657,909	-	-	6,404,015	7,061,924
Culture & Recreation	421,973	-	27,038	7,614	456,625
<i>Debt Service:</i>					
Principal	-	70,000	-	1,478,840	1,548,840
Interest	481	291	1,016	573,136	574,924
Other	-	-	300	-	300
<i>Capital Outlay</i>					
	-	3,743,164	189,484	-	3,932,648
Total expenditures	36,087,121	14,189,696	1,515,938	14,913,373	66,706,128
Excess (deficiency) of revenues over (under) expenditures	4,899,344	(537,721)	1,427,869	(362,218)	5,427,274
OTHER FINANCING SOURCES (USES)					
Transfers in	340,658	57,305	123,580	2,431,285	2,952,828
Transfers out	(1,982,859)	-	(1,016,244)	(1,010,764)	(4,009,867)
Sale of capital assets	204,557	183,920	-	3,694	392,171
Total other financing sources (uses)	(1,437,644)	241,225	(892,664)	1,424,215	(664,868)
Net change in fund balance	3,461,700	(296,496)	535,205	1,061,997	4,762,406
Fund balances--beginning	13,415,860	9,792,569	5,052,648	12,248,283	40,509,360
Prior period adjustment	(291,107)	-	-	7,875	(283,232)
Fund balances--ending	\$ 16,586,453	\$ 9,496,073	\$ 5,587,853	\$ 13,318,155	\$ 44,988,534

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, 2014**

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 \$ 4,762,406

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. (9,595,181)

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. 1,605,497

Change in accrual interest earnings versus on modified accrual basis (6,073)

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. (196,509)

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. (117,244)

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. 1,363,219

Change in net position-governmental activities- on the Statement of Activities \$ (2,183,885)

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, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 24,386,950	\$ 24,986,950	\$ 25,107,661	\$ 120,711
Licenses & Permits	40,310	40,310	54,835	14,525
Intergovernmental	5,057,806	5,101,582	5,077,816	(23,766)
Charges for services	5,679,153	5,635,377	7,779,697	2,144,320
Fines and forfeits	1,468,150	1,468,150	1,471,947	3,797
Interest	895,880	895,880	968,900	73,020
Miscellaneous	665,577	665,577	519,572	(146,005)
<i>Total revenues</i>	<u>38,193,826</u>	<u>38,793,826</u>	<u>40,980,428</u>	<u>2,186,602</u>
<i>Expenditures:</i>				
General government	12,192,690	12,199,105	11,635,891	563,214
Public safety	19,152,497	19,177,497	18,152,580	1,024,917
Judicial	3,856,736	3,858,588	3,712,278	146,310
Utilities	203,840	203,840	163,529	40,311
Economic environment	928,657	928,657	844,595	84,062
Transportation	65,250	65,250	65,168	82
Social Services	691,840	691,840	657,909	33,931
Culture & recreation	502,472	531,223	421,973	109,250
Debt Service - Principal	186,947	216,947	-	216,947
Capital outlay	50,000	50,000	-	50,000
<i>Total Expenditures</i>	<u>37,830,929</u>	<u>37,922,947</u>	<u>35,653,923</u>	<u>2,269,024</u>
Excess (deficiency) of revenues over expenditures	<u>362,897</u>	<u>870,879</u>	<u>5,326,505</u>	<u>4,455,626</u>
<i>Other financial sources (uses):</i>				
Proceeds-sale fixed assets	240,000	240,000	204,557	(35,443)
Transfers In	462,767	491,518	340,658	(150,860)
Transfers (out)	(1,885,807)	(2,385,807)	(2,347,859)	37,948
<i>Total Other financial sources (uses):</i>	<u>(1,183,040)</u>	<u>(1,654,289)</u>	<u>(1,802,644)</u>	<u>(148,355)</u>
Net change in fund balances	(820,143)	(783,410)	3,523,861	4,307,271
Fund balance, January 1	4,604,130	4,604,130	12,792,995	8,188,865
Prior Period Adjustments	-	-	(291,107)	(291,107)
Fund balance, December 31	<u>\$ 3,783,987</u>	<u>\$ 3,820,720</u>	<u>16,025,749</u>	<u>\$ 12,205,029</u>
Adjustment to GAAP basis:				
GIS Fund			206,122	
Benefits Administration Fund			355,063	
Fund balance - GAAP basis			<u>\$ 16,586,934</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, 2014

	County Road			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 9,190,183	\$ 9,190,183	\$ 9,573,964	\$ 383,781
Licenses & Permits	-	-	8,329	8,329
Intergovernmental	6,526,250	6,526,250	3,348,028	(3,178,222)
Charges for services	1,023,500	1,023,500	596,230	(427,270)
Fines and forfeits	-	-	-	-
Interest	9,000	9,000	7,336	(1,664)
Miscellaneous	51,000	51,000	118,088	67,088
<i>Total revenues</i>	<u>16,799,933</u>	<u>16,799,933</u>	<u>13,651,975</u>	<u>(3,147,958)</u>
<i>Expenditures:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Judicial	-	-	-	-
Utilities	-	-	-	-
Economic environment	-	-	-	-
Transportation	11,655,703	11,655,703	10,376,241	1,279,462
Social Services	-	-	-	-
Culture & recreation	-	-	-	-
Debt Service - Principal	71,500	71,500	70,291	1,209
Capital outlay	5,769,000	5,769,000	3,743,164	2,025,836
<i>Total Expenditures</i>	<u>17,496,203</u>	<u>17,496,203</u>	<u>14,189,696</u>	<u>3,306,507</u>
Excess (deficiency) of revenues over expenditures	<u>(696,270)</u>	<u>(696,270)</u>	<u>(537,721)</u>	<u>158,549</u>
<i>Other financial sources (uses):</i>				
Proceeds-sale fixed assets	300,000	300,000	183,920	(116,080)
Transfers In	57,775	57,775	57,305	(470)
Transfers (out)	-	-	-	-
<i>Total Other financial sources (uses):</i>	<u>357,775</u>	<u>357,775</u>	<u>241,225</u>	<u>(116,550)</u>
Net change in fund balances	(338,495)	(338,495)	(296,496)	41,999
Fund balance, January 1	6,320,000	6,320,000	9,792,569	3,472,569
Prior Period Adjustments	-	-	-	-
Fund balance, December 31	<u>\$ 5,981,505</u>	<u>\$ 5,981,505</u>	<u>\$ 9,496,073</u>	<u>\$ 3,514,568</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, 2014

	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	\$ 5,135,176	\$ 3,381,460	\$ 3,858,322	\$ 12,374,958	\$ 11,601,116
Receivables (net)	1,185,763	22,229	294,914	1,502,906	31,201
Interest receivable	3,715	-	-	3,715	-
Due from other funds	5,368	-	9,878	15,246	487,629
Due from other governments	857,825	225,349	229,921	1,313,095	109,894
Inventories	-	388,357	-	388,357	411,929
Prepaid items	37,225	27,995	132,875	198,095	74,123
Restricted cash and cash equivalents (\$845,712 for landfill postclosure, \$5,705,734 for landfill construction and \$48,322 for customer deposits)	6,551,446	-	48,322	6,599,768	-
Total Current Assets	13,776,518	4,045,390	4,574,232	22,396,140	12,715,892
<i>Noncurrent assets:</i>					
Restricted cash, cash equivalents & investments:					
Debt Requirements	-	4,357,191	-	4,357,191	-
Cash & equivalents for closure & postclosure	11,895,125	-	-	11,895,125	-
Investments for closure & postclosure	4,799,515	-	-	4,799,515	-
Interfund loan receivable	245,000	-	-	245,000	288,333
Due from component unit	392,736	-	-	392,736	-
<i>Capital assets:</i>					
Land	419,992	586,540	1,088,499	2,095,031	20,795
Construction in progress	8,693,935	1,001,310	235,657	9,930,902	918,676
Buildings and system	25,623,141	95,105,005	15,567,935	136,296,081	428,217
Improvements and other than bldgs.	11,029,893	7,297	2,543,822	13,581,012	-
Machinery and equipment	2,937,275	1,004,975	2,549,338	6,491,588	15,264,559
Intangible	25,387	-	3,101,067	3,126,454	1,091,878
Less accumulated depreciation	(13,986,177)	(39,684,121)	(11,790,004)	(65,460,302)	(10,921,018)
Total capital assets (net of accum depr.)	34,743,446	58,021,006	13,296,314	106,060,766	6,803,107
Total assets	65,852,340	66,423,587	17,870,546	150,146,473	19,807,332
DEFERRED OUTFLOWS OF RESOURCES					
Excess consideration provided for acquisition	7,673,389	-	-	7,673,389	-
Total deferred outflows of resources	7,673,389	-	-	7,673,389	-
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	914,817	342,101	102,704	1,359,622	294,272
Payable to other governments	3,540	52,349	84,939	140,828	23,744
Due to other funds	299,758	19,579	118,016	437,353	119,445
Accrued interest payable	108,964	298,855	-	407,819	-
Claims and judgements	-	-	-	-	1,122,225
Bonds Payable	1,232,804	3,051,351	-	4,284,155	-
Notes Payable	-	925,559	155,015	1,080,574	27,854
Landfill closure and postclosure costs	845,712	-	-	845,712	-
Other current liabilities	54,197	94,568	201,248	350,013	98,673
Customer deposits payable from restricted assets	-	-	48,322	48,322	-
Total current liabilities	3,459,792	4,784,362	710,244	8,954,398	1,686,213
<i>Noncurrent liabilities:</i>					
Compensated absences	92,337	193,559	316,858	602,754	188,342
Landfill closure and postclosure costs	16,694,640	-	-	16,694,640	-
Claims and judgements	-	-	-	-	769,875
Bonds payable & net of unamortized discount)	31,776,619	19,711,285	-	51,487,904	-
Interfund loan payable	-	-	245,000	245,000	-
Notes Payable	-	7,423,404	1,554,576	8,977,980	58,817
Total non current liabilities	48,563,596	27,328,248	2,116,434	78,008,278	1,017,034
Total liabilities	52,023,388	32,112,610	2,826,678	86,962,676	2,703,247
NET POSITION					
Net investment in capital assets	7,439,757	26,909,407	11,586,723	45,935,887	6,716,436
Restricted - debt covenants	-	4,357,191	-	4,357,191	-
Unrestricted	14,062,584	3,044,379	3,457,145	20,564,108	10,387,649
Total net position	\$ 21,502,341	\$ 34,310,977	\$ 15,043,868	70,857,186	\$ 17,104,085
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				(48,782)	
Net position of business-type activities				\$ 70,808,404	

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, 2014

	<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	\$ -	\$ -	\$ 1,563,449	\$ 1,563,449	\$ -
Sewer	-	9,173,388	-	9,173,388	-
Garbage & Solid Waste	12,169,719	-	-	12,169,719	-
Public Safety	-	-	2,918,526	2,918,526	-
Culture & Recreation	-	-	2,362,071	2,362,071	-
Other services	-	-	-	-	7,975,144
Total operating revenues	12,169,719	9,173,388	6,844,046	28,187,153	7,975,144
OPERATING EXPENSES					
Maintenance & operations	6,968,409	3,935,389	7,694,443	18,598,241	7,230,327
Closure & postclosure care	937,618	-	-	937,618	-
Depreciation	1,063,960	3,969,287	811,211	5,844,458	767,853
Total operating expenses	8,969,987	7,904,676	8,505,654	25,380,317	7,998,180
Operating income (loss)	3,199,732	1,268,712	(1,661,608)	2,806,836	(23,036)
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	1,115,302	1,115,302	-
Intergovernmental	123,833	-	134,041	257,874	10,408
Investment earnings	30,187	6,840	2,813	39,840	8,579
Interest expense	(1,371,432)	(1,180,431)	(12,104)	(2,563,967)	(3,978)
Gain (loss) on disposition of assets	7,012	-	(327)	6,685	32,425
Miscellaneous nonoperating revenues	68,838	8,401	136,286	213,525	107,947
Total nonoperating income (expense)	(1,141,562)	(1,165,190)	1,376,011	(930,741)	155,381
Income before contributions and transfers	2,058,170	103,522	(285,597)	1,876,095	132,345
Capital contributions	-	671,861	257,474	929,335	374,673
Transfers in	-	-	188,426	188,426	868,855
(Transfers out)	-	-	(242)	(242)	-
Change in net position	2,058,170	775,383	160,061	2,993,614	1,375,873
Net position--beginning	19,449,262	33,541,886	14,784,566		15,853,069
Prior period adjustment	(5,091)	(6,292)	99,241		(124,857)
Net position--ending	\$ 21,502,341	\$ 34,310,977	\$ 15,043,868		\$ 17,104,085
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				12,654	
Change in net position of business-type activities				\$ 3,006,268	

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, 2014

	<u>Business-type Activities-Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Solid Waste	Three Rivers	Nonmajor Enterprise Funds	Total Enterprise Funds	
<u>Cash flows from operating activities</u>					
Cash received from customers	\$ 11,336,997	\$ 9,145,657	\$ 6,829,267	\$ 27,311,921	\$ 7,923,689
Cash payments for goods and services	(12,185,726)	(1,886,273)	(3,891,112)	(17,963,111)	(4,827,592)
Cash payments to employees for services	(133,678)	(2,033,207)	(3,872,344)	(6,039,229)	(2,021,365)
Miscellaneous revenue	20,474	8,401	103,491	132,366	297,601
<i>Net cash provided (used) by operating activities</i>	<u>(961,933)</u>	<u>5,234,578</u>	<u>(830,698)</u>	<u>3,441,947</u>	<u>1,372,333</u>
<u>Cash flows from noncapital financing activities</u>					
Loans made to other governments	-	-	38,003	38,003	-
Interfund loan received	-	-	30,000	30,000	-
Repayment (pmt) of interfund loan principal	59,691	-	(89,691)	(30,000)	36,667
Repayment of loan made to component unit	-	-	-	-	481
Interest received (paid) for interfund loan	-	-	(272)	(272)	-
Operating grants received	-	-	126,857	126,857	10,408
Receipts from 911 tax	-	-	1,115,302	1,115,302	-
Payments of claims liability recognized prior yrs.	-	-	-	-	(34,987)
Transfers in from other County fund	-	-	213,426	213,426	868,855
Transfers out to other County fund	-	-	(242)	(242)	(25,000)
<i>Net cash provided by noncapital financing activities</i>	<u>59,691</u>	<u>-</u>	<u>1,433,383</u>	<u>1,493,074</u>	<u>856,424</u>
<u>Cash flows from capital and related financing activities</u>					
System development fees & hookup fees	-	671,861	3,970	675,831	-
Acquisition and construction of capital assets	(29,619,479)	(857,815)	(68,658)	(30,545,952)	(1,136,890)
Debt issue costs paid	(29,275)	-	-	(29,275)	-
Principal paid on note/lease	-	(925,559)	(154,909)	(1,080,468)	(34,095)
Proceeds from bonds	34,675,264	-	-	34,675,264	-
Principal paid on bonds	(1,940,000)	(2,765,000)	-	(4,705,000)	-
Interest paid on capital debt	(982,594)	(1,353,534)	(13,110)	(2,349,238)	(3,978)
Capital grant Received	-	-	37,577	37,577	-
Proceeds from sale of capital assets	3,379	-	-	3,379	13,302
<i>Net cash provided (used) for capital and related financing activities</i>	<u>2,107,295</u>	<u>(5,230,047)</u>	<u>(195,130)</u>	<u>(3,317,882)</u>	<u>(1,161,661)</u>
<u>Cash flows from investing activities</u>					
Purchase of investments	(4,799,515)	-	-	(4,799,515)	-
Interest on investments	30,045	6,840	2,813	39,698	7,834
<i>Net cash provided (used) by investment activities</i>	<u>(4,769,470)</u>	<u>6,840</u>	<u>2,813</u>	<u>(4,759,817)</u>	<u>7,834</u>
Net increase (decrease) in cash and cash equivalents	(3,564,417)	11,371	410,368	(3,142,678)	1,074,930
<i>Cash and cash equivalents, January 1 (including \$14,924,100, \$4,753,198 and \$41,761 Solid Waste, Three Rivers and Nonmajor Enterprise funds, respectively, reported in restricted accounts)</i>	<u>27,146,164</u>	<u>7,727,280</u>	<u>3,496,276</u>	<u>38,369,720</u>	<u>10,526,186</u>
<i>Cash and cash equivalents, December 31 (including \$12,740,837, \$4,357,191 and \$48,322 Solid Waste, Three Rivers and Nonmajor Enterprise funds, respectively, reported in restricted accounts)</i>	<u>\$ 23,581,747</u>	<u>\$ 7,738,651</u>	<u>\$ 3,906,644</u>	<u>\$ 35,227,042</u>	<u>\$ 11,601,116</u>

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

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

Operating income (loss)	\$ 3,199,732	\$ 1,268,712	\$ (1,661,608)	\$ 2,806,836	\$ (23,036)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,063,960	3,969,287	811,211	5,844,458	767,853
(Increase) decrease in accounts receivable	(832,722)	(15,151)	(21,340)	(869,213)	(24,183)
(Increase) decrease in due from other funds	-	(12,580)	(417)	(12,997)	(18,806)
(Increase) decrease in due from other governments	(172,197)	22	(32,991)	(205,166)	162,462
(Increase) decrease in inventory	11,852	(42,711)	-	(30,859)	14,809
(Increase) decrease in prepaid expense	(5,336)	(946)	(5,178)	(11,460)	112,056
Increase (decrease) in accounts payable and other accrued liabilities	(4,477,050)	60,032	(65,665)	(4,482,683)	(49,524)
Increase (decrease) in employee leave benefits	57,157	5,804	2,443	65,404	(7,377)
Increase (decrease) in customer deposits	-	-	30,764	30,764	-
Increase (decrease) in estimated future claims payable	-	-	-	-	309,746
Miscellaneous revenue	192,671	2,109	112,083	306,863	128,333
<i>Total adjustments</i>	<u>(4,161,665)</u>	<u>3,965,866</u>	<u>830,910</u>	<u>635,111</u>	<u>1,395,369</u>
<i>Net cash provided by operating activities</i>	<u>\$ (961,933)</u>	<u>\$ 5,234,578</u>	<u>\$ (830,698)</u>	<u>\$ 3,441,947</u>	<u>\$ 1,372,333</u>

Noncash Investing, Capital and Financing Activities

Contribution of infrastructure asset from Developer	-	-	215,927	215,927	-
Capital assets financed by accounts payable	144,285	211,757	-	356,042	-
Contributions from other funds	-	-	-	-	374,673
Debt issue costs paid with bond proceeds	(245,651)	-	-	(245,651)	-

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

**Cowlitz County, Washington
Statement of Fiduciary Net Position
December 31, 2014**

Assets	<u>Agency Funds</u>
Cash, cash equivalents & pooled & pooled investments	\$ 146,595,751
Taxes Receivable	4,529,894
Assessments receivable, current	268,658
Total assets	<u><u>\$ 151,394,303</u></u>
Liabilities	
Due to other governments	\$ 138,908,471
Warrants payable	12,485,832
Total liabilities	<u><u>\$ 151,394,303</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** has 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 sites 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.

The County implemented GASB 69, Government Combinations and Disposals of Government Operations on January 1, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement defines the types of transactions referred to as mergers, acquisitions and transfers of operations and provides accounting and reporting guidance on these transactions.

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. (See Note 4a)

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 are classified as “advances to/from 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”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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. When significant, inventories in the governmental funds are valued using the first in first out method (FIFO), which approximates the market value.

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

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

5. Restricted net position

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

Promotion of Tourism	163,780
Building and planning as restricted by RCW 82.02.020	774,549
Housing and Essential need grants	19,229
Sales tax to be used for public facilities as defined by state law codified in RCW 82.14.370, which facilitates the creation or retention of businesses and jobs in the County	1,684,687
Total Economic Environment	<u>2,642,245</u>
Treasurer's Operation and Maintenance	306,199
Auditor's Operation and Maintenance	590,732
REET Technology	155,624
Total General Government	<u>1,052,555</u>
Boat Safety purposes	53,346
Eradication of drug trafficking	115,048
Total Public Safety	<u>168,394</u>
Judicial - Superior court law library	112,823
Road Fund Activity	1,745,980
Future Paths and Trails	327,974
Total Transportation	<u>2,073,954</u>
Emergency financial assistance to veterans and their surviving spouses	227,407
Human services	9,384
Community mental health	2,704,960
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	950,375
Total social services	<u>3,892,126</u>
Culture and Recreation for the convention Center	10,463
Cumulative Reserve	233,127
Total culture and recreation	<u>243,590</u>
Storm Water	327,706
Noxious Weed Program	251,156
Capital Improvement programs	3,831
Total Utilities	<u>582,693</u>
Total Restricted Net Position	<u>10,768,380</u>

6. Capital Assets

Capital assets include land, land improvements, buildings, building improvements, vehicles, software 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	15-100 years
Intangible Assets	3-10 years

7. Deferred inflows of Resources

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

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. Other Current Liabilities

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

10. 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 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.

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	\$ -	\$ -	\$ 533,489	\$ -	\$ 533,489
Restricted for:					
Transportation		1,433,478		327,974	1,761,452
Debt Service	4,335,000			3,194,373	7,529,373
REET Technology			155,624		155,624
Utilities			3,831	578,862	582,693
Economic Environment			1,684,687	957,558	2,642,245
Culture & Recreation				243,590	243,590
Judicial				112,823	112,823
Treasurer's O&M				306,199	306,199
Auditor's O&M				590,732	590,732
Social Services				3,847,680	3,847,680
Public Safety				168,394	168,394
Assigned to:					
General Government	206,122			41,559	247,681
Economic Environment				25,132	25,132
Physical Environment				537,576	537,576
Transportation		8,062,595			8,062,595
Capital Improvements			3,210,222		3,210,222
Social Services				1,726,563	1,726,563
Public Safety	355,063			659,140	1,014,203
Unassigned	11,690,268				11,690,268
	\$ 16,586,453	\$ 9,496,073	\$ 5,587,853	\$ 13,318,155	\$ 44,988,534

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	\$	13,545,546
Add: Deferred amounts for premiums		605,811
Special assessment bonds payable		1,086,382
Compensated absences		2,801,054
OPEB Liability		2,411,509
Notes Payable		227,500
Accrued interest payable		<u>71,801</u>
Net adjustment to reduce <i>fund balance governmental funds</i> to Arrive at net position-governmental activities	\$	<u><u>20,749,603</u></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)	(5,095,407)
Disposal of capital equipment	992,118
Depreciation expense	<u>13,698,470</u>
Net adjustment to increase <i>net changes in fund balances- total Governmental funds to arrive at change governmental activities</i>	\$ <u><u>9,595,181</u></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:

Capital Outlays (Net of amounts transferred to Internal Svc. Funds)	(5,095,407)
Disposal of capital equipment	992,118
Depreciation expense	<u>13,698,470</u>
Net adjustment to increase <i>net changes in fund balances- total Governmental funds to arrive at change governmental activities</i>	\$ <u><u>9,595,181</u></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”.

Amortization of charges for discount and premium	\$	56,657
Principal repayments:		
General obligation bonds		1,273,540
Note Payable		70,000
Special assessment bonds		<u>205,300</u>
Net adjustments to increase <i>fund balances-total governmental funds</i> To arrive at changes in net position of governmental activities	\$	<u>1,605,497</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 \$47,018 and transfers out to support other County funds by \$530,000. The amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at fiscal year-end.

e. Deficit Net position/Fund Balance

The Industrial Accident Insurance fund had a deficit net position balance of \$341,347 at December 31, 2014. The deficit is due to recognition of an estimate for projected future year’s pay out on the industrial accidents incurred of \$625,000. At December 31, 2014 the fund had \$285,595 in cash and investments to meet current payables of \$90,991.

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, 2014, 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
U.S. Government Securities	289	\$ 4,799,515	\$ -	\$ 4,799,515
WA State Investment Pool	1	68,279,828	139,177,291	207,457,119
Total Investments		\$ 73,079,343	\$ 139,177,291	\$ 212,256,634

Internally Pooled Investments - 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 2014, included Certificates of Deposit, monies invested with the Washington State Local Government Investment Pool and money market accounts. The book value of the pooled investments on December 31, 2014 was \$22,897,923, all of which is classified as deposits. 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, 2014, 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 on December 31, 2014 of \$235,259,038.

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

Checking Accounts	\$ 16,217,839
Petty Cash	90,880
Deposits Held in Trust	53,398
US government securities, FMV	4,799,515
Certificate of Deposits (classified as deposits)	6,566,929
State Investment Pool (classified as deposits)	207,457,119
Money Market (Pooled investments classified as deposits)	73,358
	<u>\$ 235,259,038</u>
Cash, cash equivalents, pooled investments	\$ 59,870,794
Cash, cash equivalents, pooled investments - restricted	27,703,694
Cash, cash equivalents, pooled investments - component unit	561,480
Cash, cash equivalents, pooled investments - component unit - restricted	527,319
Cash, cash equivalents, pooled investments - fiduciary	146,595,751
	<u>\$ 235,259,038</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 tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. 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.

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 no banked levy capacity at December 31, 2014.

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.

Special excess levies approved by a 60 percent majority of the voters and meeting minimum voter turnout requirements are not subject to the rate or amount limitations on regular levies described above.

The county assessed valuation, levy and taxes for 2014 were:

<u>Purpose</u>	<u>Assessed Valuation</u>	<u>2014 Levy Rate Per \$1,000</u>	<u>Property Taxes 2014</u>
General Fund	\$ 8,916,632,981	\$2.006	\$ 17,889,690
Human Svcs/Mental Hlth	\$ 8,916,632,981	\$0.025	\$ 222,916
Veterans Relief	\$ 8,916,632,981	\$0.011	\$ 98,083
County Roads	\$ 4,836,048,087	\$1.803	\$ 8,720,183

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

In 2014 the General Fund for law enforcement purposes as permitted by state law codified in RCW 36.33.220 used \$0 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 \$533,489 at December 31, 2014. These notes receivable are long-term and consist of the following:

Capital Improvement Fund - Notes Receivable

		Qtrly/Annual		12/31/2014
	<u>Int. rate</u>	<u>Pmts</u>	<u>Final Pmt.</u>	Balance
Port of Woodland	3.02%	\$ 6,250.50	3/31/2026	\$257,858
Port of Longview	3.00%	22,954.79	7/1/2024	195,918
City of Kalama	1.00%	7,602.15	1/31/2031	53,943
City of Castle Rock	1.00%	5,309.60	1/31/2019	25,770
Total Notes Receivable				<u>\$533,489</u>

The Due from Component unit of \$4,827,736 represents a receivable of \$4,435,000 for bonds issued by Cowlitz County and an interfund loan of \$392,736 from a Major Enterprise fund. The Bonds were issued on behalf of the Public Facilities District which received the proceeds and has

agreed to pay the principal and interest on the debt service as it becomes due from proceeds of a 0.033% Retained Sales Tax collected by the District pursuant to RCW 82.14.390 as well as lodging taxes collected by the District pursuant to RCW 36.100.040 and authorized by voters on September 16, 2003. The interfund loan has no payment schedule, but must be paid by July 1, 2033.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land	\$ 11,757,535	\$ 106,971	\$ -	\$ 11,864,506
Construction in progress	5,979,208	1,037,624	182,093	6,834,739
Total capital assets, not being depreciated	<u>17,736,743</u>	<u>1,144,595</u>	<u>182,093</u>	<u>18,699,245</u>
Capital Assets, being depreciated				
Buildings	51,473,244	443,403	-	51,916,647
Improvements other than buildings	7,083,675	20,743	-	7,104,418
Machinery and equipment	18,490,835	804,687	401,799	18,893,723
Intangible	1,073,719	18,159	-	1,091,878
Infrastructure	138,295,552	4,450,681	1,417,401	141,328,832
Total capital assets being depreciated	<u>216,417,025</u>	<u>5,737,673</u>	<u>1,819,200</u>	<u>220,335,498</u>
Less accumulated depreciation for:				
Buildings	19,197,813	1,387,347	-	20,585,160
Improvements other than buildings	3,824,693	216,882	-	4,041,575
Machinery and equipment	11,214,699	942,597	394,663	11,762,633
Intangible	1,031,689	10,914	1,626	1,040,977
Infrastructure	48,467,256	11,908,585	431,427	59,944,414
Total accumulated depreciation	<u>83,736,150</u>	<u>14,466,325</u>	<u>827,716</u>	<u>97,374,759</u>
Total capital assets being depreciated, net	<u>132,680,875</u>	<u>(8,728,652)</u>	<u>991,484</u>	<u>122,960,739</u>
Governmental capital assets, net	<u>\$ 150,417,618</u>	<u>\$ (7,584,057)</u>	<u>\$ 1,173,577</u>	<u>\$ 141,659,984</u>

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,064,431	\$ 30,600	\$ -	\$ 2,095,031
Construction in progress	3,955,181	30,766,654	24,790,933	9,930,902
Total capital assets , not being depreciated	6,019,612	30,797,254	24,790,933	12,025,933
Capital assets, being depreciated:				
Buildings and system	114,565,243	21,730,838	-	136,296,081
Improvements other than building	10,914,774	2,669,516	3,278	13,581,012
Machinery and equipment	6,008,739	568,097	85,248	6,491,588
Intangible	3,126,454	-	-	3,126,454
Total capital assets, being depreciated	134,615,210	24,968,451	88,526	159,495,135
Less accumulated depreciation for:				
Buildings and system	45,335,534	4,548,648	-	49,884,182
Improvements other than buildings	9,330,663	693,988	2,952	10,021,699
Machinery and equipment	3,700,420	553,160	83,790	4,169,790
Intangible	1,335,969	48,662	-	1,384,631
Total accumulated depreciation	59,702,586	5,844,458	86,742	65,460,302
Total capital assets, being depreciated, net	74,912,624	19,123,993	1,784	94,034,833
Business-type activities capital assets, net	\$ 80,932,236	\$ 49,921,247	\$ 24,792,717	\$ 106,060,766

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

Governmental activities:

General Government	\$ 189,420
Public Safety	1,106,285
Judicial	76,165
Transportation	12,046,432
Physical Environment	5,704
Economic Environment	13,353
Health	54,663
Culture & Recreation	206,450
Capital assets held by the government's Internal Service funds are charged to the various functions based on their usage of the assets	767,853
	<u>\$ 14,466,325</u>

Business-type activities:

Water/Sewer	\$ 363,876
Three Rivers	3,969,287
Solid Waste-Landfill	1,063,960
Public Safety	395,907
Expo Center	27,324
Public Shooting Range	24,104
Total depreciation expense-business-type activities	<u>\$ 5,844,458</u>

Commitments:

At the end of December 31, 2014, the Solid Waste Fund had construction projects in process. Project costs incurred in 2014 totaled \$29,577,789 with \$8,693,935 in progress as of year-end and \$24,397,454 completed. Individual project details for significant projects are as follows:

- Headquarters Landfill acquisition was completed in March of 2014 at a total capitalized cost of \$21,743,993, including costs incurred in prior years. The new landfill provides an estimated 100 year life for disposal of waste. There were several other projects associated with the purchase. The Leachate Pipeline had \$8,294,041 incurred in cost-to-date with completion slated for mid-2015. Another \$703,500 is anticipated to fund completion of contract. Construction of Cell 6 was completed at \$2,628,320 and Cell 7 is in progress with \$95,234 incurred to date and an additional amount of the \$4,068,556 estimated for construction contract anticipated for 2015. The other project in process was for Gas System Collection Updates with \$231,585 spent to date and a \$581,717 construction contract due for completion in 2015. A limited tax general obligation bond was issued in the amount of \$34.5 million to fund this acquisition and additional construction.

Discretely Presented Component Unit – Public Facilities District

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning	Increases	Decreases	Ending
Capital Assets being depreciated:				
Buildings	\$ 6,068,006	\$ -	\$ -	\$ 6,068,006
Leasehold improvements	11,167,291	-	-	11,167,291
Improvements other than buildings	566,565	-	-	566,565
Machinery and equipment	662,587	-	-	662,587
Total capital assets being depreciated	<u>18,464,449</u>	<u>-</u>	<u>-</u>	<u>18,464,449</u>
Less: accumulated depreciation for:				
Buildings	1,019,019	130,527	-	1,149,546
Leasehold improvements	1,904,716	507,605	-	2,412,321
Improvements other than buildings	303,691	32,904	-	336,595
Machinery and equipment	390,947	32,385	-	423,332
Total accumulated depreciation	<u>3,618,373</u>	<u>703,421</u>	<u>-</u>	<u>4,321,794</u>
Total capital assets, being depreciated net	<u>\$ 14,846,076</u>	<u>\$ (703,421)</u>	<u>\$ -</u>	<u>\$ 14,142,655</u>
Total capital assets, net	<u>\$ 14,846,076</u>	<u>\$ (703,421)</u>	<u>\$ -</u>	<u>\$ 14,142,655</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 2014:

	Transfers Out				Total
	General Fund	Capital Improv.	Non-major Govt.	Non-major Enterprise	
Transfers in:					
General Fund	\$ -	\$ -	\$ 340,658	\$ -	\$ 340,658
Roads	-	57,305	-	-	57,305
Capital Improvement	-	-	123,580	-	123,580
Nonmajor Governmental	962,250	958,939	510,096	-	2,431,285
Governmental	<u>962,250</u>	<u>1,016,244</u>	<u>974,334</u>	<u>-</u>	<u>2,952,828</u>
Nonmajor Enterprise	151,754	-	36,430	242	188,426
Internal Service Funds	868,855	-	-	-	868,855
Total Transfers	<u>\$ 1,982,859</u>	<u>\$ 1,016,244</u>	<u>\$ 1,010,764</u>	<u>\$ 242</u>	<u>\$ 4,010,109</u>

Interfund receivables and payables consisted of the following as of December 31, 2014:

	Due From:								Total
	General		Capital		Non-major		Non-major		
	Fund	Roads	Improv.	Gov't.	Solid Waste	Three Rivers	Enterprise	Internal Service	
Due To:									
General Fund	-	83,763	6,153	154,647	60,637	13,755	24,738	18,583	362,276
Road Fund	9,230	-	-	7,994	57,439	4,876	36,460	15,920	131,919
Nonmajor Gov't	5,826	-	2,675	16,665	122,906	-	-	-	148,072
Solid Waste	340	96	-	-	-	876	106	3,950	5,368
Nonmajor-Enterprise	603	687	-	-	4,413	-	-	4,175	9,878
Internal Service	53,636	242,389	-	3,640	54,363	72	56,712	76,817	487,629
Total	69,635	326,935	8,828	182,946	299,758	19,579	118,016	119,445	1,145,142

Additionally, the Solid Waste fund has provided loans to other non-major enterprise funds. 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; \$288,333 is outstanding at December 31, 2014. This loan must be paid in full on or before December 31, 2016. Total interfund loans outstanding at December 31, 2014 are \$533,333.

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.

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, 2013 :

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	368,272

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, 2014, 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
2014	\$ 63,320	\$ 1,742,780	\$ 415,979
2013	\$ 71,006	\$ 1,482,749	\$ 334,346
2012	\$ 58,798	\$ 1,312,698	\$ 284,668

**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, 2013 :

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
Total	29,640

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 2014, the state contributed \$55.6 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, 2014, 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
2014	\$ 0	\$ 157,395
2013	\$ 0	\$ 162,228
2012	\$ 0	\$ 168,010

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 2014, 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, 2013:

Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	119
Active Plan Members Vested	4,513
Terminated Plan Members Nonvested	1,383
Total	6,058

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, 2014, 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	\$ 389,809
2013	\$ 378,221
2012	\$ 357,421

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 22 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 \$447,604 but only contributed \$242,712 at December 31, 2014. 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	
	OPEB Cost	Contribution	Cost Contributed	Net OPEB Obligation
2014	\$ 447,603	\$ 242,712	54.22%	\$ 2,411,509
2013	469,706	251,943	53.64%	2,206,618
2012	480,775	271,146	56.40%	1,988,855

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, 2014, 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	99,298
Adjustments to the annual required contribution	<u>(218,076)</u>
Annual OPEB cost (expense)	447,603
Employer Contributions made	<u>242,712</u>
Increase in the net OPEB obligation	204,891
Net OPEB obligation, beginning of year	<u>2,206,618</u>
Net OPEB obligation, end of year	<u>\$ 2,411,509</u>

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 remains one of several Washington counties that are members of the Washington Counties Risk Pool (“Pool” or “WCRP”). The others include: Adams, Benton and Chelan, Clallam, Columbia, Douglas and Franklin, Garfield, Grays Harbor, Island and Jefferson, Kittitas, Lewis, Mason and Okanogan, Pacific, Pend Oreille, San Juan and Skagit, Skamania, Spokane, Thurston and Walla Walla, Whatcom and Yakima Counties.

Clark, Kitsap, Klickitat and Whitman Counties were Pool members. Clark had its membership cancelled by the Pool’s Board of Directors effective April 29, 2014. The others voluntarily terminated their memberships effective October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was “Created *by Counties for Counties*” in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP’s foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington (“RCW”), “to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services.”

Noteworthy is the definition of “insurer” in RCW 48.01.050 as it pertains to the application of the Washington Insurance Code (Title 48). The statutory definition reads:

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.

WCRP is not an “insurer” and thus not an insurance company or subject to the special laws and rules that govern insurers and insurance companies. Washington’s pools operate under the state’s “pooling” laws and regulations, specifically Chapters 48.62 RCW and 200-100 Washington Administrative Code (“WAC”). Pools are risk-sharing entities that initially must be approved by then annually report to and are overseen by the State Risk Manager – they are not regulated by the Office of the Insurance Commissioner. In addition, as public entities, pools are subject to annual audits by the State Auditor’s Office.

The mission for the Pool as determined by the members’ directors and alternate directors is to:

- Provide comprehensive and economical risk coverage;
- Reduce the frequency and severity of losses;
- Decrease costs incurred in the managing and litigation of claims.

The core values adopted by the Pool’s Board of Directors 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 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.

The Pool's Membership Compact, added in 2000 as an addendum to the Interlocal Agreement, 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. The Compact obligates the 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 the costs to analyze their loss data and risk profiles. In recent years, new members have only been required to contribute their proportional shares of the entry year's assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

Joint Self-Insurance Liability Program ("JSILP"): The Washington Counties Risk Pool has since its beginning administered the membership's occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits per occurrence have grown from the \$1 million existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit that has existed since October 2003. (Note: Additional \$5 million limits were available as individual county-by-county options during many recent years, including the 2013-14 and 2014-15 coverage years.)

Since the 2003-04 coverage year, the initial \$10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is "risk shared" amongst the membership. Each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000.

The Board of Directors has decided for years now to acquire reinsurance as further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to \$1 million, but with an aggregated stop loss of \$2.975 million (later reduced with Clark County's termination to \$2,900,625), and the second increasing the SIR further, to \$2 million, but with an aggregated stop loss of \$650,000 (also reduced with Clark County's departure to \$596,875). Other reinsurance agreements respond to the remaining \$8 million – one for the \$3 million excess of the \$2 million SIR, and another for the \$5 million excess of \$5 million.

The remaining \$10 million (or \$15 million) of JSILP occurrence coverage has been acquired as "following form" excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer).

584 third-party liability claims (and lawsuits) were reported by member counties to the Pool during the 2013-14 coverage year, a 5.5% reduction in year-over-year filings and a continuation of the decline in filings experienced the past several years. The new filings raised the to-date (October

1988 – September 2014) total to 19,820. Yet only 359 remained classified as ‘open’ at year-end. Projections from the required independent actuary retained by the Pool’s Board of Directors suggest another 283 cases from all years as being *incurred but not yet reported* (“IBNR”) and raise the Pool’s estimated ultimate case count (as of September 30, 2014) to 20,103. Total incurred losses (payments made plus estimates for *open* claims) increased \$14.6 million during the year to \$264.6 million. And while that represents a significant increase from recent years’ corresponding amounts, it is less than the several earlier years’ amounts of \$16.0M (2010-11), \$17.8M (2009-10), and the \$20.8M (average for 2006-07 through 2008-09).

Claims reserves for the JSILP coverage are determined annually, and the actuary’s estimates of net reserves as of September 30, 2014 totalled \$14.68 million, a modest year-over-year increase of \$0.06 million (0.4%), and included \$2.69 million for losses in the basic SIR, \$10.84 million for the increased SIRs from the “corridor” programs, \$0.13 million for losses in the quota-shared (10%) upper reinsured layer retained by the Pool during 2012-13, and \$1.02 million for unallocated loss adjustment expenses (ULAE). NOTE: Estimates for gross reserves declined \$1.10 million (3.3%) to \$32.67 million, with \$17.99 million ceded to the commercial insurers.

Washington Counties Property Program (“WCPP”): The Board of Directors agreed to add property insurance, beginning with the 2005-06 coverage year, as a county-by-county option. This optional coverage is jointly-purchased from a consortium of higher rated commercial carriers. Both participation and the total values of covered properties have nearly doubled since the WCPP was added. Twenty six counties participated in the WCPP during 2013-14 with covered properties totaling in excess of \$2.7 billion.

Losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million).

AOP occurrence deductibles, which each participating county confirms each year and is solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Cyber Risk and Other Coverages: Beginning this coverage year (2014-15), the Board agreed to add jointly-purchased cyber risk and security coverage from a higher-rated commercial insurer.

Other Insurances: Several member counties use the producer (broker) retained by the Board on behalf of the Pool to secure other (specialty) coverages. Examples include public officials bonds and insurance coverages for crime (and fidelity), special events/concessionaires, UST and other environmental hazards, as well as airport, ferry, and railroad operations.

Governance / Oversight: The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county’s legislative authority. The Board of Directors, which includes both elected and appointed officials, meets three times each year with the Annual Meeting of the Pool being held mid-summer. The Board a) determines the extent of risk-sharing from the 3rd-party self-insured liability coverage by approving the JSILP Coverage Form, b) selects the reinsurance(s) to acquire and the excess insurance(s) to jointly-purchase or offer for “member option” purchase, c) approves the Pool’s annual operating budget(s) and work program(s), and d) approves the formulas used for computing members’ deposit assessments and, when necessary, reassessments.

Ongoing oversight of the Pool is furnished by an 11-person executive committee that is elected by and from the WCRP Board for staggered, 3-year terms. The membership of the 2014-15 committee averages more than nine years with the Pool. The committee meets throughout the year and a) approves all disbursements and reviews the Pool's financial health, b) approves case settlements exceeding the applicable member's deductible by at least \$50,000, c) reviews all claims with incurred loss estimates exceeding \$100,000, and d) evaluates the Pool's operations and program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) of the deficient year's membership in proportion with the initially levied and collected deposit assessments.

The Pool's reassessments receivable balance as of December 31, 2014 was ZERO (\$0). As such, there are no known contingent liabilities at that time for disclosure by the member counties.

B. SELF-INSURANCE

The County maintains insurance against most normal hazards. For general liability, the County retains the risk for general liability up to \$100,000 per claim (our "deductible" or "self-retention"). For workers compensation the County has elected to retain losses up to \$500,000 for 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, 2014 were \$1,267,100 for general liability and \$625,000 for workers compensation.

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

	Risk Management	Industrial Insurance	Total
Claims Payable 12-31-12	\$ 1,470,782	\$ 324,000	\$ 1,794,782
Provision for 2012	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 Year Events	43,674	16,930	60,604
Payment of Claims in Prior Year 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>
Provision for 2014	472,500	44,967	517,467
Increase (Decrease) in Provision for Prior Years	(353,471)	369,373	15,902
Less:			
Payment of Claims in Current Yr. Events	32,769	33,353	66,122
Payment of Claims in Prior Yr. Events	156,760	34,987	191,747
Claims Payable 12-31-14	<u>\$ 1,267,100</u>	<u>\$ 625,000</u>	<u>\$ 1,892,100</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 \$285,595 at December 31, 2014 available to meet the projected future estimate of claims to be paid out of \$625,000. This results in a December 31, 2014 total net position of (\$341,347).

The Risk Management Fund has \$1,409,416 at December 31, 2014 in net cash and investments to meet actual and projected claims to be paid of \$1,267,100. This results in a December 31, 2014 total net position of \$135,144.

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, 2014 the fund has a total net position balance of \$295,183 compared to total net position of \$158,651 at December 31, 2013.

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) Debt service Coverage requirements.

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.	\$227,500
\$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 \$1,825,000 of this issue is classified as special assessment debt.	\$3,820,000
\$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.	\$2,100,546
\$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.	\$3,190,000
\$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.	\$4,435,000

<i>Special Assessment Debt</i>	<i>Debt Outstanding</i>
<p>\$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.</p>	\$56,382
<p>\$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.</p>	\$1,030,000

<i>Revenue Debt – Business Type Activity</i>	<i>Debt Outstanding</i>
<p>\$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.</p>	\$ 1,876,645
<p>\$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.</p>	\$ 1,108,333
<p>\$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.</p>	\$207,736
<p>\$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.</p>	\$ 12,555,000

<p>\$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.</p>	\$542,079
<p>\$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 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.</p>	\$9,395,000
<p>\$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 annual principal payments of \$40,487 beginning June 30, 2007 through June 30, 2025.</p>	\$ 449,428
<p>\$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 \$18,006 through July 1, 2027.</p>	\$234,077
<p>\$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 annual principal payments of \$351,040 beginning July 1, 2009 through July 1, 2028.</p>	\$ 4,914,555
<p>\$595,000 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.</p>	\$535,326
<p>\$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 \$6,273.50. The term of the loan is 20 years. As of December 31, 2012, \$211,719 has been drawn from the \$223,157 available.</p>	\$190,375
<p>\$34,040,000 2014 A and B General Obligation Bonds. The funds are being used for the Headquarters Landfill purchase and improvements. The bonds have 3% to 5% percent interest rate. Principal payments are due annually on December 1 ranging in amounts from \$1,175,000 to \$2,365,000. Interest payments are due semiannually on June 1st and December 1st. The final payment is due December 1, 2033.</p>	\$32,100,000

2. DEBT SERVICE REQUIREMENTS TO MATURITY

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

Year Ending December 31	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2015	1,322,748	520,778	1,175,000	1,307,569
2016	1,377,272	469,102	1,210,000	1,272,319
2017	1,425,110	431,226	1,245,000	1,236,019
2018	1,473,000	370,671	1,295,000	1,186,219
2019	1,551,483	306,093	1,350,000	1,134,419
2020-2024	5,225,933	723,601	7,585,000	4,822,619
2025-2029	1,170,000	61,800	9,320,000	3,085,444
2030-2033	-	-	8,920,000	1,006,823
Total	\$ 13,545,546	\$ 2,883,271	\$ 32,100,000	\$ 15,051,431

Annual debt service requirements for notes payables are as follows:

Public Facilities District Due to City of Longview			
	Principal	Interest	Total
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	205,000	197,725	402,725
2020-2024	1,290,000	846,378	2,136,378
2025-2029	1,835,000	526,325	2,361,325
2030-2032	1,440,000	97,680	1,537,680
	\$ 5,435,000	\$ 2,538,408	\$ 7,973,408

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

Special Assessment Debt		
Year Ending December 31	Principal	Interest
2015	185,000	57,562
2016	195,000	47,387
2017	205,000	36,663
2018	215,000	25,900
2019	230,000	14,612
2020-2021	56,382	5,075
Total	\$ 1,086,382	\$ 187,199

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	Principal	Interest
December 31		
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	3,590,000	472,575
2020-2024	4,690,000	902,350
2025-2028	1,090,000	27,250
Total	\$ 21,950,000	\$ 5,046,257

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

Business Type Activites - Intergovernmental Loans		
Year Ending December 31	Principal	Interest
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	1,081,010	32,113
2020-2024	2,856,377	73,854
2025-2029	1,716,614	22,870
2030-2031	81,609	423
	\$ 10,058,554	\$ 335,058

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, 2014
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	\$4,435,000

Public Facilities Dist. - Notes Payable due to City of Longview	Debt Outstanding December 31, 2014
\$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 annual principal payments of \$145,000 to \$510,000 beginning December 1, 2008 through June 1, 2032.	\$5,435,000

At December 31, 2014, 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
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	310,000	122,025	432,025
2020-2024	1,880,000	421,400	2,301,400
2025-2027	1,170,000	61,800	1,231,800
2033	392,736	-	392,736
	<u>\$ 4,827,736</u>	<u>\$ 1,180,775</u>	<u>\$ 6,008,511</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>
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	205,000	197,725	402,725
2020-2024	1,290,000	846,378	2,136,378
2025-2029	1,835,000	526,325	2,361,325
2030-2032	1,440,000	97,680	1,537,680
	<u>\$ 5,435,000</u>	<u>\$ 2,538,408</u>	<u>\$ 7,973,408</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, 2014, these funds were as follows:

<u>Purpose</u>	<u>Amount</u>
Regional Events Center Rate Stabilization	\$ 246,360
Columbia Theater Revenue Stabilization	62,548
Columbia Theater Depreciation Reserve	218,411
	<u>\$ 527,319</u>

4. CHANGES IN LONG-TERM DEBT

Changes in Governmental Activities General Long Term Debt

	<u>Balance 1/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 14,819,086	\$ -	(1,273,540)	\$ 13,545,546	\$ 1,322,748
Special Assessment Bonds with governmental commitment	1,291,682	-	(205,300)	1,086,382	185,000
Less amounts: for premium	662,468	-	(56,657)	605,811	56,657
	<u>16,773,236</u>	<u>-</u>	<u>(1,535,497)</u>	<u>15,237,739</u>	<u>1,564,405</u>
Notes Payable	297,500	-	(70,000)	227,500	70,000
Other post employee benefits	2,206,618	447,603	(242,712)	2,411,509	-
Compensated Absences*	2,930,521	2,866,046	(2,995,513)	2,801,054	-
Capital Lease - Int Svc.	120,766	-	(34,093)	86,673	27,854
Comp. Absences - Int Svc.*	195,381	159,397	(166,436)	188,342	-
Claims/Judgements-Int Svc.	1,616,600	533,369	(257,869)	1,892,100	1,122,225
Total Gen'l Long-Term Debt	<u>\$ 24,140,622</u>	<u>\$ 4,006,415</u>	<u>\$ (5,302,120)</u>	<u>\$ 22,844,917</u>	<u>\$ 2,784,484</u>

*Prior period adjustment made to 12/31/2013 balance to include pension related salary payments.

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

Changes in Business Type Activities Long-Term Debt

	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ -	\$ 34,040,000	\$ 1,940,000	\$ 32,100,000	\$ 1,175,000
Plus: Premium on bonds		952,776	43,353	909,423	57,804
Revenue Bonds	24,715,000	-	2,765,000	21,950,000	2,910,000
Plus: Premium on bond	953,988	-	141,352	812,636	141,351
Total bonds payable	<u>25,668,988</u>	<u>34,992,776</u>	<u>4,889,705</u>	<u>55,772,059</u>	<u>4,284,155</u>
Notes Payable-Other Govts.	11,139,022	-	1,080,468	10,058,554	1,080,574
Landfill Closure and Postclosure Care	14,924,100	8,611,007	5,994,755	17,540,352	845,712
Compensated Absences*	575,686	549,544	522,476	602,754	-
Total Debt	<u>\$ 52,307,796</u>	<u>\$ 44,153,327</u>	<u>\$ 12,487,404</u>	<u>\$ 83,973,719</u>	<u>\$ 6,210,441</u>

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

	<u>1/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Due to Primary Government Bonds	\$ 4,665,000	\$ -	\$ 230,000	\$ 4,435,000	\$ 245,000
Notes Payable	392,736	-	-	392,736	-
Plus (minus)					
For issuance discounts	-	-	-	-	-
For issuance premiums	347,358	-	25,890	321,468	25,890
Due to Primary Government (net)	<u>5,405,094</u>	<u>-</u>	<u>255,890</u>	<u>5,149,204</u>	<u>270,890</u>
Notes Payable	5,565,000	-	130,000	5,435,000	145,000
Less deferred amounts:					
For issuance discounts	(38,326)	-	(2,017)	(36,309)	(2,017)
Due to Other Governments (net)	<u>5,526,674</u>	<u>-</u>	<u>127,983</u>	<u>5,398,691</u>	<u>142,983</u>
Total Long Term Debt	<u>\$ 10,931,768</u>	<u>\$ -</u>	<u>\$ 383,873</u>	<u>\$ 10,547,895</u>	<u>\$ 413,873</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)	\$ 121,780,733
General Government (Vote required)	\$ 91,688,368

6. 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 met at December 31, 2014. The aggregate annual debt service when system development charges are included in revenue was 1.46 and excluding system development charges coverage was 1.29 times the 2014 debt service on bonds.

In March of 2008, the County’s Bond Insurer for the 2002 Revenue Bonds (FGIC) was downgraded to Baa3 from AAA. As a result, Three Rivers must meet Reserve Requirements for the Bonds issued through deposit into the Reserve Account. At December 31, 2014 \$2,948,329 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, 2014, Three Rivers has \$1,122,151 in reserves to satisfy this requirement

Additionally, Three Rivers is required to hold funds in a rate stabilization account. At December 31, 2014, \$286,711 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 \$89,120 (\$140,717 less accumulated depreciation of \$51,597).

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

2015	30,620
2016	30,620
2017	30,620
Total minimum lease payments	<u>91,860</u>
Less amount representing interest	<u>(5,187)</u>
Present value of minimum lease payments	<u>\$ 86,673</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 a minimum of 30 years after closure. Although closure and post closure costs will be paid near or after designated areas of the landfill are filled, the County is required to report a portion of these closure and post closure care costs as an expense and as a liability in each period that the landfill accepts waste.

As of March 2014, the County owns two landfills; the Tennant Way Landfill and the Headquarters Landfill. The County reported \$17.5 million as landfill closure and post closure care liability at December 31, 2014. This represents the cumulative amount reported to date based on the capacity

used. This cost is an estimate; actual costs may be higher due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

Tennant Way

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

The unlined landfill was at full capacity in 1992 and is monitored under WAC 173-304, which requires a 20 year monitoring period. This landfill was treated separately under Washington State regulations. As a result, 100% of the post-closure care costs have been included as a liability, in the amount of \$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 Landfill was closed in April 2014, thus, the lined landfill is at 100% percent of the estimated refuse capacity at December 31, 2014. As a result, \$8.1 million is reported as landfill closure and post closure care liability, related to this section of the landfill. The county recognized the remaining estimated costs of closure and post closure care of \$244,229 during 2014, due to a change in estimates. These amounts are based on what it would cost to perform all closure and post closure care at the end of 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.

Headquarters Landfill

This landfill was purchased by the County in March 2014. At the time of the purchase, the landfill was at 7.9% capacity. The closure and post closure liability at the time of purchase was \$7.7 million dollars, which was assumed by the County. This is presented in the financial statements as a Special Item. At December 31, 2014, the landfill was at 8.7% capacity. Based on the capacity used thru December 31, 2014, the closure and postclosure liability is \$8.4 million. The estimated total current cost of closure and postclosure care remaining to be recognized is \$96,278,046. It is estimated that the landfill will be closed in September 2120 under WAC 173-351 Criteria for Municipal Solid Waste Landfills.

Cowlitz County is required by state regulations to accumulate funds over the remaining life of the landfill to provide for the closure and post closure care. The County is in compliance with these requirements. At December 31, 2014 the County had \$17.5 million in cash and investments held for these purposes for both landfills. 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 for the construction of the center. The remaining obligation on this bond issue is \$4,435,000. The PFD also has a loan with Cowlitz County Solid Waste in the amount of \$810,000, but only borrowed \$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 2014 was \$202,609. Additionally, in-kind match is provided by Cowlitz County from lodging and sales tax in the amount of \$120,546

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 \$125,000 for 2014.

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 2014 were \$65,000.

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, 2014. The airport has less than \$25,000 in outstanding obligations. The airport is not accumulating significant resources or experiencing fiscal stress that would cause additional financial benefit or burden on the County in the future. The airport does not issue stand- alone financial statements.

C. SUBSEQUENT EVENTS

Capital Leases:

The County Information Technology, Internal Service Fund, entered into a capital lease for equipment purchase. The financed amount is \$46,466 with annual lease payments of \$9,868.60 for five years, at an imputed interest rate

Bond Issues:

During August 2015, the County issued \$4,055,000 of 2015 Limited Tax General Obligation Refunding bonds to refund the 2005 limited tax general obligation refunding bonds. The interest rate on the bonds is between 2% and 4%, with the final payment due on November 1, 2023.

Additionally, during August 2015, the County authorized issuance of \$9,000,000 of 2015 Special Sewer Revenue Refunding Bonds to advance refund a portion of the 2006 Special Sewer Revenue bonds issued for the Three Rivers Regional Wastewater Authority. The interest rate is not to exceed 5% maturing no later than six months after March 1, 2025. The County anticipates issuance of the bonds in November or December 2015.

D. Government Acquisition

In March 2014, the County purchased the Headquarters Landfill from a private party in exchange for \$17 million. The County will operate and maintain the landfill as a municipal solid waste landfill for public use and account for its operations in the Solid Waste enterprise fund. The acquisition included all of the capital assets of the Headquarters Landfill, consisting of land, buildings, equipment and other infrastructure. In addition, the County assumed the post closure liability in the amount of \$7.7 million. The acquisition value of the net position acquired as of the acquisition date was determined to be \$17 million.

E. PRIOR PERIOD ADJUSTMENT

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

<i>Gov't Wide Corrections</i>	<i>Amount</i>
Adjustment to Compensated Absences to include pension related payments	(104,131)
Overpayment of PUD taxes to the County	(291,107)
Non-Major Funds - Correct prior year revenue accruals	7,875
Internal Service Funds - Transfer vehicle equity to non-mayor special revenue fund	(25,000)
Internal service funds - adjust revenue incorrectly accrued in prior years	(17,133)
Remove construction in progress from prior years that was not a viable project	(74,854)
<i>Total Governmental Activities</i>	<i>(504,350)</i>
Adjustment to Compensated Absences to include pension related payments	(12,229)
Non Major Enterprise Funds - Transfer vehicle equity to non-mayor special revenue fund	25,000
Non Major Enterprise Funds - Correct Prepaid Items	75,087
<i>Total Business Type Activities</i>	<i>87,858</i>
Correct Deferred amounts related to prior year bond issuances	52,398
<i>Total Component Unit</i>	<i>52,398</i>

<i>Fund Statement Corrections</i>	<i>Amount</i>
General Fund - Overpayment of PUD taxes to the County	(291,107)
Non-Major Funds - Correct prior year revenue accruals	7,875
<i>Total governmental Funds</i>	<i>(283,232)</i>
Sold Waste Fund- adjustment to Compensated Absences to include pension related payments	(5,091)
Three Rivers Fund- adjustment to Compensated Absences to include pension related payments	(6,292)
Non Major Enterprise Funds - Correct Prepaid Items	75,087
Non Major Enterprise Funds - Transfer vehicle equity to non-major special revenue fund	25,000
Non-Major Enterprise Funds- adjustment to Compensated Absences to include pension related payments	(846)
<i>Total Enterprise Funds</i>	<i>87,858</i>
Internal Service Funds - Transfer vehicle equity to non-major enterprise fund fund	(25,000)
Remove construction in progress from prior years that was not a viable project	(74,854)
Internal Service Funds - adjustment to Compensated Absences to include pension related payments	(7,870)
Internal service funds - adjust revenue incorrectly accrued in prior years	(17,133)
<i>Total Internal Service Funds</i>	<i>(124,857)</i>

**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.

Cowlitz County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA Dept of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	NA	22,904	-	22,904	3
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA Dept of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	NA	99,502	-	99,502	3
				Total CDBG - State-Administered CDBG Cluster:	-	122,406	122,406
Child Nutrition Cluster							
Food And Nutrition Service, Department Of Agriculture	School Breakfast Program	10.553	NA	-	18,347	18,347	
Food And Nutrition Service, Department Of Agriculture	National School Lunch Program	10.555	NA	-	28,102	28,102	
				Total Child Nutrition Cluster:	-	46,449	46,449
Forest Service Schools and Roads Cluster							
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	09-PA- 11060300-014	-	13,814	13,814	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NA	-	94,258	94,258	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NA	-	11,935	11,935	3
				Total Forest Service Schools and Roads Cluster:	-	120,008	120,008

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		
				From Pass- Through Awards	From Direct Awards	Total
Highway Planning and Construction Cluster						
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA 6975	13,830	-	13,830
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA 7007	28,577	-	28,577
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA 7332/7227	150,577	-	150,577
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA 8261	101,041	-	101,041
Total Highway Planning and Construction Cluster:				294,025	-	294,025
Highway Safety Cluster						
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via DOT-WASPC)	State and Community Highway Safety	20.600	NA	966	-	966
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via DOT-WA Traffic Safety Comm)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	NA	1,832	-	1,832
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via DOT-WA Traffic Safety Comm)	Incentive Grant Program to Increase Motorcyclist Safety	20.612	NA	1,310	-	1,310
Total Highway Safety Cluster:				4,108	-	4,108

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
JAG Program Cluster							
Bureau Of Justice Assistance, Department Of Justice (via U. S. Dept. of Justice:)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M11-34021- 007/M12 - 34021-007	152,478	-	152,478	3
Total JAG Program Cluster:				152,478	-	152,478	
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DHHS-WA DSHS)	Medical Assistance Program	93.778	1163-27298	30,838	-	30,838	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DHHS-WA DSHS)	Medical Assistance Program	93.778	0963-53325	26,218	-	26,218	
Total Medicaid Cluster:				57,056	-	57,056	
Other Programs							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA Dept of Commerce)	Emergency Solutions Grant Program	14.231	14-46107-004	89,369	-	89,369	3
Bureau Of Justice Assistance, Department Of Justice	Drug Court Discretionary Grant Program	16.585	2010-DC-BX- 0063	-	63,465	63,465	
Violence Against Women Office, Department Of Justice (via Dept of Justice- WA Dept Commerce)	Violence Against Women Formula Grants	16.588	F12-31103-075	12,078	-	12,078	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	NA	-	21,359	21,359	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	NA	-	7,321	7,321	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via DHHS- WA DSHS)	Enforcing Underage Drinking Laws Program	16.727	1463-10770	189	-	189	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Enforcing Underage Drinking Laws Program	16.727	1163-27298	-	2,362	2,362	
			Total CFDA 16.727:	189	2,362	2,551	
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	-	19,679	19,679	
U.s. Election Assistance Commission	Help America Vote Act Requirements Payments	90.401	G-2833	-	7,806	7,806	
Health Resources And Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	National Organizations of State and Local Officials	93.011	NA	286	-	286	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via DHHS- WA DSHS)	Public Health Emergency Preparedness	93.069	C14945	36,156	-	36,156	4
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-77296	1,202	-	1,202	4
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	1363-89942	-	6,022	6,022	

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1263-59011	2,077	-	2,077	4
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1263-59011	20,768	-	20,768	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-77296	40,781	-	40,781	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-77296	28,276	-	28,276	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via DHHS-WA DSHS)	Immunization Cooperative Agreements	93.268	C16882	18,651	-	18,651	4
Health Resources And Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	FY13 C6 ICA	289,663	-	289,663	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via DHHS-WA DSHS)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C16882	239	-	239	
Total CFDA 93.243:				93,104	6,022	99,127	

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Administration For Children And Families, Department Of Health And Human Services (via DHHS-WA DSHS)	Child Support Enforcement	93.563	NA	464,156	-	464,156	4
Administration For Children And Families, Department Of Health And Human Services (via DHHS-WA DSHS)	Child Support Enforcement	93.563	7663-15012	8,379	-	8,379	4
Administration For Children And Families, Department Of Health And Human Services (via DHHS-WA DSHS)	Child Support Enforcement	93.563	2110-80610	118,744	-	118,744	4
Total CFDA 93.563:				591,279	-	591,279	
Administration For Community Living, Department Of Health And Human Services	Voting Access for Individuals with Disabilities_Grants to States	93.617	E Aid G-4275; 12/170-1; G-12/171	-	2,602	2,602	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via DHHS-WA DSHS)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C16882	832	-	832	4
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27298	1,053	-	1,053	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27298	61,648	-	61,648	

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27298	70,863	-	70,863	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27298	857	-	857	
			Total CFDA 93.959:	134,421	-	134,421	
Health Resources And Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	Maternal and Child Health Services Block Grant to the States	93.994	C16882	104,683	-	104,683	4
Executive Office Of The President	High Intensity Drug Trafficking Areas Program	95.001	900100058	-	30,000	30,000	
Executive Office Of The President	High Intensity Drug Trafficking Areas Program	95.001	G10NW0011A	-	37,310	37,310	3
			Total CFDA 95.001:	-	67,310	67,310	
Department Of Homeland Security	Boating Safety Financial Assistance	97.012	NA	-	14,063	14,063	
Department Of Homeland Security (via WA State Military Dept)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1817-DR- WA	13,325	-	13,325	
Department Of Homeland Security (via WA State Military Dept)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1817-DR- WA	34,926	-	34,926	
			Total CFDA 97.036:	48,251	-	48,251	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E14-131; E12- 318	41,596	-	41,596	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E12-246	17,719	-	17,719	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E13-148	4,799	-	4,799	
TANF Cluster				22,518	-	22,518	
Administration For Children And Families, Department Of Health And Human Services (via DHHS- WA DSHS)	Temporary Assistance for Needy Families	93.558	1163-23151	4,125	-	4,125	
Total TANF Cluster:				4,125	-	4,125	
Total Federal Awards Expended:				2,117,513	378,446	2,495,959	

COWLITZ COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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-AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total expended for these programs are the following amounts that were passed through to subrecipients that administered their own projects:

10.665	\$	8,504
14.231		86,487
14.288		119,869
16.738		117,069
95.001		5,209
		<u>\$ 337,138</u>

Note 4-INDIRECT COST RATE

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

93.243	\$	3,279
93.069		3,532
93.268		3,051
93.505		21,055
93.563		15,025
93.733		25
93.994		28,328
		<u>\$ 74,295</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.

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