



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report **Cowlitz County**

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017612





Washington State Auditor's Office

September 29, 2016

Board of Commissioners
Cowlitz County
Kelso, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Cowlitz County January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We 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 its major federal program.

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

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construct Cluster – Highway Planning and Construction

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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, 2015 through December 31, 2015**

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, 2015, 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 22, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

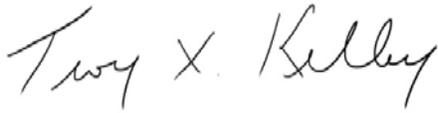
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" in the middle.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 22, 2016

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

**Cowlitz County
January 1, 2015 through December 31, 2015**

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) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Purpose of this Report

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



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 22, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Cowlitz County **January 1, 2015 through December 31, 2015**

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and County Road funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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 18 through 28, information on postemployment benefits other than pensions on page 93 and pension plan information on pages 94 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large initial 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 22, 2016

FINANCIAL SECTION

Cowlitz County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2015

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – General Fund – 2015

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – County Road Fund – 2015

Statement of Fund Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Other Post Employment Benefit – Schedule of Funding Progress – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PSERS – 2015

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 2 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2/3 – 2015
Schedule of Employer Contributions – PSERS – 2015
Schedule of Employer Contributions – LEOFF 1 – 2015
Schedule of Employer Contributions – LEOFF 2 – 2015
Notes to Required Supplemental Information – Pension – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. The discussion emphasizes results for calendar year 2015 with comparison to the prior year. We encourage readers to consider information presented here in conjunction with the County's financial statements, which immediately follow this discussion.

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

I. Financial Highlights

- The total assets and deferred outflows of Cowlitz County exceeded its liabilities and deferred inflows by \$228.3 million. Net investment in capital assets (net of depreciation and related debt) accounts for 78% of this amount with a value of \$178.7 million. Of the unrestricted net position, \$15.4 million of governmental activity and \$20.2 million of business-type activity is available to meet the County's ongoing obligations to citizens and creditors, without legal restriction.
- Cowlitz County implemented a new governmental accounting standard which requires presentation of pension liabilities on the financial statements. This resulted in a reduction of beginning total net position of \$22.4 million.
- Cowlitz County's total net position decreased \$22.9 million in 2015. The net position of business-type activities decreased by approximately \$0.6 million and total net position of governmental activities decreased \$22.3 million compared to 2014.
- At December 31, 2015, Cowlitz County's governmental funds reported a combined ending fund balance of \$45.6 million, an increase of \$0.6 million compared to the prior year.
- The General Fund unassigned fund balance at December 31, 2015 was \$12.6 million, an 8.2% increase compared to the December 31, 2014 total of \$11.7 million. The December 31, 2015 unassigned fund balance represents 55% of 2015 General Fund total liabilities, deferred inflows and fund balance.
- The County Road Fund assigned fund balance at December 31, 2015 totaled \$9.5 million, an increase of 17.5% compared to the December 31, 2014 balance. The ending assigned fund balance represents 88% of the 2015 Road Fund total liabilities, deferred inflows and fund balance.
- Cowlitz County's total noncurrent liabilities (without component unit) as of December 31, 2015 totaled \$122.4 million, a net increase of \$15.6 million from the previous year.
- At December 31, 2015 the County's remaining capacity for issuing non-voted debt is \$84.4 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 2015.)

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 47 individual governmental funds at the close of 2015 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 42 governmental and proprietary funds are combined into a single, aggregated presentation.

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

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.

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 and deferred inflows of resources by \$228.3 million at December 31, 2015 compared to \$251.3 million at December 31, 2014.

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, 2015 net of depreciation totals \$77.6 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 69,763,416	\$ 65,849,462	42,567,875	43,354,572	\$ 112,331,291	\$ 109,204,034
Capital assets (net of depreciation.	135,650,387	141,659,984	106,093,168	106,060,766	241,743,555	247,720,750
Total assets	<u>\$ 205,413,803</u>	<u>\$ 207,509,446</u>	<u>\$ 148,661,043</u>	<u>\$ 149,415,338</u>	<u>354,074,846</u>	<u>356,924,784</u>
Total deferred outflows of resources	2,669,346	263,163	7,998,183	7,673,389	10,667,529	7,936,552
Noncurrent Liabilities	39,869,597	22,844,917	82,429,433	83,973,719	122,299,030	106,818,636
Other liabilities	6,847,473	4,474,294	3,310,341	2,306,604	10,157,814	6,780,898
Total liabilities	<u>46,717,070</u>	<u>27,319,211</u>	<u>85,739,774</u>	<u>86,280,323</u>	<u>132,456,844</u>	<u>113,599,534</u>
Deferred inflows of resources	3,208,857	-	754,790	-	3,963,647	-
Net Position:						
Net Investment in						
Capital Assets	133,140,180	139,188,881	45,591,548	45,935,887	178,731,728	185,124,768
Restricted	9,579,589	10,768,380	4,363,464	4,357,191	13,943,053	15,125,571
Unrestricted	15,437,453	30,496,137	20,209,650	20,515,326	35,647,103	51,011,463
Total net position	<u>\$ 158,157,222</u>	<u>\$ 180,453,398</u>	<u>\$ 70,164,662</u>	<u>\$ 70,808,404</u>	<u>\$ 228,321,884</u>	<u>\$ 251,261,802</u>

Governmental activities current and other assets increased by 5.9% or \$3.9 million. The largest portion of this classification is made of \$49.5 million in cash, cash equivalents and pooled investments. This increased \$2.0 million (4.1%) over 2014. This is a result of realizing receivables and timing of accounts payable.

The 14.5% (\$15.5 million) increase in noncurrent liabilities is a result of recognizing the net pension liability in accordance with GASB 68, offset by a decrease in debt principal due to payments. Additionally, the increase of \$2.8 million in deferred outflows and \$4.0 million in deferred inflows are directly related to pensions.

At December 31, 2015 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 2014. Cowlitz County's total net position decreased \$22.9 million in 2015 compared to December 31, 2014 due to the recognition of pension liabilities. The business type activities presents a \$0.6 million decrease. The governmental activities present a decrease of \$22.3 million due to increased social service and public safety expense, in addition to implementing the new pension standard. 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 2015 along with comparative amounts for 2014 follows:

Cowlitz County –Changes in Net Position

	Governmental		Activities Business-type		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 19,862,628	\$ 19,426,103	\$ 32,394,511	\$ 28,400,678	\$ 52,257,139	\$ 47,826,781
Operating grants & contributions	6,915,714	7,116,906	330,290	257,874	7,246,004	7,374,780
Capital grants and contributions	1,983,586	648,585	164,567	929,335	2,148,153	1,577,920
<i>General Revenues</i>						
Taxes	45,074,416	43,742,478	942,668	1,115,302	46,017,084	44,857,780
Gain (loss) on sale of assets	1,294,490	429,364	-	-	1,294,490	429,364
Interest earned on investments	1,141,967	1,072,390	95,361	39,840	1,237,328	1,112,230
Total revenues	76,272,801	72,435,826	33,927,397	30,743,029	110,200,198	103,178,855
Program Expenses						
General Government	12,872,778	12,344,651			12,872,778	12,344,651
Public Safety	20,916,690	19,700,129	4,413,146	4,182,810	25,329,836	23,882,939
Judicial	5,167,912	5,115,233			5,167,912	5,115,233
Utilities	174,813	467,157			174,813	467,157
Transportation	22,745,989	21,876,298			22,745,989	21,876,298
Economic environment	6,851,790	6,528,075			6,851,790	6,528,075
Social services	8,802,553	7,146,557			8,802,553	7,146,557
Culture & recreation	767,868	658,229	2,563,776	2,651,990	3,331,644	3,310,219
Sewer			9,066,611	9,085,107	9,066,611	9,085,107
Solid Waste			11,360,073	10,325,437	11,360,073	10,325,437
Water/Sewer			1,874,911	1,679,601	1,874,911	1,679,601
Interest on long-term debt	594,526	595,198			594,526	595,198
Total Expenses	78,894,919	74,431,527	29,278,517	27,924,945	108,173,436	102,356,472
Excess (deficiency) of revenues over (under) expenses	(2,622,118)	(1,995,701)	4,648,880	2,818,084	2,026,762	822,383
Transfers	(148,191)	(188,184)	148,191	188,184	-	-
Change in Net Position	(2,770,309)	(2,183,885)	4,797,071	3,006,268	2,026,762	822,383
Net position January 1	180,453,398	183,141,633	70,808,404	67,714,278	251,261,802	250,855,911
Change in Accounting Principle	(18,129,944)	-	(4,278,577)	-	(22,408,521)	-
Prior period adjustment	(1,395,923)	(504,350)	(1,162,236)	87,858	(2,558,159)	(416,492)
Net position -December 31	\$ 158,157,222	\$ 180,453,398	\$ 70,164,662	\$ 70,808,404	\$ 228,321,884	\$ 251,261,802

Cowlitz County revenue totaled \$110.2 million in 2015. Governmental activities provided \$76.3 million, 69.2%, while business activities provided \$33.9 million. Taxes account for \$46.0 million, 41.7%, of the 2015 primary government revenues compared to \$44.9 million in 2014.

Governmental activities net position of Cowlitz County decreased by \$22.3 million in 2015. The majority of the change is due to a change in accounting principles of \$18.1 million to recognize pension liabilities and a prior period adjustment of \$1.4 million related to capital asset balances. Capital grants and contributions totaled \$2.0 million in 2015 and \$648 thousand in 2014. The increase is related to an increase in transportation projects funded by grants. Operating grants and contributions totaled \$6.9 million in 2015, down from \$7.1 million in 2014. Charges for services revenue totaled \$19.9 million in 2015 compared to \$19.4 million in 2014. Tax revenues increased \$1.3 million. This represents a \$1.7 million increase in property taxes due to increased valuation and an increase in general levy rate, a decrease of \$485,000 in sales tax, and an increase of \$80,000 in other taxes.

County governmental activity expenses in 2015 totaled \$78.9 million, a 6% (\$4.5 million) increase compared to 2014. This was caused by the Social Services increase of \$1.6 million (23%) resulting from housing and homeless services, Public Safety increase of \$1.2 million (6.2%) resulting from jail medical increases and new sheriff equipment, and Transportation increase of \$870,000 (4.0%) related to capital projects funded by grants.

Business type activities expenses for Cowlitz County in 2015 totaled \$29.3 million compared to \$27.9 million in 2014. Expenses included public safety programs consisting of 911 communications, law enforcement records and emergency management, \$4.4 million; the solid waste landfill \$11.4 million; the water sewer utility \$1.9 million, culture and recreation \$2.6 million, and Three Rivers expenses of \$9.1 million. The 4.8% increase in total expenses resulted primarily from a full year's operation of the Headquarters Landfill which began operation in March 2014.

Likewise, revenues increased \$3.2 million or 10.3%. The increase occurred in Charges for Services, primarily related to Headquarters Landfill, which brought in \$3.3 million (27%) additional revenues compared to 2014. Charges for services revenues of \$32.4 million accounted for 95.5% of total business revenues. Other business revenues consisted of \$943,000 in 911 communication taxes. Interest earnings on investments totaled \$95,000 in 2015 compared to \$40,000 in 2014.

The Business Type activities present a \$4.3 million change in accounting principle, which is related to the implementation of the new pension standard. Additionally a prior period adjustment of \$1.2 million was recorded related to capital asset balance corrections.

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 72% of the total governmental funds as of the December 31, 2015 ending fund balance.

	Fund Balance	Percent
General Fund	\$ 17,624,105	38.63%
Road Fund	9,475,517	20.77%
Capital Improvement Fund	5,837,035	12.79%
Other Governmental Funds	12,687,719	27.81%
Total Governmental Fund Balance	\$ 45,624,376	100.00%

Approximately 27.6% of the total governmental fund balance of \$12.6 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. \$16.4 million (36.0%) 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 2015.

	Revenues	Expenditures
General Fund	\$41,617,242	\$37,689,100
County Road	15,177,080	15,755,451
Capital Improvement Fund	2,504,756	1,766,737
Other Governmental Funds	15,497,079	21,556,322

Governmental fund revenues in 2015 totaled \$74.8 million, which is a \$2.7 million increase over 2014 governmental fund revenues of \$72.1 million. This increase is mostly seen in the taxes, licenses and permits, and intergovernmental services categories, increasing by \$1.4 million, \$1.3 million, and \$1.0 million respectively.

The **General Fund** is the chief operating fund of Cowlitz County. At December 31, 2015 the unassigned fund balance of the General Fund was \$12.6 million; this represents 27.6% of the total fund balance for all governmental funds. The General Fund’s total fund balance at December 31, 2015 was \$17.6 million compared to \$16.6 million at the end of 2014. This change is a result of revenues exceeding expenses. The General Fund had \$41.6 million in revenues in 2015 compared to \$41.0 million in 2014. Tax revenues totaled \$26.8 million at the end of 2015 compared to \$25.1 million at the end of 2014. General Fund expenditures increased from \$36.1 million in 2014 to \$37.7 million in 2015. The largest increase is in the Public Safety category, and is related to personnel cost increases. Public Safety expenditures in the General Fund of \$19.5 million represent 51.7% of the General Fund expenditures.

The General Fund transfers out in 2015 to support other County funds totaled \$4.1 million compared to \$2.0 million in 2014.

The **County Road Fund** balance remained steady at \$9.5 million at December 31, 2015. Total revenues in 2015 were \$15.2 million compared to \$13.7 million in 2014. This is due to increased federal highway grants in 2015. Intergovernmental revenues of \$4.8 million in 2015 represent a \$1.5 million increase from 2014 intergovernmental revenues. Road Fund total expenditures for 2015 totaled \$15.8 million compared to \$14.2 million in 2014, while construction expenditures in 2015 totaled \$4.6 million compared to \$3.7 million in 2014. Capital expense increased on grant-funded projects.

The **Capital Improvements Fund** balance at December 31, 2015 totaled \$5.8 million. This was an increase of \$250,000 from 2014. Revenues were \$2.5 million in 2015 compared to \$2.9 million in 2014. Expenditures increased \$250,000 from 2014 to \$1.8 million in 2015.

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 84% of the \$70.3 million net position for total enterprise funds at December 31, 2015. The December 31, 2015 unrestricted net position and changes in unrestricted net position of the major enterprise funds were:

	Unrestricted Net Position 12/31/2015	Unrestricted Net Position 12/31/2014	Increase (Decrease) for Year
Solid Waste	17,151,803	14,062,584	3,089,219
Three Rivers	1,512,489	3,044,379	(1,531,890)

The **Solid Waste** utility operating revenue of \$15.5 million accounted for 48.6% of the business-type revenues reported in 2015. Solid Waste revenue shows an increase of \$3.3 million over 2014 due to a full year’s operation of the Headquarters Landfill which only operated part of 2014. The Tennant Way landfill closure was finalized of spring 2015. Net position of the Solid Waste Utility totaled \$25.4 million at December 31, 2015, an increase of approximately \$3.9 million from 2014.

Three Rivers charges for service revenues totaled \$9.4 million in 2015 and a total net position at year-end of \$33.5 million. The fund had an operating income of \$1.4 million at December 31, 2015 compared to \$1.3 at December 31, 2014.

IV. Budget Analysis –General Fund Budgetary Highlights

The net difference between the original General Fund budget total expenditures for 2015 and the final amended budget was a \$0.8 million increase in appropriations over the original budget of \$39.5 million.

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, 2015 total \$242 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 decrease in Cowlitz County's capital assets net of depreciation was \$6.0 million over 2014. This consisted of a \$6.0 million decrease in governmental activity capital assets and a \$32,000 decrease in business-type activity capital assets.

COWLITZ COUNTY CAPITAL ASSETS							
(net of depreciation)							
	Governmental activities		Business-type activities		Total		
	2015	2014	2015	2014	2015	2014	
Land	\$ 12,054,302	\$ 11,864,506	\$ 5,207,740	\$ 2,095,031	\$ 17,262,042	\$ 13,959,537	
Buildings& Syst.	30,082,297	31,331,487	79,894,998	86,411,899	109,977,295	117,743,386	
Improve other than Buildings	2,902,581	3,062,843	11,250,928	3,559,313	14,153,509	6,622,156	
Machinery&Equip.	7,575,520	7,131,090	2,568,459	2,321,798	10,143,979	9,452,888	
Intangible	1,821,410	50,901	1,420,575	1,741,823	3,241,985	1,792,724	
Infrastructure	77,632,043	81,384,418	-	-	77,632,043	81,384,418	
Construction in Progress	3,582,234	6,834,739	5,750,468	9,930,902	9,332,702	16,765,641	
Total	\$ 135,650,387	\$ 141,659,984	\$ 106,093,168	\$ 106,060,766	\$ 241,743,555	\$ 247,720,750	

For more information see note disclosure 4D.

Long-Term Debt. At December 31, 2015 Cowlitz County has \$39.9 million in long-term debt owed from *governmental activities* and \$82.4 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 12,092,798	\$ 13,545,546	\$ 30,925,000	\$ 32,100,000	\$ 43,017,798	\$ 45,645,546
Revenue bonds	-	-	18,800,000	21,950,000	18,800,000	\$ 21,950,000
Special assessment bonds with Govt. commitment	893,976	1,086,382	-	-	893,976	1,086,382
	\$ 12,986,774	\$ 14,631,928	\$ 49,725,000	\$ 54,050,000	\$ 62,711,774	\$ 68,681,928

On September 15, 2015, the County issued refunding bonds in the amount of \$4,055,000 to advance refund \$4,120,000 of the 2005 LTGO bonds. On December 15, 2015, the County issued refunding bonds in the amount of \$8,495,000 to advance refund \$8,735,000 of TRRWA 2006 Special Revenue Sewer Bonds. 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 50% of unrestricted General Fund Revenues. Increases in taxes are limited to an increase of 1% of the prior year levy (plus taxes on the values of new construction). Expenses, largely outside the control of the Board of Commissioners, are increasing faster than 1% per year. The property tax limitations provide inadequate revenues to meet service demands. In accordance with the County's Financial Management Policy, fees are reviewed annually, generally during the budget review period. In appropriate circumstances, the Commissioners considered fees increases, moving toward a fee-for-service model, where the service provided by the County wholly or substantially benefits a specific constituent.
- 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.
- As of January 1, 2016, Three Rivers Regional Wastewater Authority (TRRWA) became its own legal entity. On July 1, 2016, the operations were transferred from the County to TRRWA, resulting in removal of approximately \$33 million in net position from the County. Bonds issued related to TRRWA will become governmental activities debt and be offset with a receivable from other governments.
- Assessed value in Cowlitz County (county-wide) increased for the third year in a row (2013-2015) following four straight years of decline (2009-2012). The historic levels of property value in Cowlitz County in 2009 were assessed at 9.39 Billion, the 2015 assessed valuation is 9.17 Billion.

Requests for Information

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

Cowlitz County, Washington
Statement of Net Position
December 31, 2015

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Public Facilities District
ASSETS				
Cash, Cash Equivalents & Pooled Investments	\$ 49,465,897	\$ 16,784,226	\$ 66,250,123	\$ 561,444
Receivables (net)	13,121,342	2,803,354	15,924,696	170,618
Internal Balances	688,381	(688,381)	-	-
Inventories	515,191	386,491	901,682	-
Prepaid Items	114,503	96,064	210,567	21,015
Due From Component Unit	4,190,000	392,736	4,582,736	-
Net Pension Asset	1,637,877	-	1,637,877	-
Restricted Cash, Cash Equivalents & Pooled Investments:				
Customer Deposits	30,225	52,490	82,715	-
Debt Service	-	4,363,464	4,363,464	614,776
Capital Outlay	-	65,643	65,643	-
Closure and Postclosure	-	13,512,273	13,512,273	-
Restricted Investment For Closure and Postclosure	-	4,799,515	4,799,515	-
<i>Capital Assets:</i>				
Nondepreciable Assets	15,636,536	10,958,208	26,594,744	-
Depreciable Assets (Net)	120,013,851	95,134,960	215,148,811	13,452,374
Total Assets	205,413,803	148,661,043	354,074,846	14,820,227
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts on Refunding	162,552	-	162,552	212,724
Amounts Related to Pensions	2,506,794	455,049	2,961,843	-
Excess Consideration Provided For Acquisition	-	7,543,134	7,543,134	-
Total Deferred Outflows of Resources	2,669,346	7,998,183	10,667,529	212,724
LIABILITIES				
Accounts Payable & Accrued Exp.	4,768,676	2,824,341	7,593,017	2,320
Other Current Liabilities	2,007,530	357,510	2,365,040	56,271
Customer Deposits	71,267	128,490	199,757	-
<i>Noncurrent Liabilities:</i>				
Due Within One Year	2,384,774	6,040,026	8,424,800	152,983
Due Primary Gov. Within One Yr.	-	-	-	285,890
Due In More Than One Year	19,902,797	72,538,110	92,440,907	5,102,726
Due Primary Gov. More Than One Year	-	-	-	4,592,424
Net Pension Liability	17,582,026	3,851,297	21,433,323	-
Total Liabilities	46,717,070	85,739,774	132,456,844	10,192,614
DEFERRED INFLOWS OF RESOURCES				
Deferred amount on refunding of debt	-	126,163	126,163	-
Amounts related to pensions	3,208,857	628,627	3,837,484	-
Total deferred inflows of resources	3,208,857	754,790	3,963,647	-
NET POSITION				
Net Investment in Capital Assets	133,140,180	45,591,548	178,731,728	3,923,811
<i>Restricted for:</i>				
Economic Environment	2,321,508	-	2,321,508	-
General Government	1,105,475	-	1,105,475	-
Public Safety	157,283	-	157,283	-
Judicial	140,639	-	140,639	-
Social Services	4,225,121	-	4,225,121	-
Utilities	727,556	-	727,556	-
Transportation - Roads	633,852	-	633,852	-
Culture & Recreation	268,155	-	268,155	-
Restricted, for Debt Purposes	-	4,363,464	4,363,464	614,776
Unrestricted	15,437,453	20,209,650	35,647,103	301,750
Total Net Position	\$ 158,157,222	\$ 70,164,662	\$ 228,321,884	\$ 4,840,337

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, 2015

FUNCTIONS/PROGRAMS Governmental Activities:	Net (Expense) Revenue and Changes in Net Position						Component Unit Public Facilities District
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
General Government	\$ 12,872,778	\$ 4,211,949	\$ 4,055,597	\$ -	\$ (4,605,232)	\$ -	\$ (4,605,232)
Public Safety	20,916,690	5,245,868	948,550	-	(14,722,272)	-	(14,722,272)
Judicial	5,167,912	2,600,473	167,240	-	(2,400,199)	-	(2,400,199)
Utilities	174,813	409,363	90,895	-	325,445	-	325,445
Transportation	22,745,989	996,701	775,827	1,983,586	(18,989,875)	-	(18,989,875)
Economic Environment	6,851,790	4,314,747	254,866	-	(2,282,177)	-	(2,282,177)
Social Services	8,802,553	1,844,460	622,739	-	(6,335,354)	-	(6,335,354)
Culture & Recreation	767,868	22,715	-	-	(745,153)	-	(745,153)
Interest on Long-Term Debt	594,526	216,352	-	-	(378,174)	-	(378,174)
Total Governmental Activities	\$ 78,894,919	\$ 19,862,628	\$ 6,915,714	\$ 1,983,586	\$ (50,132,991)	\$ -	\$ (50,132,991)
<i>Business-Type Activities:</i>							
Water/Sewer	1,874,911	1,786,545	125,931	9,925	-	47,490	47,490
Sewer	9,066,611	9,475,726	-	154,642	-	563,757	563,757
Garbage & Solid Waste	11,360,073	15,505,278	153,672	-	-	4,298,877	4,298,877
Public Safety	4,413,146	3,235,289	-	-	-	(1,177,857)	(1,177,857)
Culture & Recreation	2,563,776	2,391,673	50,687	-	-	(121,416)	(121,416)
Total Business-Type Activities	\$ 29,278,517	\$ 32,394,511	\$ 330,290	\$ 164,567	\$ -	\$ 3,610,851	\$ 3,610,851
Total Primary Government	\$ 108,173,436	\$ 52,257,139	\$ 7,246,004	\$ 2,148,153	\$ (50,132,991)	\$ 3,610,851	\$ (46,522,140)
Component Unit	1,235,091	9,321	-	-	-	-	-
Public Facilities District	\$ 1,235,091	\$ 9,321	\$ -	\$ -	\$ -	\$ -	\$ (1,225,770)
Total Component Units							(1,225,770)
GENERAL REVENUES:							
Property Taxes					28,549,367	-	28,549,367
Sales Taxes					9,810,608	-	9,810,608
911 Taxes					-	942,668	942,668
Other Taxes					6,714,441	-	6,714,441
Investment Earnings					1,141,967	95,361	1,237,328
Gain (Loss) on Sale of Capital Assets					1,294,490	-	1,294,490
TRANSFERS					(148,191)	148,191	-
Total General Revenues, Special Items & Transfers					\$ 47,362,662	\$ 1,186,220	\$ 48,548,902
Change in Net Position					(2,770,309)	4,797,071	2,026,762
Net Position - January 1					180,453,398	70,808,404	251,261,802
Change in Accounting Principle					(18,129,944)	(4,278,577)	(22,408,521)
Prior Period Adjustment					(1,395,923)	(1,162,236)	(2,558,159)
Net Position - December 31					\$ 158,157,222	\$ 70,164,662	\$ 228,321,884
							\$ 4,840,337

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

Cowlitz County, Washington
Balance Sheet
Governmental Funds
December 31, 2015

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>County Road</u>	<u>Capital Improvements</u>		
ASSETS					
Cash, Cash Equivalents & Pooled Investments	\$ 12,476,680	\$ 8,391,236	\$ 5,083,842	\$ 11,107,277	\$ 37,059,035
Receivables (Net)	6,059,352	2,223,566	1,039,939	3,323,837	12,646,694
Due From Other Funds	90,447	207,032	-	287,398	584,877
Interfund Loan Receivable	245,000	-	-	-	245,000
Due From Component Unit	4,190,000	-	-	-	4,190,000
Customer Deposits & Seized	30,225	-	-	-	30,225
Total Assets	\$ 23,091,704	\$ 10,821,834	\$ 6,123,781	\$ 14,718,512	\$ 54,755,831
LIABILITIES					
Accounts Payable	\$ 661,152	\$ 540,639	\$ 238,549	\$ 1,402,980	\$ 2,843,320
Payable To Other Governments	103,683	34,940	24,586	168,394	331,603
Due To Other Funds	280,319	214,713	12,683	94,708	602,423
Advance Due To Other Funds	101,666	-	-	-	101,666
Other Current Liabilities	1,266,058	278,597	3,192	258,703	1,806,550
Customer Deposits and Seized Payable	30,225	-	-	41,042	71,267
Total Liabilities	\$ 2,443,103	\$ 1,068,889	\$ 279,010	\$ 1,965,827	\$ 5,756,829
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	1,903,279	247,783	-	11,951	2,163,013
Unavailable Revenue - Grants	17,886	29,645	7,736	53,015	108,282
Unavailable Revenue - Court	1,103,331	-	-	-	1,103,331
Total Deferred Inflows of Resources	\$ 3,024,496	\$ 277,428	\$ 7,736	\$ 64,966	\$ 3,374,626
FUND BALANCE					
Nonspendable	245,000	\$ -	\$ 486,858	\$ -	\$ 731,858
Restricted	4,190,000	-	1,988,567	9,688,247	15,866,814
Assigned	539,639	9,475,517	3,361,610	2,999,472	16,376,238
Unassigned	12,649,466	-	-	-	12,649,466
Total Fund Balance	\$ 17,624,105	\$ 9,475,517	\$ 5,837,035	\$ 12,687,719	\$ 45,624,376
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 23,091,704	\$ 10,821,834	\$ 6,123,781	\$ 14,718,512	\$ 54,755,831

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, 2015

Total fund balances as shown on the Governmental Funds Balance Sheet	\$ 45,624,376
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 \$9,441,951 are included as part of reconciling item further down the page).	126,208,436
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.	18,306,668
Allocation to enterprise funds share of net (income) loss of internal service funds.	118,339
Other long-term assets are not available to pay for current-period expenditures and, therefore are not recognized as payable/receivable in the funds	162,552
Accrued interest receivable was less than interest receivable modified accrual	56,421
Other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	3,374,626
Inventories not recorded in governmental funds are recorded in governmental activities.	155,984
Net Pension Assets and Liability and other items related to Pension activity that are not financial resources or uses therefore, not reported in the funds.	(15,548,792)
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>(20,301,388)</u>
Net position of governmental activities	<u><u>\$ 158,157,222</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, 2015

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>County Road</u>	<u>Capital Improvements</u>		
REVENUES					
Taxes	\$ 26,783,912	\$ 9,402,890	\$ 2,159,785	\$ 3,286,459	\$ 41,633,046
Licenses & Permits	29,901	-	-	4,690,090	4,719,991
Intergovernmental	4,853,777	4,765,048	308,538	4,686,410	14,613,773
Charges for Services	6,782,433	903,172	-	2,039,127	9,724,732
Fines & Forfeitures	1,493,723	-	-	4,307	1,498,030
Investment Earnings	1,092,501	12,653	20,163	18,807	1,144,124
Rents & Leases	338,105	3,612	7,590	75	349,382
Special Assessments	-	-	-	371,593	371,593
Insurance Premiums & Recoveries	-	6,195	-	-	6,195
Miscellaneous Revenues	242,890	83,510	8,680	400,211	735,291
Total Revenues	41,617,242	15,177,080	2,504,756	15,497,079	74,796,157
EXPENDITURES					
<i>Current:</i>					
General Government	11,788,889	-	46,872	350,134	12,185,895
Public Safety	19,484,384	-	-	20,365	19,504,749
Judicial	3,850,605	-	-	1,443,393	5,293,998
Utilities	156,270	-	24,618	-	180,888
Natural Economic Environment	903,398	-	767,557	5,212,930	6,883,885
Transportation	90,987	11,095,613	232,725	30166	11,449,491
Social Services	700,719	-	-	8,126,589	8,827,308
Culture & Recreation	561,235	-	13,314	-	574,549
<i>Debt Service:</i>					
Principal	-	70,000	-	5,700,154	5,770,154
Interest	457	300	-	537,595	538,352
Other	-	-	2,850	57,020	59,870
<i>Capital Outlay</i>	152,156	4,589,538	678,801	77,976	5,498,471
Total Expenditures	37,689,100	15,755,451	1,766,737	21,556,322	76,767,610
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,928,142	(578,371)	738,019	(6,059,243)	(1,971,453)
OTHER FINANCING SOURCES (USES)					
Transfers In	329,616	-	473,389	3,783,881	4,586,886
Transfers Out	(4,094,738)	-	(1,022,623)	(2,365,443)	(7,482,804)
Sale of Capital Assets	724,166	557,815	-	12,508	1,294,489
Refunding Bonds Issued	-	-	-	4,055,000	4,055,000
Premium on Bonds Issued	-	-	-	209,656	209,656
Total Other Financing Sources (Uses)	(3,040,956)	557,815	(549,234)	5,695,602	2,663,227
Net Change In Fund Balance	887,186	(20,556)	188,785	(363,641)	691,774
Fund Balances--Beginning	16,586,453	9,496,073	5,587,853	13,318,155	44,988,534
Prior Period Adjustment	150,466	-	60,397	(266,795)	(55,932)
Fund Balances--Ending	\$ 17,624,105	\$ 9,475,517	\$ 5,837,035	\$ 12,687,719	\$ 45,624,376

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, 2015**

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 \$ 691,774

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. (7,730,693)

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. 1,505,498

Change in accrual interest earnings versus on modified accrual basis (15,379)

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. (324,988)

Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable, net pension liability, accrued compensation payable for year and deferred outflows of resources. 610,026

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. 2,493,453

Change in net position-governmental activities- on the Statement of Activities \$ (2,770,309)

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, 2015

	General Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Taxes	\$ 26,346,804	\$ 26,571,198	\$ 26,783,912	\$ 212,714
Licenses & Permits	42,210	42,210	29,901	(12,309)
Intergovernmental	5,073,617	4,997,205	4,853,777	(143,428)
Charges for Services	6,205,695	6,277,107	6,763,176	486,069
Fines and Forfeits	1,456,700	1,482,700	1,493,723	11,023
Interest	876,380	876,380	1,091,897	215,517
Miscellaneous	615,695	390,695	579,819	189,124
Total Revenues	40,617,101	40,637,495	41,596,205	958,710
Expenditures:				
<i>General government</i>	12,524,087	12,631,667	11,592,277	1,039,390
Public Safety	19,972,166	20,282,965	19,273,413	1,009,552
Judicial	3,993,696	4,085,258	3,850,605	234,653
Utilities	209,817	209,817	156,270	53,547
Economic Environment	1,079,158	1,079,158	903,398	175,760
Transportation	65,250	65,250	90,987	(25,737)
Social Services	731,774	734,973	700,719	34,254
Culture & Recreation	591,409	600,151	561,235	38,916
Debt Service - Principal	187,017	432,417	457	431,960
<i>Capital Outlay</i>	127,709	127,709	152,156	(24,447)
Total Expenditures	39,482,083	40,249,365	37,281,517	2,967,848
Excess (Deficiency) of Revenues Over Expenditures	1,135,018	388,130	4,314,688	3,926,558
OTHER FINANCING SOURCES (USES)				
Proceeds-Sale Fixed Assets	-	675,000	724,166	49,166
Transfers In	405,991	439,197	329,616	(109,581)
Transfers (Out)	(4,116,615)	(4,616,615)	(4,459,738)	156,877
Total Other Financing Sources (Uses)	(3,710,624)	(3,502,418)	(3,405,956)	96,462
Net Change In Fund Balance	(2,575,606)	(3,114,288)	908,732	4,023,020
Fund Balances--Beginning	7,415,411	7,945,093	16,025,268	8,080,175
Prior Period Adjustment	-	-	150,466	150,466
Fund Balances--Ending	\$ 4,839,805	\$ 4,830,805	17,084,466	\$ 12,253,661
Adjustment to GAAP basis:				
GIS Fund			193,767	
Benefits Administration Fund			345,872	
Fund balance - GAAP basis			<u>\$ 17,624,105</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, 2015

	County Road			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Taxes	\$ 8,769,133	\$ 8,769,133	\$ 9,402,890	\$ 633,757
Licenses & Permits	-	-	-	-
Intergovernmental	7,078,102	7,078,102	4,765,048	(2,313,054)
Charges for Services	600,050	600,050	903,172	303,122
Fines and Forfeits	-	-	-	-
Interest	9,000	9,000	12,653	3,653
Miscellaneous	51,000	51,000	93,317	42,317
Total Revenues	16,507,285	16,507,285	15,177,080	(1,330,205)
Expenditures:				
<i>General government</i>	-	-	-	-
Public Safety	-	-	-	-
Judicial	-	-	-	-
Utilities	-	-	-	-
Economic Environment	-	-	-	-
Transportation	12,256,504	12,256,504	11,095,613	1,160,891
Social Services	-	-	-	-
Culture & Recreation	-	-	-	-
Debt Service - Principal	71,500	71,500	70,300	1,200
<i>Capital Outlay</i>	7,476,000	7,476,000	4,589,538	2,886,462
Total Expenditures	19,804,004	19,804,004	15,755,451	4,048,553
Excess (Deficiency) of Revenues Over Expenditures	(3,296,719)	(3,296,719)	(578,371)	2,718,348
OTHER FINANCING SOURCES (USES)				
Proceeds-Sale Fixed Assets	950,000	950,000	557,815	(392,185)
Transfers In	-	-	-	-
Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	950,000	950,000	557,815	(392,185)
Net Change In Fund Balance	(2,346,719)	(2,346,719)	(20,556)	2,326,163
Fund Balances--Beginning	8,600,000	8,600,000	9,496,073	896,073
Prior Period Adjustment	-	-	-	-
Fund Balances--Ending	\$ 6,253,281	\$ 6,253,281	\$ 9,475,517	\$ 3,222,236
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, 2015

	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	\$ 9,410,503	\$ 3,007,421	\$ 4,366,302	\$ 16,784,226	\$ 12,406,862
Receivables (Net)	1,837,638	36,169	230,618	2,104,425	32,431
Interest Receivable	4,370	-	-	4,370	-
Due From Other Funds	7,670	-	8,929	16,599	437,691
Due From Other Governments	295,455	31,076	368,028	694,559	385,796
Interfund Loan Receivable - Current	-	-	-	-	101,666
Inventories	-	386,491	-	386,491	359,207
Prepaid Items	34,573	-	61,491	96,064	114,503
Restricted Cash and Cash Equivalents (\$337,168 for landfill postclosure, \$888,400 for landfill construction and \$128,490 for customer deposits)	1,301,568	-	52,490	1,354,058	-
Total Current Assets	12,891,777	3,461,157	5,087,858	21,440,792	13,838,156
<i>Noncurrent Assets:</i>					
Restricted Cash, Cash Equivalents & Investments:					
Debt Requirements	-	\$ 4,363,464	-	4,363,464	-
Cash & Equivalents for Closure & Postclosure	12,276,348	-	-	12,276,348	-
Investments for Closure & Postclosure	4,799,515	-	-	4,799,515	-
Due From Component Unit	392,736	-	-	392,736	-
<i>Capital Assets:</i>					
Land	3,861,992	586,540	759,208	5,207,740	20,795
Construction in Progress	5,459,127	291,341	-	5,750,468	2,477,144
Buildings and System	22,195,484	96,311,575	15,396,138	133,903,197	409,717
Improvements and Other Than Bldgs.	20,687,992	7,297	2,240,047	22,935,336	-
Machinery and Equipment	3,675,142	1,004,974	2,567,968	7,248,084	15,931,695
Intangible	25,387	-	3,101,066	3,126,453	1,855,353
Less Accumulated Depreciation and Amortization	(15,965,631)	(43,304,646)	(12,807,833)	(72,078,110)	(11,252,753)
Total Net Capital Assets	39,939,493	54,897,081	11,256,594	106,093,168	9,441,951
Total Assets	70,299,869	62,721,702	16,344,452	149,366,023	23,280,107
DEFERRED OUTFLOWS OF RESOURCES					
Excess Consideration Provided for Acquisition	7,543,134	-	-	7,543,134	-
Amounts Related to Pensions	55,192	143,022	256,835	455,049	125,373
Total Deferred Outflows of Resources	7,598,326	143,022	256,835	7,998,183	125,373
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts Payable	1,388,036	84,615	148,305	1,620,956	1,589,957
Payable From Restricted Assets	822,757	-	-	822,757	-
Payable To Other Governments	31,831	60,336	60,966	153,133	3,796
Due To Other Funds	231,404	10,064	100,173	341,641	95,103
Accrued Interest Payable	106,027	121,468	-	227,495	-
Claims and Judgements	-	-	-	-	560,224
Bonds Payable	1,267,804	3,354,373	-	4,622,177	-
Notes Payable	-	925,559	155,122	1,080,681	40,403
Landfill Closure and Postclosure Costs	337,168	-	-	337,168	-
Other Current Liabilities	46,915	102,927	207,668	357,510	99,943
Customer Deposits Payable from Restricted Assets	76,000	-	52,490	128,490	-
Total Current Liabilities	4,307,942	4,659,342	724,724	9,692,008	2,389,426
<i>Noncurrent Liabilities:</i>					
Compensated Absences	86,945	174,573	336,324	597,842	193,037
Net Pension Liability	461,829	1,214,130	2,175,338	3,851,297	1,049,064
Customer Deposits Payable From Restricted Assets	-	-	-	-	-
Landfill Closure and Postclosure Costs	17,075,863	-	-	17,075,863	-
Claims and Judgements	-	-	-	-	1,219,776
Bonds Payable & Net of Unamortized Discount	30,508,815	16,458,291	-	46,967,106	-
Interfund Loan Payable	-	-	245,000	245,000	-
Notes Payable	-	6,497,845	1,399,454	7,897,299	73,780
Total Non Current Liabilities	48,133,452	24,344,839	4,156,116	76,634,407	2,535,657
Total Liabilities	52,441,394	29,004,181	4,880,840	86,326,415	4,925,083
DEFERRED INFLOWS OF RESOURCES					
Deferred Amount on Refunding of Debt	-	126,163	-	126,163	-
Amounts Related to Pensions	76,481	197,414	354,732	628,627	173,729
Total Deferred Inflows of Resources	76,481	323,577	354,732	754,790	173,729
NET POSITION					
Net Investment in Capital Assets	8,228,517	27,661,013	9,702,018	45,591,548	9,327,768
Restricted - Debt Covenants	-	4,363,464	-	4,363,464	-
Unrestricted	17,151,803	1,512,489	1,663,697	20,327,989	8,978,900
Total Net Position	\$ 25,380,320	\$ 33,536,966	\$ 11,365,715	70,283,001	\$ 18,306,668
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				(118,339)	
Net Position of Business-Type Activities				\$ 70,164,662	

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, 2015

	<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	\$ -	\$ -	\$ 1,648,089	\$ 1,648,089	\$ -
Sewer	-	9,386,832	-	9,386,832	-
Garbage & Solid Waste	15,451,269	-	-	15,451,269	-
Public Safety	-	-	3,060,366	3,060,366	-
Culture & Recreation	-	-	2,378,129	2,378,129	-
Other Services	-	-	-	-	7,949,108
Total Operating Revenues	15,451,269	9,386,832	7,086,584	31,924,685	7,949,108
OPERATING EXPENSES					
Maintenance & Operations	7,854,014	4,337,186	7,893,655	20,084,855	7,676,931
Closure & Postclosure Care	136,243	-	-	136,243	-
Depreciation and Amortization	2,080,842	3,620,525	919,076	6,620,443	831,383
Total Operating Expenses	10,071,099	7,957,711	8,812,731	26,841,541	8,508,314
Operating Income (Loss)	5,380,170	1,429,121	(1,726,147)	5,083,144	(559,206)
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	942,668	942,668	-
Intergovernmental	153,672	-	176,618	330,290	7,640
Investment Earnings	79,051	10,951	5,359	95,361	13,222
Interest Expense	(1,246,827)	(1,108,900)	(11,692)	(2,367,419)	(3,664)
Gain (Loss) on Disposition of Assets	-	-	-	-	(3,052)
Miscellaneous Nonoperating Revenues	54,009	88,894	326,923	469,826	95,485
Total Nonoperating Income (Expense)	(960,095)	(1,009,055)	1,439,876	(529,274)	109,631
Income Before Contributions and Transfers	4,420,075	420,066	(286,271)	4,553,870	(449,575)
Capital Contributions	-	154,642	9,925	164,567	51,200
Transfers In	-	-	157,507	157,507	2,822,270
(Transfers Out)	-	-	(9,316)	(9,316)	-
Change in Net Position	4,420,075	574,708	(128,155)	4,866,628	2,423,895
Net Position--Beginning	21,502,341	34,310,977	15,043,868		17,104,085
Change in Accounting Principle	(513,229)	(1,348,719)	(2,416,629)		(1,165,819)
Prior Period Adjustment	(28,867)	-	(1,133,369)		(55,493)
Net Position--Ending	\$ 25,380,320	\$ 33,536,966	\$ 11,365,715		\$ 18,306,668

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:

Change in Net Position of Business-Type Activities

(69,557)
\$ 4,797,071

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, 2015

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Solid Waste	Three Rivers	Nonmajor Enterprise Funds	Total Enterprise Funds	
\$	14,875,263	9,567,165	7,153,801	\$ 31,596,229	\$ 7,767,628
Cash Received From Customers	(7,009,533)	(2,234,498)	(3,866,119)	(13,110,150)	(4,544,619)
Cash Payments for Goods and Services	(972,006)	(2,215,406)	(4,069,734)	(7,257,146)	(1,897,424)
Cash Payments To Employees for Services	748,953	88,894	100,625	938,472	49,771
Miscellaneous Revenue	7,642,677	5,206,155	(681,427)	12,167,405	1,375,356
<i>Net Cash Provided (Used) by Operating Activities</i>					

Cash Flows From Noncapital Financing Activities

Loans Made to Other Governments	-	-	38,067	38,067	-
Interfund Loan Received	245,000	-	-	245,000	-
Repayment (Pmt) of Interfund Loan Principal	-	-	-	-	186,667
Operating Grants Received	-	-	236,246	236,246	7,640
Receipts From 911 Tax	-	-	942,668	942,668	-
Payments of Claims Liability Recognized Prior Yrs.	-	-	-	-	(20,421)
Transfers In from Other County Fund	-	-	148,191	148,191	2,822,728
Transfers Out to Other County Fund	-	-	(9,316)	(9,316)	-
<i>Net Cash Provided by Noncapital Financing Activities</i>	245,000	-	1,355,856	1,600,856	2,996,614

Cash Flows From Capital and Related Financing Activities

System Development Fees & Hookup Fees	-	154,642	9,925	164,567	-
Acquisition and Construction of Capital Assets	(6,076,833)	(703,859)	(20,252)	(6,800,944)	(3,538,501)
Debt Issue Costs Paid	-	1,907	-	1,907	-
Principal Paid on Note/Lease	-	(925,559)	(155,015)	(1,080,574)	(36,825)
Principal Paid on Bonds	(1,175,000)	(2,910,000)	-	(4,085,000)	-
Interest Paid on Capital Debt	(1,307,568)	(1,202,003)	(11,617)	(2,521,188)	(3,663)
Capital Grant Received	-	-	9,316	9,316	-
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	(8,559,401)	(5,584,872)	(167,643)	(14,311,916)	(3,578,989)

Cash Flows From Investing Activities

Interest on Investments	78,396	10,951	5,362	94,709	12,765
<i>Net Cash Provided (Used) by Investing Activities</i>	78,396	10,951	5,362	94,709	12,765
Net Increase (Decrease) in Cash and Cash Equivalents	(593,328)	(367,766)	512,148	(448,946)	805,746

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)

23,581,747 7,738,651 3,906,644 35,227,042 11,601,116

Cash and Cash Equivalents, December 31 (including \$13,577,916, \$4,363,464 and \$52,490 Solid Waste, Three Rivers and Nonmajor Enterprise funds, respectively, reported in restricted accounts)

\$ 22,988,419 \$ 7,370,885 \$ 4,418,792 \$ 34,778,096 \$ 12,406,862

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss) \$ 5,380,170 \$ 1,429,121 \$ (1,726,147) \$ 5,083,144 \$ (559,206)

Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:

Depreciation and Amortization	2,080,842	3,620,525	919,076	6,620,443	831,383
(Increase) Decrease in Accounts Receivable	(652,013)	(13,940)	64,296	(601,657)	(1,230)
(Increase) Decrease in Due From Other Funds	(21,091)	-	469	(20,622)	49,938
(Increase) Decrease in Due From Other Governments	562,370	194,273	(137,627)	619,016	(275,902)
(Increase) Decrease in Inventory	-	1,866	-	1,866	52,722
(Increase) Decrease in Prepaid Expense	2,652	27,995	71,384	102,031	(40,380)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	18,746	(51,755)	(81,641)	(114,650)	1,362,634
Increase (Decrease) in Employee Leave Benefits	(12,674)	1,257,895	(24,633)	1,220,588	(28,676)
Increase (Decrease) in Customer Deposits	76,000	-	4,168	80,168	-
Increase (Decrease) in Estimated Future Claims Payable	-	-	-	-	(111,413)
Miscellaneous Revenue	207,675	(1,259,825)	229,228	(822,922)	95,486
<i>Total Adjustments</i>	<i>2,262,507</i>	<i>3,777,034</i>	<i>1,044,720</i>	<i>7,084,261</i>	<i>1,934,562</i>
<i>Net Cash Provided by Operating Activities</i>	<i>\$ 7,642,677</i>	<i>\$ 5,206,155</i>	<i>\$ (681,427)</i>	<i>\$ 12,167,405</i>	<i>\$ 1,375,356</i>

Noncash Investing, Capital and Financing Activities

Capital Assets Financed by Accounts Payable	1,363,509	4,498	-	1,368,007	-
Contributions from Other Funds	-	-	-	-	74,543
Debt Issue Costs Paid with Bond Proceeds	-	(8,495,000)	-	(8,495,000)	-
Debt Proceeds Provided to Trustee	-	8,956,937	-	8,956,937	-
Bond Issue Cost Paid by Trustee	-	103,912	-	103,912	-

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

**Cowlitz County, Washington
Statement of Fiduciary Net Position
December 31, 2015**

	<u>Agency Funds</u>
Assets	
Cash, Cash Equivalents & Pooled Investments	\$ 143,534,676
Taxes Receivable	3,986,129
Accounts Receivable	223,416
Total Assets	<u>\$ 147,744,221</u>
Liabilities	
Due To Other Governments	\$ 139,146,932
Warrants Payable	8,597,289
Total Liabilities	<u>\$ 147,744,221</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 four-year terms. 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 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. As a result of implementing this standard, the County recognized an adjustment to beginning net position of \$22,408,521, presented as a change in accounting principles.

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.

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 three items as a deferred outflow of resources. These items are the deferred charge on refunding, amounts related to pensions 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	179,385
Building and planning as restricted by RCW 82.02.020	307,971
Housing and Essential need grants	1,209
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	<u>1,832,943</u>
Total Economic Environment	<u>2,321,508</u>
Treasurer's Operation and Maintenance	399,238
Auditor's Operation and Maintenance	550,615
REET Technology	<u>155,622</u>
Total General Government	<u>1,105,475</u>
Boat Safety purposes	27,001
Eradication of drug trafficking	<u>130,282</u>
Total Public Safety	<u>157,283</u>
Judicial - Superior court law library	140,639
Road Fund Activity	277,428
Future Paths and Trails	<u>356,424</u>
Total Transportation	<u>633,852</u>
Emergency financial assistance to veterans and their surviving spouses	253,729
Community mental health	3,748,851
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	<u>222,541</u>
Total social services	<u>4,225,121</u>
Culture and Recreation for the convention Center	17,313
Cumulative Reserve	<u>250,842</u>
Total culture and recreation	<u>268,155</u>
Storm Water	437,647
Noxious Weed Program	<u>289,909</u>
Total Utilities	<u>727,556</u>
Total Restricted Net Position	<u>9,579,589</u>

6. Capital Assets

Capital assets include land, land improvements, buildings, building improvements, infrastructure, 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 the following types of deferred inflows of resources: 1) amounts related to pensions, 2) deferred amount on refunding of debt and 3) unavailable revenue, which qualifies for reporting in this category, under a modified accrual basis of accounting. Accordingly, unavailable revenue is recorded only in the governmental funds balance sheets. The unavailable revenue arises from three sources: property taxes, grants and court fees. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

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. Pensions

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

12. 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.

13. Detailed Fund Balance Constraints

Fund Balances:	General	County Road	Capital Improve-ments	Nonmajor Gov'tal Funds	Total
Nonspendable for:					
Long Term Receivable	245,000	\$ -	\$ 486,858	\$ -	\$ 731,858
Restricted for:					
Transportation				356,424	356,424
Debt Service	4,190,000			2,378,364	6,568,364
REET Technology			155,624		155,624
Utilities			4,928	727,556	732,484
Economic Environment			1,828,015	488,563	2,316,578
Culture & Recreation				268,155	268,155
Judicial				140,639	140,639
Treasurer's O&M				399,238	399,238
Auditor's O&M				550,614	550,614
Social Services				4,221,411	4,221,411
Public Safety				157,283	157,283
Assigned to:					
General Government	193,768			83,509	277,277
Economic Environment				107,799	107,799
Physical Environment				578,489	578,489
Transportation		9,475,517			9,475,517
Capital Improvements			3,361,610		3,361,610
Social Services				1,776,118	1,776,118
Public Safety	345,871			453,557	799,428
Unassigned	12,649,466				12,649,466
	<u>\$ 17,624,105</u>	<u>\$ 9,475,517</u>	<u>\$ 5,837,035</u>	<u>\$ 12,687,719</u>	<u>\$ 45,624,376</u>

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	\$	12,092,798
Add: Deferred amounts for premiums		752,328
Special assessment bonds payable		893,976
Compensated absences		2,890,394
OPEB Liability		3,120,673
Notes Payable		157,500
Capital Lease Payable		366,750
Accrued interest payable		101,037
Net adjustment to reduce <i>fund balance governmental funds</i> to		<u>20,375,456</u>
Arrive at net position-governmental activities	\$	<u><u>20,375,456</u></u>

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

Net pension liability	\$	(17,582,026)
Net pension asset		1,637,877
Deferred outflows related to pension		2,506,794
Deferred inflows related to pension		(3,208,857)
Less Internal service fund		<u>1,097,420</u>
Net adjustment to reduce <i>fund balance governmental funds</i> to		<u>(15,548,792)</u>
Arrive at net position-governmental activities	\$	<u><u>(15,548,792)</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)	(5,349,017)
Disposal of capital equipment	(269,789)
Depreciation expense	<u>13,349,499</u>
Net adjustment to increase <i>net changes in fund balances- total</i>	
<i>Governmental funds to arrive at change governmental activities</i>	\$ <u><u>7,730,693</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:

Principal receipts	\$ (4,055,000)
Premium and deferred amounts on refunding	(209,656)
Principal repayments:	
General obligation bonds	4,662,748
Special revenue bonds	
Note Payable	70,000
Special assessment bonds	<u>1,037,406</u>
Net adjustments to increase <i>fund balances-total governmental</i>	
<i>funds To arrive at changes in net position of governmental</i>	
<i>activities</i>	\$ <u><u>1,505,498</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”.

Interest payable	\$ (29,238)
OPEB expense	(709,164)
Net pension expense	1,415,334
Inventory	(14,163)
Amortization of charges for discount and premium	63,141
Amortization of amount on refunding	(26,543)
Compensated absences	<u>(89,341)</u>
<i>Net adjustment to decrease net changes in fund balances-total</i>	
<i>Governmental funds to arrive at changes in net position of</i>	
<i>governmental activities</i>	\$ <u><u>610,026</u></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 \$767,282 and transfers out to support other County funds by \$500,000. 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.

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, 2015, Cowlitz County had the following investments:

	Average Days	County Investments	Other Local Governments	Total
U.S. Government Securities	320	\$ 4,799,515	\$ -	\$ 4,799,515
WA State Investment Pool	1	64,064,739	140,941,342	205,006,081
Total Investments		<u>\$ 68,864,254</u>	<u>\$ 140,941,342</u>	<u>\$209,805,596</u>

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 2015, 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, 2015 was \$206,110,284, 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 diversify 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, 2015, 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, 2015 of \$233,784,629.

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

Checking Accounts	\$ 22,707,875
Petty Cash	84,240
Deposits Held in Trust	82,715
US government securities	4,799,515
Certificate of Deposits (classified as deposits)	1,015,773
State Investment Pool (classified as deposits)	205,006,081
Money Market (Pooled investments classified as deposits)	88,430
	<u>\$ 233,784,629</u>
Cash, cash equivalents, pooled investments	\$ 66,250,123
Cash, cash equivalents, pooled investments - restricted	18,024,095
Investments, restricted	4,799,515
Cash, cash equivalents, pooled investments - component unit	561,444
Cash, cash equivalents, pooled investments - component unit - restricted	614,776
Cash, cash equivalents, pooled investments - fiduciary	143,534,676
	<u>\$ 233,784,629</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. 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, 2015.

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 2015 were:

<u>Purpose</u>	<u>Assessed Valuation</u>	<u>2015 Levy Rate Per \$1,000</u>	<u>Property Taxes 2015</u>
General Fund	\$ 9,168,836,816	\$2.104	\$ 19,292,966
Human Svcs/Mental Hlth	\$ 9,168,836,816	\$0.025	\$ 229,221
Veterans Relief	\$ 9,168,836,816	\$0.011	\$ 103,149
County Roads	\$ 4,967,863,152	\$1.607	\$ 7,984,131

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

In 2015 the General Fund for law enforcement purposes as permitted by state law codified in RCW 36.33.220 used \$0 of the road taxes.

C. RECEIVABLES

Notes receivable owed to the Capital Improvements Fund (rural county public facilities department) of \$486,858 at December 31, 2015. These notes receivable are long-term and consist of the following:

Capital Improvement Fund - Notes Receivable				
				12/31/2015
	<u>Int. rate</u>	<u>Qtrly/Annual Pmts</u>	<u>Final Pmt.</u>	Balance
Port of Woodland	3.02%	\$ 6,250.50	3/31/2026	\$240,447
Port of Longview	3.00%	22,954.79	7/1/2024	178,416
City of Kalama	1.00%	7,602.15	1/31/2031	47,276
City of Castle Rock	1.00%	5,309.60	1/31/2019	20,719
Total Notes Receivable				<u>\$486,858</u>

The Due from Component unit of \$4,582,736 represents a receivable of \$4,190,000 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, 2015 was as follows:

	12/31/14	Prior Period Adjustment	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government						
Governmental Activities:						
Land	11,864,506	-	11,864,506	189,796	-	12,054,302
Construction in progress	6,834,739	(1,680,386)	5,154,353	7,878,968	9,451,087	3,582,234
Total capital assets, not being depreciated	18,699,245	(1,680,386)	17,018,859	8,068,764	9,451,087	15,636,536
Capital Assets, being depreciated						
Buildings	51,916,647	-	51,916,647	141,837	49,536	52,008,948
Improvements other than buildings	7,104,418	-	7,104,418	54,921	-	7,159,339
Machinery and equipment	18,893,723	(21,540)	18,872,183	1,566,575	47,482	20,391,276
Intangible	1,091,878	417,426	1,509,304	1,366,524	484,200	2,391,628
Infrastructure	141,328,832	-	141,328,832	7,965,877	562,083	148,732,626
Total capital assets being depreciated	220,335,498	395,886	220,731,384	11,095,734	1,143,301	230,683,817
Less accumulated depreciation for:						
Buildings	20,585,160	-	20,585,160	1,381,978	40,487	21,926,651
Improvements other than buildings	4,041,575	-	4,041,575	215,183	-	4,256,758
Machinery and equipment	11,762,633	21,541	11,784,174	1,049,182	17,600	12,815,756
Intangible	1,040,977	(21,541)	1,019,436	34,982	484,200	570,218
Infrastructure	59,944,414	-	59,944,414	11,499,557	343,388	71,100,583
Total accumulated depreciation	97,374,759	-	97,374,759	14,180,882	885,675	110,669,966
Total capital assets being depreciated, net	122,960,739	395,886	123,356,625	(3,085,148)	257,626	120,013,851
Governmental capital assets, net	141,659,984	(1,284,500)	140,375,484	4,983,616	9,708,713	135,650,387
Business-type activities:						
Capital assets, not being depreciated						
Land	\$ 2,095,031	\$ 3,112,709	\$ 5,207,740	\$ -	\$ -	\$ 5,207,740
Construction in progress	9,930,902	(229,702)	9,701,200	6,940,778	10,891,510	5,750,468
Total capital assets, not being depreciated	12,025,933	2,883,007	14,908,940	6,940,778	10,891,510	10,958,208
Capital assets, being depreciated:						
Buildings and system	136,296,081	(3,626,296)	132,669,785	1,233,412	-	133,903,197
Improvements other than building	13,581,012	(303,775)	13,277,237	9,658,099	-	22,935,336
Machinery and equipment	6,491,588	-	6,491,588	756,496	-	7,248,084
Intangible	3,126,453	-	3,126,453	-	-	3,126,453
Total capital assets, being depreciated	159,495,134	(3,930,071)	155,565,063	11,648,007	-	167,213,070
Less accumulated depreciation for:						
Buildings and system	49,884,182	(43,273)	49,840,909	4,167,290	-	54,008,199
Improvements other than buildings	10,021,699	(23,449)	9,998,250	1,686,158	-	11,684,408
Machinery and equipment	4,169,790	-	4,169,790	509,835	-	4,679,625
Intangible	1,384,631	136,792	1,521,423	184,454	-	1,705,877
Total accumulated depreciation	65,460,302	70,070	65,530,372	6,547,738	-	72,078,110
Total capital assets, being depreciated, net	94,034,832	(4,000,141)	90,034,691	5,100,269	-	95,134,960
Business-type activities capital assets, net	\$ 106,060,765	\$ (1,117,134)	\$ 104,943,631	\$ 12,041,047	\$ 10,891,510	\$ 106,093,168

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

Governmental activities:

General Government	\$ 189,091
Public Safety	1,098,466
Judicial	144,173
Transportation	11,647,490
Physical Environment	5,704
Economic Environment	13,353
Health	54,663
Culture & Recreation	196,559
Capital assets held by the government's Internal Service funds are charged to the various functions based on their usage of the assets	831,383
	<u>\$14,180,882</u>

Business-type activities:

Water/Sewer	\$ 363,126
Three Rivers	3,620,525
Solid Waste-Landfill	2,008,137
Public Safety	528,371
Expo Center	27,579
Total depreciation expense-business-type activities	<u>\$ 6,547,738</u>

Commitments:

At December 31, 2015, the People Soft Conversion project had project costs of \$2.2 million. Remaining commitments on this project are \$316,000.

At the end of December 31, 2015, the Solid Waste Fund had construction projects in process. Project costs incurred in 2015 totaled \$15,146,181 with \$5,549,127 in progress as of year-end and \$9,687,056 completed. Individual project details for significant projects are as follows:

- Headquarters Landfill projects in process was for Gas System Collection Updates with \$1,241,132 spent to date. The remaining commitment for this update is \$5,856.
- Headquarters Landfill Cell 7 in process was \$4,123,325. The remaining commitments for this project is \$163,530.

Discretely Presented Component Unit – Public Facilities District

Capital asset activity for the year ended December 31, 2015 was as follows:

	1/1/2015	Increases	Decreases	12/31/2015
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>18,464,449</u>
Less: accumulated depreciation for:				
Buildings	1,149,546	130,527	-	1,280,073
Leasehold improvements	2,412,321	507,605	-	2,919,926
Improvements other than buildings	336,595	24,798	-	361,393
Machinery and equipment	423,332	27,351	-	450,683
Total accumulated depreciation	<u>4,321,794</u>	<u>690,281</u>	-	<u>5,012,075</u>
Total capital assets, being depreciated net	<u>\$ 14,142,655</u>	<u>\$ (690,281)</u>	<u>\$ -</u>	<u>\$ 13,452,374</u>
Total capital assets, net	<u>\$ 14,142,655</u>	<u>\$ (690,281)</u>	<u>\$ -</u>	<u>\$ 13,452,374</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 2015:

	Transfers Out					Total
	General Fund	Capital Improv.	Non-major Govt.	Non-major Enterprise	Government-Wide	
Transfers in:						
General Fund	\$ -	\$ -	\$ 329,616	\$ -	\$ -	\$ 329,616
Capital Improvement	346,826	-	126,563	-	-	473,389
Nonmajor Governmental	890,185	1,022,623	1,871,073	-	-	3,783,881
Governmental	<u>1,237,011</u>	<u>1,022,623</u>	<u>2,327,252</u>	<u>-</u>	<u>-</u>	<u>4,586,886</u>
Nonmajor Enterprise	110,000	-	38,191	9,316	-	157,507
Internal Service Funds	2,747,727	-	-	-	74,543	2,822,270
Total Transfers	<u>\$ 4,094,738</u>	<u>\$ 1,022,623</u>	<u>\$ 2,365,443</u>	<u>\$ 9,316</u>	<u>74,543</u>	<u>\$ 7,566,663</u>

The government-wide transfer into the internal service fund represents the transfer of an asset from a governmental non-major fund, which does not capitalize assets. A transfer of \$1,530,000 was made between non-major governmental funds to move the receivable from other governments on refunded debt to the new 2015 refunding bond fund.

Interfund receivables and payables consisted of the following as of December 31, 2015:

	Due From:								Total
	General		Capital	Non-	Solid	Three	Non-	Internal	
	Fund	Roads	Improv.	major	Waste	Rivers	major	Service	
Due To:									
General Fund	135	27,415	8,668	14,088	7,957	-	25,150	7,032	90,445
Road Fund	3,317	-	4,014	10,936	80,429	5,117	65,627	37,592	207,032
Nonmajor Gov't	199,839	-	-	17,503	70,057	-	-	-	287,399
Solid Waste	991	397	-	904	-	4,811	567	-	7,670
Nonmajor-Enterprise	460	178	-	810	404	-	-	7,077	8,929
Internal Service	75,580	186,721	-	50,466	72,557	137	8,829	43,402	437,692
Total	280,322	214,711	12,682	94,707	231,404	10,065	100,173	95,103	1,039,167

Additionally, the Solid Waste fund provided a loan of \$245,000 to the Public Shooting Range for capital purposes and start-up costs. This loan is now owed to the General Fund which paid the outstanding balance to the Solid Waste Fund in 2015. The general fund also borrowed \$325,000 from the ER&R fund for a software project; \$101,666 is outstanding at December 31, 2015. This loan must be paid in full on or before December 31, 2016. Total interfund loans outstanding at December 31, 2015 are \$346,666.

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 21,433,323
Pension assets	1,637,877
Deferred outflows of resources	2,961,843
Deferred inflows of resources	3,837,484
Pension expense/expenditures	1,392,263

State Sponsored 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The County’s actual contributions to the plan were \$47,517 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

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

The County’s actual contributions to the plan were \$2,222,001 for the year ended December 31, 2015.

Public Safety Employees’ Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The County’s actual contributions to the plan were \$441,538 for the year ended December 31, 2015.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The County’s actual contributions to the plan were \$177,367 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 15,030,318	\$ 12,345,204	\$ 10,036,252
PERS 2/3	\$ 25,876,181	\$ 8,849,426	\$ (4,187,322)
PSERS 2	\$ 1,813,727	\$ 238,692	\$ (881,702)
LEOFF 1	\$ (312,065)	\$ (487,789)	\$ (637,561)
LEOFF 2	\$ 1,151,738	\$ (1,150,088)	\$ (2,882,299)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the County reported a total net pension liability of \$19,795,445 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 12,345,204
PERS 2/3	\$ 8,849,426
PSERS 2	\$ 238,692
LEOFF 1	\$ (487,789)
LEOFF 2	\$ (1,150,088)

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

	Liability (or Asset)
LEOFF 2 – employer’s proportionate share	\$ (1,150,088)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	(760,439)
TOTAL	\$ (1,910,527)

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.249000%	0.236004%	-0.012996%
PERS 2/3	0.247671%	0.254713%	0.007042%
PSERS 2	1.414900%	1.307756%	-0.107144%
LEOFF 1	0.041280%	0.040473%	-0.000807%
LEOFF 2	0.108588%	0.111898%	0.003310%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the County recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 60,872
PERS 2/3	1,049,460
PSERS 2	296,570
LEOFF 1	(90,301)
LEOFF 2	75,662
TOTAL	\$ 1,392,263

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	\$ 675,417
Contributions subsequent to the measurement date	\$ 696,947	-
TOTAL	\$ 696,947	\$ 675,417

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 940,697	-
Net difference between projected and actual investment earnings on pension plan investments	-	2,362,378
Changes of assumptions	14,258	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	226,587
Contributions subsequent to the measurement date	741,435	-
TOTAL	\$ 1,696,390	\$ 2,588,965

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 223,626	-
Net difference between projected and actual investment earnings on pension plan investments	-	118,391
Changes of assumptions	1,478	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,540
Contributions subsequent to the measurement date	146,104	-
TOTAL	\$ 371,208	\$ 124,931

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	\$ 82,348
TOTAL	-	\$ 82,348

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,709	-
Net difference between projected and actual investment earnings on pension plan investments	-	348,471
Changes of assumptions	3,034	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	17,352
Contributions subsequent to the measurement date	93,555	-
TOTAL	\$ 197,298	\$ 365,823

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2016	\$ (261,769)	\$ (708,039)	\$ (10,820)	\$ (31,954)	\$ (119,609)
2017	\$ (261,769)	\$ (708,039)	\$ (10,820)	\$ (31,954)	\$ (119,609)
2018	\$ (261,769)	\$ (708,039)	\$ (10,833)	\$ (31,954)	\$ (119,609)
2019	\$ 109,888	\$ 490,108	\$ 59,799	\$ 13,514	\$ 76,809
2020	\$ -	\$ -	\$ 36,430	\$ -	\$ 16,615
Thereafter	\$ -	\$ -	\$ 36,416	\$ -	\$ 3,323

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 \$999,558 but only contributed \$169,961 at December 31, 2015. 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, 2015, the most recent valuation date, the liability for benefits was \$11,113,478.

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 three preceding years were as follows:

Year Ending December 31	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 879,124	\$ 169,961	19.33%	\$ 3,120,673
2014	447,603	242,712	54.22%	2,411,509
2013	469,706	251,943	53.64%	2,206,618

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, 2015, the amount actually contributed to the plans, and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 999,558
Interest on net OPEB obligation	96,460
Adjustments to the annual required contribution	<u>(216,894)</u>
Annual OPEB cost (expense)	879,124
Employer Contributions made	<u>169,961</u>
Increase in the net OPEB obligation	709,163
Net OPEB obligation, beginning of year	<u>2,411,510</u>
Net OPEB obligation, end of year	<u>\$ 3,120,673</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	12/31/15
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	4.00%
Inflation Rate	3.00%
Projected Payroll Growth	N/A
Investment Return	N/A
Amortization Method	Open
Amortization Period - Open	15

Additionally, a single retirement age of 55.3 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, 2014 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 8 - RISK FINANCING

A. WASHINGTON COUNTIES RISK POOL

Cowlitz County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 26 counties participate in the WCRP.

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

from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2015, Cowlitz County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2014-15, this “corridor” increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2014-15, Cowlitz County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

During 2014-15, the WCRP's assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool's net position decreased slightly from \$19.4 million to \$18.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2015 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

B. SELF-INSURANCE

The County maintains insurance against most normal hazards. For general liability, the County retains the risk for general liability up to \$100,000 per claim (our "deductible" or "self-retention"). For workers compensation the County has elected to retain losses up to \$500,000 for 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, 2015 were \$1,418,000 for general liability and \$362,000 for workers compensation.

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

	Risk Management	Industrial Insurance	Total
Claims Payable 12-31-13	\$ 1,337,600	\$ 279,000	\$ 1,616,600
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 Year Events	32,769	33,353	66,122
Payment of Claims in Prior Year Events	156,760	34,987	191,747
Claims Payable 12-31-14	1,267,100	625,000	1,892,100
Provision for 2015	315,000	136,058	451,058
Increase (Decrease) in Provision for Prior Years	141,094	(298,409)	(157,315)
Less:			
Payment of Claims in Current Yr. Events	10,689	80,228	90,917
Payment of Claims in Prior Yr. Events	294,505	20,421	314,926
Claims Payable 12-31-15	<u>\$ 1,418,000</u>	<u>\$ 362,000</u>	<u>\$ 1,780,000</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 and cash equivalents in the amount of \$304,765 at December 31, 2015 available to meet the projected future estimate of claims to be paid out of \$362,000. This results in a December 31, 2015 total net position of (\$80,931).

The Risk Management Fund has \$1,092,717 at December 31, 2015 in net cash and investments to meet actual and projected claims to be paid of \$1,418,000. This results in a December 31, 2015 total net position of (\$491,616).

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, 2015 the fund has a total net position balance of \$341,873 compared to total net position of \$295,183 at December 31, 2014.

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>
<p>\$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.</p>	<p>\$157,500</p>
<p>\$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.</p>	<p>\$1,822,798</p>
<p>\$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.</p>	<p>\$2,935,000</p>
<p>\$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.</p>	<p>\$4,190,000</p>
<p>\$3,145,000 of the \$4,055,000 2015 Limited Tax General Obligation Refunding Bonds issued September 15, 2015 to refund the 2005 LTGO bonds and pay the administrative costs of refunding, issuance and sale of bonds. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments begin November 1, 2015 with the final payment on 11/1/2023. The remaining \$845,000 are special assessment bonds, to be paid by special assessment. .</p>	<p>\$3,145,000</p>
<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>	<p>\$48,976</p>
<p>\$845,000 of the \$4,055,000 2015 Limited GO Refunding Bonds issued September 15, 2015 to refund the 2005 LTGO bonds and pay the administrative costs of refunding, issuance and sale of bonds. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments begin November 1, 2015 with the final payment on 11/1/2023. The remaining \$3,145,000 of this issue is classified as general obligation bonds.</p>	<p>\$845,000</p>

<i>Revenue Debt – Business Type Activity</i>	<i>Debt Outstanding</i>
\$7,000,000 1999 TRRWA Public Works Trust Fund Loan from State of Washington - \$6,300,000 issued August 23, 1999 and \$700,000 issued May 12, 2004 for improvements to the sewer facilities. Interest is 1% per annum with \$375,329 future annual principal payments on June 30, 2005 through June 30, 2019.	\$ 1,501,313
\$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.	\$ 950,000
\$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.	\$173,114
\$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.	\$ 10,305,000
\$1,084,158 2005 Water Sewer PWTF Loan. The funds were for improvements to the Ryderwood Water Treatment Plant. The loan has a 1% interest rate. Eighteen equal annual principal payments of \$60,231 are due beginning October 1, 2006 with final maturity October 1, 2023.	\$481,848
\$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.	\$ 408,572
\$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.	\$216,072
\$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.	\$4,563,516
\$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.	\$503,836
\$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	\$179,709

loan is 20 years. As of December 31, 2012, \$211,719 has been drawn from the \$223,157 available.	
\$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 1 st and December 1 st . The final payment is due December 1, 2033.	\$30,925,000
\$8,495,000 2015 TRRWA Special Revenue Bonds . Issued December 15, 2015 to refund the 2006 portion of the County’s outstanding Limited Tax General Obligation. Interest varies from 2.0% to 4.0% on principal installments of \$805,000 to \$970,000 through March 1, 2025. Revenues from user fees collected by the Cities of Kelso, Longview and Beacon Hill Sewer District will service the debt on this issue.	\$8,495,000

On September 15th, the County issued refunding bonds in the amount of \$4,055,000 to advance refund \$4,120,000 of the 2005 LTGO bonds. The net present value savings of the refunding portions is \$286,620. The nominal savings is \$301,483.

On December 15, 2015, the County issued refunding bonds in the amount of \$8,495,000 to advance refund \$8,735,000 of TRRWA 2006 Special Revenue Sewer Bonds. The net present value savings of the refunding portions is \$1,150,633. The nominal savings is \$1,260,920.

2. DEBT SERVICE REQUIREMENTS TO MATURITY

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

Year Ending <u>December 31</u>	Governmental Activities		Business Type Activities Solid Waste	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	1,397,272	413,377	1,210,000	1,272,319
2017	1,430,110	388,691	1,245,000	1,236,019
2018	1,463,000	342,651	1,295,000	1,186,219
2019	1,536,483	285,618	1,350,000	1,134,419
2020	1,155,587	224,089	1,400,000	1,080,419
2020-2024	4,390,346	516,224	7,905,000	4,503,013
2025-2029	720,000	24,000	9,700,000	2,707,706
2030-2033	-	-	6,820,000	623,750
Total	\$ 12,092,798	\$ 2,194,650	\$ 30,925,000	\$ 13,743,864

Annual debt service requirements for notes payables are as follows:

**Notes Payable
PW Building Note**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	70,000	236	70,236
2017	70,000	131	70,131
2018	17,500	26	17,526
	\$ 157,500	\$ 393	\$ 157,893

Annual debt service requirements for **Special Assessments Bonds** are as follows:

Special Assessment Debt		
Year Ending		
December 31	Principal	Interest
2016	195,000	47,054
2017	205,000	36,329
2018	215,000	25,566
2019	230,000	14,279
2020	-	2,204
2020-2021	48,976	2,204
Total	\$ 893,976	\$ 127,636

Annual debt service requirements for the **Special Sewer Revenue Bonds**, which are paid from revenues collected by Three Rivers Regional Wastewater Authority enterprise fund, are as follows:

Special Sewer Revenue Bonds		
Year Ending		
December 31	Principal	Interest
2016	3,175,000	747,774
2017	3,260,000	674,850
2018	3,420,000	514,050
2019	3,590,000	345,150
2020	825,000	167,325
2021-2025	4,530,000	42,525
Total	\$ 18,800,000	\$ 2,491,674

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
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	705,792	24,380
2020-2024	2,603,765	58,283
2025-2029	1,307,315	14,374
2030-2031	37,731	110
	\$ 8,977,983	\$ 272,012

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, 2015
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	\$4,190,000

Public Facilities Dist. - Notes Payable due to City of Longview	Debt Outstanding December 31, 2015
\$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.	\$5,290,000

At December 31, 2015, 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
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	330,000	110,825	440,825
2021-2025	2,000,000	348,375	2,348,375
2026-2027	720,000	24,000	744,000
2033	392,736	-	392,736
	<u>\$ 4,582,736</u>	<u>\$ 1,025,975</u>	<u>\$ 5,608,711</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>
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	220,000	189,225	409,225
2021-2025	1,390,000	792,323	2,182,323
2026-2030	1,965,000	444,615	2,409,615
2031-2032	990,000	44,220	1,034,220
	<u>\$ 5,290,000</u>	<u>\$ 2,309,583</u>	<u>\$ 7,599,583</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, 2015, these funds were as follows:

<u>Purpose</u>	<u>Amount</u>
Regional Events Center Rate Stabilization	\$ 294,783
Columbia Theater Revenue Stabilization	73,029
Columbia Theater Depreciation Reserve	246,964
	<u>\$ 614,776</u>

4. CHANGES IN LONG-TERM DEBT

Changes in Governmental Activities General Long Term Debt

	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 13,545,546	\$ 3,210,000	4,662,748	\$ 12,092,798	\$ 1,397,272
Special Assessment Bonds with governmental commitment	1,086,382	845,000	1,037,406	893,976	195,000
Less amounts: for premium	605,811	209,657	63,140	752,328	82,593
	<u>15,237,739</u>	<u>4,264,657</u>	<u>5,763,294</u>	<u>13,739,102</u>	<u>1,674,865</u>
Notes Payable	227,500	-	70,000	157,500	70,000
Capital Lease	-	366,750	-	366,750	48,493
Other post employee benefits	2,411,509	709,164	-	3,120,673	-
Net Pension Liability*	13,688,509	2,844,454	-	16,532,963	-
Compensated Absences	2,801,054	2,016,674	1,927,334	2,890,394	-
Capital Lease - Int Svc.	86,673	64,336	36,826	114,183	40,403
Comp. Absences - Int Svc.	188,342	113,499	108,804	193,037	-
Claims/Judgements-Int Svc.	1,892,100	-	112,100	1,780,000	560,224
Net Pension Liability* - Int Svc.	853,515	195,548	-	1,049,063	-
Total Gen'l Long-Term Debt	<u>\$ 37,386,941</u>	<u>\$ 10,575,082</u>	<u>\$ 8,018,358</u>	<u>\$ 39,943,665</u>	<u>\$ 2,393,985</u>

*1/1/2015 Net pension liability is from implementation of GASB 68.

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>1/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 32,100,000	\$ -	1,175,000	\$ 30,925,000	\$ 1,210,000
Plus: Premium on bonds	909,423	-	57,804	851,619	57,804
Revenue Bonds	21,950,000	8,495,000	11,645,000	18,800,000	3,175,000
Plus: Premium on bond	812,636	344,548	144,520	1,012,664	179,373
Total bonds payable	<u>22,762,636</u>	<u>8,839,548</u>	<u>13,022,324</u>	<u>51,589,283</u>	<u>4,622,177</u>
Notes Payable-Other Govts.	10,058,554		1,080,574	8,977,980	1,080,681
Landfill Closure and Postclosure Care	17,540,352	524,757	652,078	17,413,031	337,168
Net Pension Liability*	3,150,137	701,160	-	3,851,297	-
Compensated Absences**	602,754	407,801	412,713	597,842	-
Total Debt	<u>\$ 50,964,296</u>	<u>\$ 10,473,266</u>	<u>\$ 15,167,689</u>	<u>\$ 82,429,433</u>	<u>\$ 6,040,026</u>

*Beginning balance change due to implementation of GASB 68

**Adjusted beginning balance to add pension related salary payments.

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

	<u>1/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
Due to Primary Government Bonds	\$ 4,435,000	\$ -	\$ 245,000	\$ 4,190,000	\$ 260,000
Notes Payable	392,736	-	-	392,736	
Plus (minus)					
For issuance premiums	321,468	-	25,890	295,578	25,890
Due to Primary Government (net)	<u>5,149,204</u>	<u>-</u>	<u>270,890</u>	<u>4,878,314</u>	<u>285,890</u>
Notes Payable	5,435,000	-	145,000	5,290,000	155,000
Less deferred amounts:					
For issuance discounts	(36,309)	-	(2,018)	(34,291)	(2,017)
Due to Other Governments (net)	<u>5,398,691</u>	<u>-</u>	<u>142,982</u>	<u>5,255,709</u>	<u>152,983</u>
Total Long Term Debt	<u>\$ 10,547,895</u>	<u>\$ -</u>	<u>\$ 413,872</u>	<u>\$ 10,134,023</u>	<u>\$ 438,873</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)	\$ 84,402,067
General Government (Vote required)	\$176,090,435

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, 2015. The aggregate annual debt service when system development charges are included in revenue was 1.31 and excluding system development charges coverage was 1.27 times the 2015 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, 2015 \$2,947,574 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, 2015, Three Rivers has \$1,122,766 in reserves to satisfy this requirement

Additionally, Three Rivers is required to hold funds in a rate stabilization account. At December 31, 2015, \$293,124 was held in this account.

B. CAPITALIZED LEASES

The County has entered into separate lease agreements as lessee for computer servers and related equipment, and vehicles. These lease agreements qualify as capital leases for accounting purposes, and 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 \$616,355 (\$705,388 less accumulated depreciation of \$89,033).

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

Year Ending	Governmental Activities
<u>December 31</u>	<u>Principal</u>
2016	117,906
2017	117,906
2018	87,286
2019	86,979
2020	166,056
Total minimum lease payments	<u>576,133</u>
Less amount representing interest	<u>95,200</u>
Present value of minimum lease payments	<u>\$ 480,933</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 2015, the County owns two landfills; the Tennant Way Landfill and the Headquarters Landfill. The County reported \$17.4 million as landfill closure and post closure care liability at December 31, 2015. 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. One year of post-closure has been completed, therefore, the liability represents the remaining 29 years.

The Landfill was closed in April 2014, thus, the lined landfill is at 100% percent of the estimated refuse capacity at December 31, 2015. As a result, \$7.2 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 in the amount of \$50,000 during 2015, 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 2015. This landfill has closed under WAC 173-351 requirements implemented by the Washington State Department of Ecology and the Cowlitz County Environmental Health Department. The lined landfill is required to be monitored for 30 years after closure. One year of post-closure has been completed, therefore, the liability represents the remaining 29 years.

Headquarters Landfill

This landfill was purchased by the County in March 2014. At the time of the purchase, the landfill was at 7.9% capacity. The closure and post closure liability at the time of purchase was \$7.7 million dollars, which was assumed by the County. This is presented as excess consideration provided for acquisition on the statement of net position. At December 31, 2015, the landfill was at 9.6% capacity. Based on the capacity used thru December 31, 2015, the closure and postclosure liability is \$9.1 million. The estimated total current cost of closure and postclosure care remaining to be recognized is \$84,823,175. 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, 2015 the County had \$17.4 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 \$4,190,000. The PFD also has a loan with Cowlitz County Solid Waste in the amount of \$810,000, but only borrowed \$392,736 (see note 9). 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 2015 was \$212,739. Additionally, in-kind match is provided by Cowlitz County from lodging and sales tax in the amount of \$117,984.

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 \$130,000 for 2015.

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 2015 were \$71,250.

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, 2015. 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

On January 1, 2016, the Major Enterprise Fund – Three Rivers Regional Wastewater Authority (TRRWA) operation became its own legal entity. On July 1, 2016, the operations were transferred from the County to TRRWA. As a result the County will remove over \$33 million in net position in the 2016 financial statements. Using GASB 69, this transfer of operation will result in a special item. Additionally, the bonds that are issued on behalf of TRRWA will move to the governmental activities and be offset with a receivable from other governments. On June 28, 2016, the County transferred \$6.2 million to the TRRWA.

D. PRIOR PERIOD ADJUSTMENT

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

<i>Gov't Wide Corrections</i>	<i>Amount</i>
General Fund - Correction to 2014 revenues and due from other governments	(55,932)
Internal Service Funds - correction of asset price from 2014	(28,618)
Internal service funds - correct prepaid maintenance that should not have been capitalized in 2014	(26,875)
Capitalize Software project from 2014	395,886
Remove construction in progress from transportation projects	(1,680,384)
<i>Total Governmental Activities</i>	<i>(1,395,923)</i>
Non Major Enterprise Funds - Remove Gun Range Assets which are not owned by the County	(1,009,026)
Solid Wastes Fund - Correct 2014 Amortization of excess consideration	(57,550)
Non - Major Enterprise Funds - correction to 2014 receivables and revenues	12,449
Non Major Enterprise Funds - Correct depreciation expense on asset not depreciated	(108,109)
<i>Total Business Type Activities</i>	<i>(1,162,236)</i>

<i>Fund Statement Corrections</i>	<i>Amount</i>
General Fund - Correction to 2014 revenues and due from other governments	150,466
Capital Improvement Fund - Correct 2014 receivable from other governments	60,397
Non-Major Funds - Correct receivable due from other governments	(266,795)
<i>Total governmental Funds</i>	<i>(55,932)</i>
Non Major Enterprise Funds - Remove Gun Range Assets which are not owned by the County	(1,009,026)
Solid Wastes Fund - 2014 Amortization of excess consideration for landfill	(57,550)
Adjust depreciation expense for Solid Waste asset misclassified	28,683
Non - Major Enterprise Funds - correction to 2014 receivables and revenues	12,449
Non Major Enterprise Funds - Correct depreciation expense on asset not depreciated	(136,792)
<i>Total Enterprise Funds</i>	<i>(1,162,236)</i>
Internal Service Funds - correction of asset price from 2014	(28,618)
Internal service funds - correct prepaid maintenance that should not have been capitalized in 2014	(26,875)
<i>Total Internal Service Funds</i>	<i>(55,493)</i>

E. DEFICIT NET POSITION/FUND BALANCE

At December 31, 2015, the following funds reported deficits in the fund balances or fund net position:

<u>Fund</u>	<u>Deficit</u>
Public Shooting Range - non major enterprise fund	221,625
Industrial Accident Insurance Fund - internal service fund	80,931
Risk Management Fund - internal service fund	491,616

The Public Shooting Range deficit net position results from the fund’s interfund loan payable to the general fund, which was borrowed to provide capital for construction of a public shooting range. Use Fees are collected from shooters for payment of the loan. This fund has accumulated \$13,456 in cash to use towards payment of this liability.

The Industrial Accident Insurance fund had a deficit net position is due to recognition of an estimate for projected future year’s pay out on the industrial accidents incurred of \$362,000. At December 31, 2015 the fund had \$304,765 in cash and investments to meet current payables of \$108,148. The fund net position improved by \$260,416 when compared to 2014.

The Risk Management Internal service fund deficit net position is also due to recognition of an estimate for projected future pay out of general claims incurred of \$1.4 million and the inclusion of \$102,226 in pension liability. This fund has \$1,092,717 in cash and only \$475,772 of claims payable presented as a current liability. The County will assess revenues to other funds to make up for this deficit.

**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)						
12/31/2010	\$ -	\$ 6,379,253	\$ 6,379,253	0%	\$ -	0%
12/31/2012	-	6,082,679	6,082,679	0%	-	0%
12/31/2015	-	11,113,478	11,113,478	0%	-	0%

Note 1 = Actuary valuation conducted every three years.

Note 2 = Alternative method used for valuation.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.236004%	\$ 12,345,204	\$ 557,669	2214%	59.10%
2014	0.249000%	12,543,492	750,167	1672%	61.19%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.247671%	\$ 8,849,426	\$ 21,977,689	40.27%	89.20%
2014	0.254713%	5,148,669	20,044,875	25.69%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Proportionate Share of the Net Pension Liability

PSERS

As of June 30

Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	1.307756%	\$ 238,692	\$ 3,829,065	6.23%	89.20%
2014	1.414900%	(204,892)	3,474,694	-5.90%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Proportionate Share of the Net Pension Liability

LEOFF 1

As of June 30

Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.040473%	\$ (487,789)	N/A	N/A	127.36%
2014	0.041280%	(500,640)	N/A	N/A	126.91%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2

As of June 30
Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.111898%	\$ (1,150,088)	\$ (760,439)	\$ 3,247,188	-58.84%	111.67%
2014	0.108588%	(1,441,009)	(941,528)	2,754,089	-86.51%	116.75%
			TOTAL			
			\$ (1,910,527)	\$ 3,247,188		
			(2,382,538)	2,754,089		

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County
 Schedule of Employer Contributions
 PERS 1
 As of December 31
 Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 1,254,343	\$ (1,254,343)	\$ -	\$ 477,683	262.59%
2014	1,120,168	(1,120,168)	-	647,989	172.87%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 1,307,583	\$ (1,307,583)	\$ -	\$ 21,939,117	5.96%
2014	1,124,609	(1,124,609)	-	22,077,469	5.09%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Employer Contributions
PSERS

As of December 31
Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 275,108	\$ (275,108)	\$ -	\$ 4,009,775	6.86%
2014	239,028	(239,028)	-	3,708,261	6.45%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County
 Schedule of Employer Contributions
 LEOFF 1
 As of December 31
 Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ -	\$ -	\$ -	\$ N/A	N/A
2014	\$ -	\$ -	\$ -	\$ N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Employer Contributions

LEOFF 2

As of December 31

Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 184,226	\$ (184,226)	\$ -	\$ 3,391,340	5.43%
2014	158,386	(158,386)	-	3,027,915	5.23%

Cowlitz County
Notes to Required Supplemental Information - Pension

As of December 31
Last Two Fiscal Years

Note 1: Information Provided

The County implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

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

Note 3: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

The employer contribution rates for PSERS plans increased from 10.54% to 11.54% for pay periods beginning July 2015.

Note 4:

For LEOFF 1, there is a net pension asset for the County; however, there are no active employees participating in the plan, and no required contributions because the plan is fully funded. Therefore, covered payroll and contributions as a percent of covered payroll are displayed as N/A.

Cowlitz County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via Dept of Agriculture)	School Breakfast Program	10.553	NA	11,359	-	11,359	-	
Food And Nutrition Service, Department Of Agriculture (via Dept of Agriculture)	National School Lunch Program	10.555	NA	17,739	-	17,739	-	
Food And Nutrition Service, Department Of Agriculture (via DHS-WA DSHS)	Summer Food Service Program for Children	10.559	20150366	1,195	-	1,195	-	
	Total Child Nutrition Cluster:			30,293	-	30,293	-	
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture (via Dept of Agriculture)	Schools and Roads - Grants to States	10.665	NA	69,041	-	69,041	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	#14PA- 11060300-011	-	70,408	70,408	-	3
Forest Service, Department Of Agriculture (via WA Dept of Commerce)	Schools and Roads - Grants to States	10.665	NA	29,042	-	29,042	20,081	
	Total Forest Service Schools and Roads Cluster:			98,083	70,408	168,491	20,081	
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	64,091	-	64,091	62,212	
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	60,584	-	60,584	55,905	
Violence Against Women Office, Department Of Justice (via WA Dept Commerce)	Violence Against Women Formula Grants	16.568	F12-31103-075	16,326	-	16,326	-	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	NA	-	13,110	13,110	-	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	NA	-	783	783	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Dept. of Health & Human Services)	Enforcing Underage Drinking Laws Program	16.727	1463-10770	91	-	91	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Enforcing Underage Drinking Laws Program	16.727	1163-27298	-	2,909	2,909	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Dept. of Health & Human Services)	Enforcing Underage Drinking Laws Program	16.727	1463-28919	14,013	-	14,013	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Dept. of Health & Human Services)	Enforcing Underage Drinking Laws Program	16.727	1463-28919	25,133	-	25,133	-	
	Total CFDA 16.727:			39,237	2,909	42,146	-	
JAG Program Cluster								
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-34021- 007/F15-31440- 006	-	126,333	126,333	100,509	
	Total JAG Program Cluster:			-	126,333	126,333	100,509	
Highway Planning and Construction Cluster								
Federal Highway Administration (Inwa), Department Of Transportation (via Dept. of Trans- portation)	Highway Planning and Construction	20.205	LA 7007	7,390	-	7,390	-	
Federal Highway Administration (Inwa), Department Of Transportation (via Dept. of Trans- portation)	Highway Planning and Construction	20.205	LA 7332/7227	1,005,774	-	1,005,774	-	
Federal Highway Administration (Inwa), Department Of Transportation (via Dept. of Trans- portation)	Highway Planning and Construction	20.205	LA 8713	39,208	-	39,208	-	

Federal Highway Administration (fwa), Department Of Transportation (via Dept. of Transportation (via DOT-WA Traffic Safety Comm))	20.205	LA 8582	409	-	409	-	-
Federal Highway Administration (fwa), Department Of Transportation (via Dept. of Transportation (via DOT-WA Traffic Safety Comm))	20.205	LA 8261	175,729	-	175,729	-	-
Federal Highway Administration (fwa), Department Of Transportation (via Dept. of Transportation (via DOT-WA Traffic Safety Comm))	20.205	LA 8583	3,613	-	3,613	-	-
Federal Highway Administration (fwa), Department Of Transportation (via Dept. of Transportation (via DOT-WA Traffic Safety Comm))	20.205	LA 8587	7,212	-	7,212	-	-
Federal Highway Administration (fwa), Department Of Transportation (via Dept. of Transportation (via DOT-WA Traffic Safety Comm))	20.205	LA 8588	5,907	-	5,907	-	-
Highway Safety Cluster			1,245,242	-	1,245,242	-	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via DOT-WA Traffic Safety Comm)	20.601	NA	2,405	-	2,405	-	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via DOT-WA Traffic Safety Comm)	20.601	NA	4,538	-	4,538	-	-
Total Highway Safety Cluster:			6,943	-	6,943	-	-
U.s. Election Assistance Commission	90.401	G-2833	-	5,207	5,207	-	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via DHHS-WA DSHS)	93.069	C17107C/6882	16,455	-	16,455	-	3
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA DOH)	93.116	C17107	1,540	-	1,540	-	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept. of Health & Human Services)	93.243	1563-42471	3,153	-	3,153	-	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept. of Health & Human Services)	93.243	1563-42471	33,012	-	33,012	-	-
Total CFDA 93.243:			36,165	-	36,165	-	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA DOH)	93.268	C17107	9,310	-	9,310	-	3
Health Resources And Services Administration, Department Of Health And Human Services (via WA DOH)	93.505	FY13 C6 ICA	327,248	-	327,248	-	3
TANF Cluster							
Administration For Children And Families, Department Of Health And Human Services (via DHHS-WA DSHS)	93.558	1363-747911/1563-39089	3,900	-	3,900	-	-
Total TANF Cluster:			3,900	-	3,900	-	-
Administration For Children And Families, Department Of Health And Human Services	93.563	NA	-	389,973	389,973	-	-
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	93.563	7663-15012	3,913	-	3,913	-	-
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	93.563	2110-80610	103,073	-	103,073	-	-
Total CFDA 93.563:			106,986	389,973	496,959	-	-

Administration For Community Living, Department Of Health And Human Services	93.617	EAD G-4275;	-	2,433	2,433	-	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (Via WA DOH)	93.757	HHS-HLC 1422	54,572	-	54,572	-	3
Centers For Disease Control And Prevention, Department Of Health And Human Services (Via WA DOH)	93.758	C17107	16,451	-	16,451	-	3
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DHHS-WA DSHS)	93.778	1163-35232	35,711	-	35,711	-	-
		Total Medicaid Cluster:	35,711	-	35,711	-	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept. of Health & Human Services)	93.959	1163-27298	14,013	-	14,013	-	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept. of Health & Human Services)	93.959	1163-27298	1,952	-	1,952	-	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept. of Health & Human Services)	93.959	1163-27298	55,100	-	55,100	-	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept. of Health & Human Services)	93.959	1163-27298	105,903	-	105,903	-	-
		Total CFDA 93.959:	176,968	-	176,968	-	-
Health Resources And Services Administration, Department Of Health And Human Services (via DHHS-WA DSHS)	93.994	C17107	114,289	-	114,289	-	3
Executive Office Of The President	95.001	NA	-	26,667	26,667	-	-
Executive Office Of The President	95.001	9004000064	-	30,000	30,000	-	-
Executive Office Of The President	95.001	G10NW0011A	-	57,816	57,816	7,166	-
		Total CFDA 95.001:	-	114,483	114,483	7,166	-
Department Of Homeland Security	97.012	NA	-	14,897	14,897	-	-
Department Of Homeland Security (via WA State Military Dept)	97.036	FEMA-1817-DR-WA	192,833	-	192,833	-	-
Department Of Homeland Security (via WA ST Military & FEMA)	97.042	E15-169	29,543	-	29,543	-	-
Department Of Homeland Security (via WA ST Military & FEMA)	97.067	E12-246/14-156	36,103	-	36,103	-	-
Department Of Homeland Security (via WA ST Military & FEMA)	97.067	E15-081	16,591	-	16,591	-	-
Department Of Homeland Security (via WA ST Military & FEMA)	97.067	E16-101	15,459	-	15,459	-	-
		Total CFDA 97.067:	68,153	-	68,153	-	-
		Total Federal Awards Expended:	2,750,923	740,536	3,491,459	245,872	-

COWLITZ COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

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 the federal grant portion of the program costs. Entire program costs, including the County's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3-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:

10.665	\$	1,121
93.069		6,242
93.268		1,432
93.505		27,239
93.757		8,297
93.758		2,504
93.994		36,068
	<u>\$</u>	<u>82,903</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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