Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Lewis County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008231

Issue Date
September 10, 2012

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 10, 2012

Board of Commissioners
Lewis County
Chehalis, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Lewis 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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Lewis County
January 1, 2011 through December 31, 2011

Federal Summary

Lewis County
January 1, 2011 through December 31, 2011

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

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act)
20.205	Highway Planning and Construction Cluster
97.036	Disaster Grants - Public Assistance Program

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

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

Status of Prior Audit Findings

Lewis County
January 1, 2011 through December 31, 2011

The status of findings contained in the prior years' audit reports of Lewis County is provided below:

1. Lewis County lacks adequate internal controls over the preparation of its Schedule of Expenditures of Federal Awards almost resulting in incomplete audit coverage of its federal grants

Report No. 1006320, dated September 26, 2011

Background

Entity management, the state Legislature, state and federal agencies and bondholders rely on the information included in financial statements and reports to make decisions. It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a significant deficiency in controls that adversely affects the County's ability to produce reliable financial statements and required schedules, including the Schedule of Expenditures of Federal Awards (SEFA), which is supplemental information required by the federal government.

Status

The County has taken steps to address this deficiency. They have provided training for personnel and implemented procedures to ensure the federal grant information is accurate. We determine the status of the prior year finding is resolved.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Lewis County
January 1, 2011 through December 31, 2011

Board of Commissioners
Lewis County
Chehalis, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 22, 2012. During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain matters that we have reported to the management of the County in a separate letter dated August 22, 2012.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 22, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Lewis County
January 1, 2011 through December 31, 2011

Board of Commissioners
Lewis County
Chehalis, Washington

COMPLIANCE

We have audited the compliance of Lewis County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 22, 2012

Independent Auditor's Report on Financial Statements

Lewis County
January 1, 2011 through December 31, 2011

Board of Commissioners
Lewis County
Chehalis, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed on page 10. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, each major fund and the aggregate remaining fund information of Lewis County, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, during the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 22 and budgetary comparison information on pages 75 through 77 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 the 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 22, 2012

Financial Section

Lewis County
January 1, 2011 through December 31, 2011

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

As management of Lewis County, we offer readers of Lewis County's financial statements this narrative overview and analysis of the financial activities of Lewis County for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, and notes to the financial statements to analyze the county's financial activities and condition.

Financial Highlights

- The assets of Lewis County exceeded its liabilities at the close of the most recent fiscal year by $135 million (*net assets*). Of this amount, $38.8 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by $1.8 million. This change is primarily attributable to the recognition of current year infrastructure, recognition of accrued revenues, recognition of depreciation expense, exclusion of capital outlay costs and exclusion of debt proceeds and debt principal payments.
- As of the close of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of $39.4 million, an increase of $4.3 million in comparison with the prior year. Approximately 92.2 percent of this total amount, $36.3 million, is *available for spending* at the government's discretion (*unreserved/undesignated fund balance*); however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $11.7 million, or 36.6 percent of general fund expenditures and operating transfers out.
- Lewis County's total debt decreased by $1.2 million (5 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lewis County's basic financial statements. Lewis County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Lewis County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Lewis County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lewis County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of Lewis County that are principally supported by taxes and intergovernmental revenues (*governmental 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 Lewis County include general government, public safety, physical environment, economic environment/development, county road system, mental and physical health, and culture and recreation. The business-type activities of Lewis County include a solid waste utility, a solid waste disposal district, a water sewer activity and two airports.

The government-wide financial statements include not only Lewis County itself (known as the *primary government*), but also the Solid Waste Disposal District No. 1 of Lewis County. The Solid Waste Disposal District is a quasi-municipal corporation with an independent taxing authority and district for which Lewis County is financially accountable. Financial information for this *blended component unit* is reported as a major fund within the business-type activities and included within financial information presented for the primary government itself.

The government-wide financial statements can be found directly following this section, *Management's Discussion and* Analysis within 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. Lewis 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 Lewis County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *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 spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lewis County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Roads Fund, and Capital Facilities Fund, all are considered to be major funds. Pursuant to GASB Statement No. 54, data from six governmental funds was rolled into major funds for financial reporting purposes, five into the General Fund and one into the Roads Fund. Data from the other 29 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A major fund is defined in the following manner:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds); and
b. Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or,
c. Any other governmental or enterprise fund the government's officials believe is particularly important to financial statement users.

Lewis County adopts an annual appropriated budget for all county funds including its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in the *required supplementary information* following the notes to the financial statements in this report.

Proprietary funds. Lewis County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Lewis County uses enterprise funds to account for its Solid Waste, Solid Waste Disposal District, Water Sewer Utility, Packwood Airport and South County Airport operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Lewis County's various functions. Lewis County uses internal service funds to account for its fleet of vehicles, insurance programs, county facilities and management information systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Disposal District, which is considered to be a major fund of Lewis County. Additionally, the following are non-major enterprise funds of the county: Solid Waste Utility, Water Sewer Utility, South County Airport, and Packwood Airport. Conversely, six internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found following the governmental fund financial statement in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Lewis County's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

Lewis County has one type of fiduciary fund: Agency Funds (clearing accounts for assets held by Lewis County in its role as custodian until the funds are distributed to government agencies, private parties, or organizations to which they belong).

The basic fiduciary fund financial statements can be found following the proprietary fund financial statement in this report.

Notes to the financial statements. The notes 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 following the fund financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information,* which can be found following the notes to the financial statements in this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lewis County, assets exceeded liabilities by $135 million at the close of the most recent fiscal year.

By far the largest portion of Lewis County's net assets (57.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Lewis County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lewis 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.

Lewis County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 68,722,929	$ 64,442,616	$ 5,438,599	$ 5,739,161	$ 74,161,528	$ 70,181,777
Capital Assets	93,133,175	95,585,130	3,743,639	3,771,852	96,876,814	$ 99,356,982
Total Assets	$ 161,856,104	$ 160,027,746	$ 9,182,238	$ 9,511,013	$ 171,038,342	$ 169,538,759
Payables	$ 8,430,569	$ 7,818,672	$ 431,162	$ 533,764	$ 8,861,731	$ 8,352,436
Long-Term	27,004,975	27,839,777	154,367	151,718	27,159,342	$ 27,991,495
Total Liabilities	35,435,544	35,658,449	585,529	685,482	36,021,073	36,343,931
Net Assets						
Invested in Capital, net of debt	74,493,172	75,995,128	3,743,639	3,771,852	78,236,811	79,766,980
Restricted	17,969,776	397,671	18,256	416,023	17,988,032	813,694
Reserved for Other Purposes	-	46,722			-	46,722
Designated for Other Purposes	-	2,219,471			-	2,219,471
Unrestricted	33,957,612	45,710,305	4,834,814	4,637,656	38,792,426	50,347,961
Total Net Assets	$ 126,420,560	$ 124,369,297	$ 8,596,709	$ 8,825,531	$ 135,017,269	$ 133,194,828

Internal Balances removed from Total Primary Government Column

An additional portion of Lewis County's net assets (13.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($38.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lewis County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of $397 thousand in restricted net assets reported in connection with Lewis County's business-type activities. This resulted from a reduction of special assessments in the Water Sewer fund.

Lewis County's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	$ 13,115,865	$ 14,002,670	$ 6,812,172	$ 6,982,393	$ 19,928,037	$ 20,985,063
Operating Grants and Contributions	11,162,728	14,486,638	238,756	901,813	11,401,484	15,388,451
Capital Grants and Contributions	2,944,583	3,799,145	-	-	2,944,583	3,799,145
General Revenues:						
Property Taxes	21,919,800	21,289,820	-	-	21,919,800	21,289,820
Private Harvest Taxes	1,877,452	970,073	-	-	1,877,452	970,073
Sales Tax	7,448,879	7,064,651	-	-	7,448,879	7,064,651
Excise Tax	5,277,028	5,618,040	-	-	5,277,028	5,618,040
Penalty and Interest Delinquent Tax	1,085,488	879,342	-	-	1,085,488	879,342
Investment Earnings	951,805	1,316,589	(198)	241	951,607	1,316,830
Miscellaneous	302,336	326,496	63,894	(50,412)	366,230	276,084
Gain on Sale of Capital Assets	4,092,619	1,708,186	-	-	4,092,619	1,708,186
Fixed Asset Loss Recovery	-	99,011	-	-	-	99,011
Total Revenues	$ 70,178,583	$ 71,560,661	$ 7,114,624	$ 7,834,035	$ 77,293,207	$ 79,394,696
Program Expenses Including Indirect Expenses:						
General Government Services	$ 15,117,579	$ 16,306,011	$ -	$ -	$ 15,117,579	$ 16,306,011
Security of Persons & Property	20,829,028	21,345,478	-	-	20,829,028	21,345,478
Physical Environment	1,524,618	2,164,891	-	-	1,524,618	2,164,891
Transportation	19,766,669	24,056,584	-	-	19,766,669	24,056,584
Economic Environment	3,632,447	5,214,065	-	-	3,632,447	5,214,065
Mental & Physical Health	4,452,939	4,666,031	-	-	4,452,939	4,666,031
Culture & Recreation	1,389,094	1,635,266	-	-	1,389,094	1,635,266
Interest on Long-Term Debt	955,212	1,020,684	-	-	955,212	1,020,684
Solid Waste	-	-	7,444,448	7,557,715	7,444,448	7,557,715
Airport	-	-	298,676	360,212	298,676	360,212
Water Sewer	-	-	62,922	25,472	62,922	25,472
Total Expenses	$ 67,667,586	$ 76,409,010	$ 7,806,046	$ 7,943,399	$ 75,473,632	$ 84,352,409
Capital Contributions (Dispositions)	2,868	94,483	-	1,950	2,868	96,433
Transfers	(462,600)	(114,444)	462,600	114,444	-	-
Rounding Adjustment	(2)	(1)	-	-	(2)	(1)
Change in Net Assets	2,051,263	(4,848,349)	(228,822)	7,030	1,822,441	(4,861,281)
Net Assets - Beginning of Year	124,369,297	129,237,608	8,825,531	8,818,501	133,194,828	138,056,109
Net Assets - End of Year	126,420,560	$ 124,369,297	8,596,709	$ 8,825,531	135,017,269	$ 133,194,828

The government's net assets increased by $1.8 million during the current fiscal year. Most of this change is attributable to the recognition of current year infrastructure, accrued revenues, and depreciation expense, along with the exclusion of capital outlay costs, and debt principal payments.

Governmental activities. Governmental activities increased Lewis County's net assets by $2.1 million, thereby accounting for the majority of the decrease in the net assets of Lewis County. Key revenue elements of this change are as follows:

- Property taxes increased by $630 thousand (3.0 percent) over the prior year. Most of the increase is related to increase in assessed values and new construction, as well collection of delinquent taxes, rather than increases in underlying taxes, which are limited by current Washington state law.
- Sales tax increased by $384 thousand (5.4 percent), which relates to a slight recovery in economic conditions and the change to the destination based sales tax collection.
- Operating grants, intergovernmental revenues, and contributions for governmental activities decreased by $3.3 million (22.9 percent), which relates to decrease in grants and intergovernmental revenue the county received in 2011 primarily in the Roads fund.
- Gain on sale of capital assets increased by $2.4 million (139.6 percent), which relates primarily to forest board yield (timber sales); this is considered the sale of county assets.

Expenses and Program Revenues—Governmental Activities

	Expenses	Program Revenue	Net (Expense) Revenue
General Government Services	$ 15,117,579	$ 8,686,347	$ (6,431,232)
Security of Persons & Property	20,829,028	5,746,230	(15,082,798)
Physical Environment	1,524,618	574,624	(949,994)
Transportation	19,766,669	5,574,697	(14,191,972)
Economic Environment	3,632,447	2,511,302	(1,121,145)
Mental & Physical Health	4,452,939	3,211,753	(1,241,186)
Culture & Recreation	1,389,094	918,223	(470,871)
Interest on Long-Term Debt	955,212	-	(955,212)
TOTAL	$ 67,667,586	$ 27,223,176	$ (40,444,410)

Revenues by Source—Governmental Activities

	Revenue: Dollars	Revenue: Percentage
Charges for Services	$ 13,115,865	18.69%
Operating Grants and Contributions	11,162,728	15.91%
Capital Grants and Contributions	2,944,583	4.20%
Property Taxes	21,919,800	31.23%
Other Taxes	15,688,847	22.35%
Investment Earnings	951,805	1.36%
Miscellaneous	302,336	0.43%
Capital Contributions (Dispositions)	2,868	0.00%
Capital Asset Loss Recovery	-	0.00%
Gain on Sales of Capital Assets	4,092,619	5.83%
Total	$ 70,181,451	100%

For the most part, the decreases in expenses and revenues were the results of the outcomes of the current down-turn in economic conditions which have required the county to make cuts in various programs in most functions of the government, which has also been impacted by a decline in revenues.

Business-type activities. Business-type activities decreased Lewis County's net assets by $229 thousand, accounting for 2.6 percent of the decrease in the government's business-type net assets. Key elements of this decrease are as follows:

- Charges for services for business-type activities decreased by 2.4 percent. The Solid Waste Disposal District No. 1 accounts for a significant portion of this revenue source, which resulted from tipping fees. Revenues also decreased as a result of a slight decrease in demand. Together, these factors account for the $170 thousand decrease in charges for services for the Solid Waste Disposal District No. 1.
- Expenses related to the Solid Waste activity also decreased slightly by $113 thousand (1.5 percent) over the prior year.

Expenses and Program Revenues—Business-type Activities

	Expenses	Program Revenue	Net (Expense) / Revenue
Solid Waste Utility	$ 7,444,448	$ 6,844,428	$ (600,020)
Airports	298,676	154,903	(143,773)
Water-Sewer Utilities	62,922	51,597	(11,325)
TOTAL	$ 7,806,046	$ 7,050,928	$ (755,118)

Revenues by Source—Business-type Activities

	Revenue	Percent
Charges for Services	$ 6,812,172	95.749%
Operating Grants and Contributions	238,756	3.356%
Investment Earnings	(198)	-0.003%
Miscellaneous	63,894	0.898%
TOTAL	$ 7,114,624	100.00%

Financial Analysis of the Government's Funds

As noted earlier, Lewis County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lewis County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lewis County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of $39.4 million, an increase of $4.3 million in comparison with the prior year. Approximately 92.2 percent of this total amount ($36.3 million) constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion; however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to fund a rainy day contingency within the General fund ($1.5 million).

The general fund is the chief operating fund of Lewis County. At the end of the current fiscal year, unreserved fund balance of the general fund was $11.7 million, while total fund balance reached $11.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39.7 percent of total general fund expenditures, while total fund balance represents 40.3 percent of that same amount.

The fund balance of Lewis County's general fund increased by $2.7 million during the current fiscal year. There was a $910 thousand increase in revenues, which were greater than expenditures by $2.8 million, due in part because expenditures decreased by $544 thousand. There was a net negative other financing sources and uses of $456 thousand and revenues were adequate to cover all expenses with a $2.4 million excess. Additionally, the following other key factors continue to draw on the general fund's resources:

- Limitation on increases in property taxes
- Constant demand for levels of services in law and justice programs
- Significant decreases due to the current economic conditions which have adversely impacted revenues from: charges for services, operating grants, sales tax and investment earnings

The debt service funds have a total fund balance of $11 thousand, which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was minimal ($0.8 thousand). There was a decrease in interest expenditures during the current period ($79 thousand), which was due to the scheduled debt service payments during the period. Debt service payments are funded when due by transfers in from the General, Stadium, and Capital Facilities Plan funds. Real estate excise taxes represent the primary revenue source for the Capital Facilities Plan fund.

Proprietary funds. Lewis County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste Disposal District No. 1 at the end of the year amounted to $3.4 million, and those for the non-major enterprise funds amounted to $1.4 million. The decrease in net assets for the Solid Waste Disposal District No. 1 and a decrease in all funds was $610 thousand and $228 thousand, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of Lewis County's' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increase of $450 thousand in most departments, and an increase of $202 thousand in other financing uses which were transfers out to other funds which fell short and required additional general fund dollars (248 thousand net increase in departmental and other financing uses appropriations) and can be briefly summarized as follows:

- $200 thousand in increases in general government activities
- $188 thousand in increases allocated to the various law and justice departments
- $13 thousand in increases allocated utilities & environment
- $47 thousand in increases in mental and physical health
- $1 thousand in increases in culture and recreation
- $201 thousand in increases in operating transfers out to other funds

Of this change, $165 thousand was funded out of miscellaneous increases in various revenue sources. As an additional offset to the budget changes, there was a $432 thousand decrease in budgeted estimated ending fund balances. During the year actual revenues were greater than original budgetary estimates, expenditures less than budgetary estimates, and the net effect after other financing uses lead to the increase of $2.5 million of actual fund balance.

Capital Asset and Debt Administration

Capital Assets. Lewis County's capital assets for its governmental and business-type activities as of December 31, 2011, amounts to $96.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, county roads, and bridges. The total decrease in Lewis County's investment in capital assets for the current fiscal year was 2.5 percent (a $2.5 million decrease for governmental activities and $28 thousand decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Increase in county land due to the purchase and donations of road right-of-way.
- Increase in Construction in Progress mainly due to infrastructure (Roads) projects in process at the end of the year.
- Decrease in county buildings mainly due to annual depreciation.
- Decrease in infrastructure mainly due to annual depreciation.

Lewis County's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 4,110,321	$ 3,888,885	$ 177,889	$ 177,889	$ 4,288,210	$ 4,066,774
Land Use Rights (Intangible Assets)	47,978	40,258	2,014	2,014	49,992	42,272
Construction in Progress	8,959,794	8,100,481	716,162	839,795	9,675,956	8,940,276
Buildings	38,405,301	39,312,448	307,795	357,266	38,713,096	39,669,714
Improvements Other Than Buildings	1,382,524	1,497,447	2,344,190	2,158,239	3,726,714	3,655,686
Machinery & Equipment	6,403,331	7,083,559	195,589	236,649	6,598,920	7,320,208
Infrastructure	33,823,926	35,662,052	-	-	33,823,926	35,662,052
TOTAL	$ 93,133,175	$ 95,585,130	$ 3,743,639	$ 3,771,852	$ 96,876,814	$ 99,356,982

Additional information on Lewis County's capital assets can be found in Note 6 within the notes to the financial statements in this report.

Long-term debt. At the end of the current fiscal year, Lewis County had total bonded - debt outstanding of $21.4 million. Of this amount, $83 thousand comprises debt other than General Obligation bonds backed by the full faith and credit of the government and $18 thousand in special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

Lewis County's Outstanding Debt
General Obligation Bonds

	Balance 12/31/2010	New Issues	Retirement	Balance 12/31/2011
General Obligation Bonds	22,431,663	-	1,145,534	21,286,129
TOTAL	$ 22,431,663	$ -	$ 1,145,534	$ 21,286,129

Lewis County's total debt decreased by $1.2 million (5.2 percent) during the current fiscal year. The decrease was related to scheduled debt service during the year.

Lewis County maintains an "Aaa" insured (underlying A3) rating from Moody's for the county's outstanding general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5 percent of its total assessed valuation. To reach the 2.5 percent maximum it would require a vote of the people for any debt issued over the 1.5 percent limit that does not require a vote. The current debt limitation for Lewis County is $175 and $98 million for the 2.5 percent and 1.5 percent maximums, respectively. Both are significantly in excess of Lewis County's outstanding general obligation debt.

Additional information on Lewis County's long-term debt can be found in note 11 in the notes to the financial statement within this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lewis County is currently 12.7 percent, a slight decrease from the rate of 13.3 percent a year ago. This is higher than the current state's average unemployment rate of 9.2 percent compared to 9.2 percent a year ago and the national average rate of 8.7 percent.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing Lewis County's budget for the 2012 fiscal year.

During the fiscal year, 2011, unreserved fund balance in the general fund increased to approximately $10.9 million. For 2012, Lewis County has appropriated $715 thousand of this amount for spending in the 2012 fiscal year budget for general operations. However, if needed, the use of available fund balance will avoid the need to raise taxes or charges during the 2012 fiscal year. It is uncertain if additional cuts in county departments may be required in the future.

Requests for Information

This financial report is designed to provide a general overview of Lewis 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 Lewis County Auditor's Office, Financial Services, PO Box 29, Chehalis, WA 98532.

Statement of Net Assets

December 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash & Cash Equivalents	$ 15,844,852	$ 4,473,205	$ 20,318,057
Investments	40,080,671	-	$ 40,080,671
Receivables	7,388,277	536,856	7,925,133
Internal Balances	103,412	320,505	423,917
Due from Other Governmental Units	3,704,760	82,113	3,786,873
Inventories	734,115	-	734,115
Prepayments	572,159	11,131	583,290
Deferred Charges	294,683	-	294,683
Special Assessments-Current	-	4,578	4,578
Special Assessments-Deferred	-	10,211	10,211
Capital Assets Not Being Depreciated:			
Land	4,158,299	179,903	4,338,202
Construction in Progress	8,959,794	716,162	9,675,956
Capital Assets Being Depreciated:			
Buildings & Structures	38,405,301	307,795	38,713,096
Improvements Other than Buildings	1,382,524	2,344,190	3,726,714
Machinery & Equipment	6,403,331	195,589	6,598,920
Infrastructure	33,823,926	-	33,823,926
Total Assets	$ 161,856,104	$ 9,182,238	$ 171,038,342
Liabilities			
Accounts Payable & Other Current Liabilities	3,960,027	$ 223,493	$ 4,183,520
Internal Balances	320,496	103,410	423,906
Due to Other Governmental Units	398,376	22,405	420,781
Accrued Interest Payable	72,029	-	72,029
Accrued Employee Benefits	2,287,242	71,419	2,358,661
Unearned Revenue	349,590	11,000	360,590
Custodial Accounts	1,042,809	(565)	1,042,244
Due Within One Year	1,211,868	7,060	1,218,928
General Obligation Debt	20,102,055	-	20,102,055
Deferred Credits	123,606	-	123,606
Contracts Payable	55,589	-	55,589
Compensated Absences	4,219,092	136,111	4,355,203
Net OPEB Obligation	1,292,765	-	1,292,765
Other Long-Term Liabilities	-	11,196	11,196
Total Liabilities	35,435,544	585,529	36,021,073
Net Assets			
Invested in Capital Assets, Net of Related Debt	74,493,172	3,743,639	78,236,811
Restricted: Special Revenue/Debt Service	17,969,776	18,256	17,988,032
Unrestricted (Deficit)	33,957,612	4,834,814	38,792,426
Total Net Assets	$ 126,420,560	$ 8,596,709	$ 135,017,269

See Accompanying Notes to Financial Statements

Statement of Activities

For Year Ended December 31, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government:							
General Government Services	$ 15,117,579	$ 6,978,202	$ 1,674,399	$ 33,746	$ (6,431,232)	-	$ (6,431,232)
Security of Persons & Property	20,829,028	3,490,405	2,255,825	-	(15,082,798)	-	(15,082,798)
Physical Environment	1,524,618	219,001	172,443	183,180	(949,994)	-	(949,994)
Transportation	19,766,669	420,737	2,426,303	2,727,657	(14,191,972)	-	(14,191,972)
Economic Environment	3,632,447	604,900	1,906,402	-	(1,121,145)	-	(1,121,145)
Mental & Physical Health	4,452,939	621,368	2,590,385	-	(1,241,186)	-	(1,241,186)
Culture & Recreation	1,389,094	781,252	136,971	-	(470,871)	-	(470,871)
Interest on Long-Term Debt	955,212	-	-	-	(955,212)	-	(955,212)
Total Government Activities	67,667,586	13,115,865	11,162,728	2,944,583	(40,444,410)	-	(40,444,410)
Business-type activities:							
Solid Waste	7,444,448	6,681,990	162,438	-	-	(600,020)	(600,020)
Airport	298,676	78,585	76,318	-	-	(143,773)	(143,773)
Water Sewer	62,922	51,597	-	-	-	(11,325)	(11,325)
Total business-type activities	7,806,046	6,812,172	238,756	-	-	(755,118)	(755,118)
Total primary government	$ 75,473,632	$ 19,928,037	$ 11,401,484	$ 2,944,583	(40,444,410)	(755,118)	(41,199,528)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Property Taxes	21,919,800	-	21,919,800
Private Harvest Taxes	1,877,452	-	1,877,452
Sales Tax	7,448,879	-	7,448,879
Excise Tax	5,277,028	-	5,277,028
Penalty and Interest Delinquent Tax	1,085,488	-	1,085,488
Investment Earnings	951,805	(198)	951,607
Miscellaneous	302,334	63,894	366,228
Gain <Loss> on Sale of Capital Assets	4,092,619	-	4,092,619
Capital Contributions (Dispositions)	2,868	-	2,868
Transfers	(462,600)	462,600	-
Total General Revenues, Contributions and Transfers	42,495,673	526,296	43,021,969
Change in Net Assets	2,051,263	(228,822)	1,822,441
Net Assets - Beginning	124,369,297	8,825,531	133,194,828
Net Assets - Ending	$126,420,560	$8,596,709	$135,017,269

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2011

	General	Roads	Capital Facilities Plan
Assets			
Current Assets:			
Cash & Cash Equivalents	$ 3,917,718	$ 5,903,171	$ -
Deposit with Fiscal Agent	1,005,228	-	-
Investments	9,153,507	5,791,384	5,775,622
Taxes Receivable	759,693	589,895	-
Accounts Receivable	8,459	29,677	-
Interest Receivable	120,195	12	29,278
Notes/Contracts Receivable	-	18,247	-
Other Current Receivables	7	-	-
Due from Other Funds	345,852	175,339	422,587
Interfund Loan Receivable	206,243	-	-
Due from Other Governmental Units	833,008	1,600,516	88,972
Inventories	1,003	-	-
Prepaids	42,268	14,483	-
Long-Term Assets			
Notes/Contracts Receivable	-	301,022	-
Total Assets	$ 16,393,181	$ 14,423,746	$ 6,316,459
Liabilities and Fund Balance			
Current Liabilities:			
Accounts/Vouchers Payable	$ 396,719	$ 274,224	$ 41,859
Retainage Payable	215,387	-	-
Due to Other Funds	602,645	686,987	147,600
Interfund Loans payable	-	-	-
Due to Other Governmental Units	5,183	190,800	-
Accrued Employee Benefits	1,281,330	499,524	-
Unearned Revenue	204,789	-	-
Custodial Accounts	1,011,036	33	-
Long-Term Liabilities:			
Deferred Revenue	759,700	909,164	-
Total Liabilities	4,476,789	2,560,732	189,459
Fund Balances			
Fund Balances:			
Nonspendable	43,271	14,483	-
Restricted	-	11,577,633	6,127,000
Restricted: Debt Service	-	-	-
Assigned	128,620	270,898	-
Unassigned	11,744,501	-	-
Total Equity & Other Credits	11,916,392	11,863,014	6,127,000
Total Liabilities and Fund Balance	$ 16,393,181	$ 14,423,746	$ 6,316,459

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2011

	Other Governmental Funds	Total Governmental Funds
Assets		
Current Assets:		
Cash & Cash Equivalents	$ 2,189,483	$ 12,010,372
Deposit with Fiscal Agent	-	1,005,228
Investments	6,828,465	27,548,978
Taxes Receivable	107,325	1,456,913
Accounts Receivable	61,870	100,006
Interest Receivable	7,264	156,749
Notes/Contracts Receivable	-	18,247
Other Current Receivables	12,652	12,659
Due from Other Funds	41,408	985,186
Interfund Loan Receivable	-	206,243
Due from Other Governmental Units	1,145,143	3,667,639
Inventories	-	1,003
Prepaids	16,581	73,332
Long-Term Assets		
Notes/Contracts Receivable	559,219	860,241
Total Assets	$ 10,969,410	$ 48,102,796
Liabilities and Fund Balance		
Current Liabilities:		
Accounts/Vouchers Payable	$ 475,763	$ 1,188,565
Retainage Payable	-	215,387
Due to Other Funds	104,295	1,541,527
Interfund Loans payable	150,000	150,000
Due to Other Governmental Units	161,494	357,477
Accrued Employee Benefits	338,023	2,118,877
Unearned Revenue	144,751	349,540
Custodial Accounts	31,740	1,042,809
Long-Term Liabilities:		
Deferred Revenue	107,325	1,776,189
Total Liabilities	1,513,391	8,740,371
Fund Balances		
Fund Balances:		
Nonspendable	16,581	74,335
Restricted	6,669,574	24,374,207
Restricted: Debt Service	11,577	11,577
Assigned	2,758,287	3,157,805
Unassigned	-	11,744,501
Total Equity & Other Credits	9,456,019	39,362,425
Total Liabilities and Fund Balance	$ 10,969,410	$ 48,102,796

See Accompanying Notes to Financial Statements

Reconciliation of the Balance Sheet
To the Statement of Net Assets
Governmental Funds

December 31, 2011

Fund balances - total governmental funds	$ 39,362,425
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	84,852,061
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,776,189
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	4,654,973
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(26,437,901)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	22,212,813
Net assets of government activities.	$ 126,420,560

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended
December 31, 2011

	General	Roads	Capital Facilities Plan
Revenues			
Taxes	$ 20,549,331	$ 12,773,864	$ 1,741,171
Licenses & Permits	28,197	29,023	-
Intergovernmental	5,788,083	5,281,350	1,410
Charges for Services	2,507,439	322,818	-
Fines & Forfeits	1,595,074	2	-
Miscellaneous	1,939,841	104,492	231,837
Total Revenues	32,407,965	18,511,549	1,974,418
Expenditures			
Current:			
General Government Services	13,410,345	61	429,777
Security of Persons & Property	14,978,230	-	36,601
Utilities & Environment	475,595	787,019	-
Transportation	6,941	14,008,604	-
Economic Environment	201,394	-	-
Mental & Physical Health	327,387	-	48,470
Culture & Recreation	184,320	-	1,296
Debt Service:			
Principal	-	-	-
Interest & Other Debt Service	-	1,112	-
Capital Outlays	-	4,257,979	295,239
Total Expenditures	29,584,212	19,054,775	811,383
Excess of Revenues Over (Under) Expenditures	2,823,753	(543,226)	1,163,035
Other Financing Sources/(Uses)			
Insurance Recoveries: Non-Capital	-	2,868	-
Proceeds from Sale of Capital Assets	1,868,703	2,176,172	-
Transfers-In	141,992	99,822	421,177
Transfers-Out	(2,467,196)	(99,822)	(1,432,988)
Total Other Financing Sources/(Uses)	(456,501)	2,179,040	(1,011,811)
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	2,367,252	1,635,814	151,224
Fund Balance as of January 1 Restated	9,549,140	10,227,200	5,975,776
Fund Balance as of December 31	$ 11,916,392	$ 11,863,014	$ 6,127,000

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended
December 31, 2011

	Other Governmental Funds	Total Governmental Funds
Revenues		
Taxes	$ 2,533,032	$ 37,597,398
Licenses & Permits	758,571	815,791
Intergovernmental	6,447,772	17,518,615
Charges for Services	2,116,361	4,946,618
Fines & Forfeits	22,970	1,618,046
Miscellaneous	1,155,419	3,431,589
Total Revenues	13,034,125	65,928,057
Expenditures		
Current:		
General Government Services	577,132	14,417,315
Security of Persons & Property	4,325,506	19,340,337
Utilities & Environment	69,940	1,332,554
Transportation	-	14,015,545
Economic Environment	3,409,401	3,610,795
Mental & Physical Health	3,985,880	4,361,737
Culture & Recreation	1,048,483	1,234,099
Debt Service:		
Principal	1,145,535	1,145,535
Interest & Other Debt Service	944,433	945,545
Capital Outlays	308,764	4,861,982
Total Expenditures	15,815,074	65,265,444
Excess of Revenues Over (Under) Expenditures	(2,780,949)	662,613
Other Financing Sources/(Uses)		
Insurance Recoveries: Non-Capital	-	2,868
Proceeds from Sale of Capital Assets	65,702	4,110,577
Transfers-In	2,947,839	3,610,830
Transfers-Out	(98,425)	(4,098,431)
Total Other Financing Sources/(Uses)	2,915,116	3,625,844
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	134,167	4,288,457
Fund Balance as of January 1 Restated	9,321,852	35,073,968
Fund Balance as of December 31	$ 9,456,019	$ 39,362,425

See Accompanying Notes to Financial Statements

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds To the Statement of Activities Governmental Funds

For the Year Ended December 31, 2011

Net changes in fund balances - total governmental funds	$ 4,288,457
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	1,858,453
Repayment of bond principal and accrued interest is an expenditure in funds, but the repayment reduces long-term liabilities in the governmental statement of net assets. Loan/Bond Proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,135,868
Some revenues or expenditures reported in the statement of activities are not yet available or expensed and therefore are not reported as revenue or expenses in governmental funds.	(4,193,284)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	(1,038,232)
(Rounding Adjustment)	1
Change in net assets of governmental activities.	$ 2,051,263

See Accompanying Notes to Financial Statements

Statement of Net Assets

December 31, 2011

	Business-type Activity-Enterprise Funds			Governmental Activities -
	Solid Waste Disposal District	Other Enterprise Funds	Totals	Internal Service Funds
Assets				
Current Assets:				
Cash & Cash Equivalents	$ 1,669,891	$ 609,247	$ 2,279,138	$ 2,829,252
Investments	1,606,968	587,099	2,194,067	12,121,645
Accounts Receivable	536,718	138	536,856	8,377
Interest Receivable	-	-	-	49,581
Other Current Receivables	-	-	-	70,531
Due from Other Funds	-	481,816	481,816	293,486
Due from Other Governmental Units	-	82,113	82,113	37,121
Inventories	-	-	-	733,112
Prepaids	-	11,131	11,131	498,827
Restricted Assets:				
Investments	-	-	-	410,048
Capital Assets Held for Resale	-	4,578	4,578	120,914
Special Assessments	-	10,211	10,211	-
Long-Term Assets:				
Land	-	179,903	179,903	575,466
Buildings & Structures, Net	-	307,795	307,795	1,543,165
Other Improvements, Net	-	2,344,190	2,344,190	476,397
Machinery & Equipment, Net	-	195,589	195,589	5,565,172
Construction in Progress	-	716,162	716,162	-
Total Assets	$ 3,813,577	$ 5,529,972	$ 9,343,549	$ 25,333,094
Liabilities				
Current Liabilities:				
Accounts/Vouchers Payable	$ 189,346	$ 34,147	$ 223,493	$ 156,269
Claims & Judgments Payable	-	-	-	2,399,806
Due to Other Funds	161,298	47,180	208,478	10,481
Interfund Loans Payable	-	56,243	56,243	-
Due to Other Governmental Units	22,405	-	22,405	40,890
Accrued Employee Benefits	-	71,419	71,419	168,365
Unearned Revenue	-	11,000	11,000	50
Custodial Accounts	(76)	(489)	(565)	-
Long-Term Liabilities:				
Due Within One Year	-	7,060	7,060	-
Employee Leave Benefits	-	136,111	136,111	344,420
Other Long-Term Liabilities	-	11,196	11,196	-
Total Liabilities	372,973	373,867	746,840	3,120,281
Net Assets				
Invested in Capital Assets	-	3,743,639	3,743,639	8,281,114
Restricted for Risk Management/County Insurance	-	-	-	410,048
Restricted for Special Assessments	-	18,256	18,256	-
Unrestricted	3,440,604	1,394,210	4,834,814	13,521,651
Total Net Assets	$ 3,440,604	$ 5,156,105	$ 8,596,709	$ 22,212,813

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended
December 31, 2011

	Solid Waste Disposal Dist	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Operating Revenues				
Charges for Services	$ 4,739,182	$ 2,031,212	$ 6,770,394	$ 4,423,017
Equipment Rental	$ -	-	-	3,277,620
Insurance Premiums and Recoveries	-	-	-	1,419,401
Other Operating Revenue	1,355	40,423	41,778	40,440
Total Operating Revenues	4,740,537	2,071,635	6,812,172	9,160,478
Operating Expenses				
General Operations	5,411,321	1,234,274	6,645,595	7,168,555
Maintenance	-	19,650	19,650	47,216
Customer Services and Marketing	-	193,815	193,815	-
Administration: General	3,578	603,182	606,760	25,608
Administration: Planning, Conservation, R&D	-	935	935	-
Depreciation, Amortization, & Depletion	-	239,281	239,281	1,667,862
Risk Transfer payments	-	-	-	419,798
Loss and Loss Adjustment Expense	-	-	-	1,051,709
Other Operating Expense	-	100,010	100,010	349,476
Total Operating Expenses	5,414,899	2,391,147	7,806,046	10,730,224
Operating Income (Loss)	(674,362)	(319,512)	(993,874)	(1,569,746)
Non-Operating Revenues (Expenses)				
Interest and Investment Revenue	5	(203)	(198)	212,696
Miscellaneous Revenue	63,894	-	63,894	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	122,114
Total Non-Operating Revenues (Expenses)	63,899	(203)	63,696	334,810
Income (Loss) Before Contributions and Transfers	(610,463)	(319,715)	(930,178)	(1,234,936)
Capital Contributions (Dispositions)	-	-	-	90,113
Grants	-	238,756	238,756	81,591
Transfer In (Out)	-	462,600	462,600	25,000
Change in Net Assets	(610,463)	381,641	(228,822)	(1,038,232)
Net Assets as of January 1	4,051,067	4,774,464	8,825,531	23,251,045
Net Assets as of December 31	$ 3,440,604	$ 5,156,105	$ 8,596,709	$ 22,212,813

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2011

	Solid Waste Disposal Dist	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:				
Cash Received from Charges for Services	$ 4,782,626	$ 1,859,048	$ 6,641,674	$ 4,469,081
Cash Received from Premiums/Recoveries	-	-	-	1,377,548
Cash Received from Rent Proceeds	-	16,651	16,651	-
Cash Received from Equipment Rental	-	-	-	3,277,620
Cash Received from Miscellaneous Activities	1,355	23,136	24,491	40,440
Payments for Wages & Benefits	-	(1,198,434)	(1,198,434)	(2,965,253)
Payments for Inventory & Supplies	-	-	-	(1,636,499)
Payments to Suppliers for Goods & Services	(5,557,825)	(1,090,027)	(6,647,852)	(2,973,803)
Payments for Risk Transfer	-	-	-	(461,367)
Payments for Claimants & Beneficiaries	-	-	-	(1,191,706)
Other Non-Operating Revenues	63,894	-	63,894	-
Net Cash Provided (Used) by Operating Activities	(709,950)	(389,626)	(1,099,576)	(63,939)
Cash Flows from Non-Capital Financing Activities:				
Payments of Interfund Loan (Due To Other Funds, Pymt Errc	-	-	-	(27,683)
Operating Grants Received	189,791	175,048	364,839	106,303
Operating Transfer-In	-	462,600	462,600	25,000
Cash Provided (Used) by Financing Activities	189,791	637,648	827,439	103,620
Cash Flows from Capital and Related Financing Activities:				
Net Proceeds (loss) from Capital Improvement Assessments	-	(1,517)	(1,517)	-
Proceeds from Sale of Capital Assets	-	-	-	193,618
Acquisition/Construction of Capital Assets	-	(211,069)	(211,069)	(1,018,099)
Capital Grants Received	-	109,270	109,270	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(103,316)	(103,316)	(824,481)
Cash Flows from Investing Activities:				
Receipt of Interest	5	(203)	(198)	254,851
Sale of Investment Securities	1,351,126	374,514	1,725,640	12,172,852
Purchase of Investment Securities	(1,606,968)	(587,099)	(2,194,067)	(12,531,693)
Cash Provided by Investing Activities	(255,837)	(212,788)	(468,625)	(103,990)
Net Increase (Decrease) in Cash and Cash Equivalents	(775,996)	(68,082)	(844,078)	(888,790)
Cash and Cash Equivalents at Beginning of Year	2,445,887	677,329	3,123,216	3,718,042
Cash and Cash Equivalents at End of Year	$ 1,669,891	$ 609,247	$ 2,279,138	$ 2,829,252

Statement of Cash Flows
Proprietary Funds

For The Year Ended December 31, 2011

	Solid Waste Disposal Dist	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Net Operating Income (Loss)	$ (674,362)	$ (319,512)	$ (993,874)	$ (1,569,746)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:				
Depreciation Expense	-	239,281	239,281	1,667,862
Other Non-Operating Revenue (Expense)	63,894	-	63,894	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	43,444	(171,614)	(128,170)	4,211
(Increase) Decrease in Inventories	-	-	-	(12,543)
(Increase) Decrease in Prepaids	-	(952)	(952)	(30,142)
Increase (Decrease) in Payables	(142,926)	(136,829)	(279,755)	(123,581)
Total Adjustments	(35,588)	(70,114)	(105,702)	1,505,807
Net Cash Provided (Used) by Operating Activities	$ (709,950)	$ (389,626)	$ (1,099,576)	$ (63,939)
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets from Government	$ -	$ -	$ -	$ 90,113
Loss on Disposal of Capital Assets	-	-	-	122,114

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

	Agency Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	$ 5,751,900
Deposit with Fiscal Agent	-
Investments	51,704,137
Total Assets	$ 57,456,037
Liabilities	
Current Liabilities:	
Warrants Payable	$ 1,653,978
Accounts/Vouchers Payable	285,899
Custodial Accounts	55,516,160
Total Liabilities	$ 57,456,037

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lewis County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

Lewis County was created on December 19, 1845, under the control of the Provisional Government of Oregon and operates under the laws of the state of Washington applicable to a Third Class County. Lewis County is a general purpose government and provides the following services according to the Constitution and laws of the State of Washington: public safety, road improvement, parks, judicial administration, health and social services, and general administrative services.

Lewis County is governed by an elected board of three county commissioners. These financial statements include the financial position and results of operations for all fund types and its component units. The blended component unit, although a legally separate entity is, in substance, part of the County's operations and so data from this unit is combined with data of the primary government. The blended component unit has a December 31 year-end.

Blended Component Unit

The Solid Waste Disposal District No. 1 of Lewis County is a quasi-municipal corporation, and an independent taxing authority and district, which is responsible for implementation of a comprehensive solid waste management plan for the County and other incorporated cities and towns within the county. In order to implement the plan and related goals, the County and the incorporated cities and towns within the county have agreed, through an interlocal agreement to the formation of the District and transfer of certain responsibilities to the District. Among obligations transferred to the District is the obligation to make funds available to the Centralia Landfill Closure Group for the closure, post-closure and remediation activities at the Centralia Landfill (which is operated by the City of Centralia). The District has the authority to provide for disposal of solid wastes within the boundaries of Lewis County. The District is governed by a three-member board, which consists of the three county commissioners. The District is reported as an enterprise fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to 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 of segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in 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 imposed by the 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a 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.

Property taxes, licenses, and interest associated within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

The General Fund (Current Expense) is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The Road Fund accounts for the design, construction and maintenance of county roads. The main sources of revenue for the Road Fund include taxes and intergovernmental grants and contributions.

The Capital Facilities Plan Fund is used to account for the ½ of 1% real estate excise tax to be used to finance capital improvements and capital projects including debt service for the capital facilities plan.

The county reports the following major proprietary fund:

The Solid Waste Disposal District Fund is used to account for activity of Lewis County Solid Waste Disposal District No. 1 and operation of the solid waste transfer station in Centralia. The main source of revenue for the District is from charges to customers for garbage removal services (tipping fees).

Additionally, the county reports the following fund types:

Internal service funds account for operations that provide goods and services to other departments or funds of the county or to other government units on a cost-reimbursement basis. The County’s internal service funds

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

include the following intergovernmental services: equipment rental, risk management, pits and quarries, facilities, county insurance, and information services.

The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the county's enterprise funds and of the county's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

1. Scope of Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. Annual budgets are adopted by the legislative authority, being the Board of County Commissioners (BOCC), at the fund level, except in the general fund, where expenditures may not exceed appropriations at the department level. The budget sets legal authority for expenditures at these levels.

All annual appropriations lapse at fiscal year-end.

The County does not employ encumbrance accounting.

2. Adoption of the Original Budget

The County's budget is adopted according to the procedures mandated by Washington State law in the Revised Code of Washington (RCW) title/chapter 36.40. After two public hearings, the 2011 budget was adopted by the BOCC on Monday, December 06, 2010.

3. Amending the Budget

The budget, as adopted, constitutes the legal authority for expenditures. Budgets are reported according to Generally Accepted Accounting Principles (GAAP). Any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, or other conditions of employment must be approved by the BOCC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

When the county determines that it is in the best interest of the county to increase or decrease the appropriation for a particular fund or department, it may do so by resolution approved by a simple majority after holding one public hearing.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information for the general and major funds. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

4. Excess of Expenditures Over Appropriations

During the current year there were no instances of overspending in the General Fund or Special Revenue Funds.

5. Deficit Fund Equity

During the current year there were no instances of deficit fund equity in the General Fund and one instance in a Special Revenue Fund (See Note 3 *Stewardship, Compliance and Accountability*).

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The county pools cash resources of its various funds for the purpose of investing all temporary cash surpluses. At December 31, 2011, the treasurer was holding $7,695,068 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. Income on pooled investments is allocated pursuant to county resolution no. 2002-460. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and summarized by fund type in the combined balance sheet.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2011 were approximately $9,324,865.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents, except for certificates of deposit and deposits with fiscal agents.

2. Investments

Investments for the county are reported at fair value. The State Treasurer’s Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares (See Deposits and Investments Note No. 4).

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Property Taxes Note No. 5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2011, $1,232 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advance 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.” A separate schedule of interfund loans receivable and payable is furnished in Note 14 – Interfund Balances and Transfers.

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.

5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. With the exception of receipt books in the general fund, the cost is recorded as expenditure at the time individual inventory items are purchased. Receipt books in the general fund are valued at cost using the first-in/first-out (FIFO) method, which approximates the market value. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the weighted average method which approximates the market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

6. Restricted Assets and Liabilities

These accounts contain resources for self-insurance programs held in internal service funds. In the internal service funds, restricted cash and investments at year-end were:

Fund	Cash	Investments
County Insurance	-	410,048

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the county as assets with an initial, individual cost of more than $5,000. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements for amounts greater than $50,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Autos, Computers, Office Equipment	3 - 7
Heavy Equipment	8 -20
Buildings, Land Improvements	40
Infrastructure	15 - 60

8. Compensated Absences

The county records all accumulated unused vacation and sick leave benefits. Vacation pay, which may accumulate up to 240 hours, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 1,320 hours. Fifty percent of outstanding sick leave to a maximum of 360 hours is payable upon resignation, retirement, or death.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

10. Long-term Debt: See Long-term Debt Note No. 11.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Deferred Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

12. Fund Balance Classification

In the fund financial statements, governmental funds classify fund balance as Nonspendable, Restricted Committed, Assigned, or Unassigned.

13. Fund Balance Details

a) Nonspendable: Portion that cannot be spent due to form (prepaid items, inventories) or must be maintained intact due to legal or contractual requirements.
b) Restricted: Portion with externally enforceable limitations; such as those imposed by creditors, grantors, or laws of other governments.
c) Committed: Portion with limitations imposed by formal action (Resolution) by the Board of County Commissioners.
d) Assigned: Portion with limitations resulting from intended use as established by the Board of County Commissioners or their designee(s).
e) Unassigned: Portion in the General Fund (Current Expense) in excess of Nonspendable, Restricted, Committed, and Assigned; deficit in Special Revenue Funds.

Lewis County has not adopted a spending policy; therefore, it is presumed that the order of spending is restricted fund balance, then committed fund balance, then assigned fund balance, and last unassigned fund balance.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

14. Fund Balances

	General Fund	Roads	Capital Projects	Special Revenue	Debt Service	Capital Facilities Plan	Total Funds
Fund Balances:							
Nonspendable:							
Inventory	1,003	-		-			1,003
Prepaids	42,268	14,483		16,581			73,332
Total Nonspendable	43,271	14,483	-	16,581	-	-	74,335
Restricted:							
Debt Service				-	11,577		11,577
General Government Services				928,391		6,127,000	7,055,391
Security of Persons & Property				327,805			327,805
Utilities & Environment				4,874			4,874
Transportation		11,577,633		-			11,577,633
Economic Environment				4,808,213			4,808,213
Mental & Physical Health				449,054			449,054
Public Services				151,237			151,237
Total Restricted	-	11,577,633	-	6,669,574	11,577	6,127,000	24,385,784
Assigned:							
General Government Services	97,224			26,407		-	123,631
Security of Persons & Property	1,362			1,403,024			1,404,386
Utilities & Environment	30,000			-		-	30,000
Transportation		270,898		-			270,898
Mental & Physical Health				171,414			171,414
Culture & Recreation	34			(9,697)			(9,663)
Public Services				58,999			58,999
Capital Projects			1,108,140	-			1,108,140
Total Assigned	128,620	270,898	1,108,140	1,650,147	-	-	3,157,805
Unassigned:	11,744,501			-			11,744,501
Total Fund Balances:	11,916,392	11,863,014	1,108,140	8,336,302	11,577	6,127,000	39,362,425

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 Assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The details of the difference between fund balance and net assets are as follows:

Fund balances - total governmental funds	$ 39,362,425
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	84,852,061
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,776,189
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	4,654,973
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(26,437,901)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	22,212,813
Net assets of government activities.	$ 126,420,560

NOTES TO FINANCIAL STATEMENTS
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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 between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The details of the difference between the net changes in fund balances and net assets are as follows:

Net changes in fund balances - total governmental funds	$ 4,288,457
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	1,858,453
Repayment of bond principal and accrued interest is an expenditure in funds, but the repayment reduces long-term liabilities in the governmental statement of net assets. Loan/Bond Proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,135,868
Some revenues or expenditures reported in the statement of activities are not yet available or expensed and therefore are not reported as revenue or expenses in governmental funds.	(4,193,284)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	(1,038,232)
(Rounding Adjustment)	1
Change in net assets of governmental activities.	$ 2,051,263

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2011 the following funds reported deficits in the fund balances or fund net positions in violation of state statute:

Fund	Deficit
Southwest Washington Fair	$9,697
Vader Water System Capital Improvements	$104
Facilities	$114,600

The deficit fund balance for the Southwest Washington Fair (Special Revenue Fund) was due to realized revenue for gate admission being less than projected. The Blue Pavilion event center will receive a major renovation in 2012 in an effort to draw additional events during non-fair time. An operating transfer from the General Fund for cash flow was authorized by Resolution 11-171.

The deficit fund balance for the Vader Water System Capital Improvement Fund (Capital Project Fund) was due to timing of expenditures and loan drawdown. Funding resources for this project include a Drinking Water Revolving loan and a Community Development Block Grant; both on a reimbursement basis. Timing of the loan drawdown did not allow meet the availability period for revenue recognition. This fund would be eligible for a cash flow loan from the general fund.

The deficit fund balance in Facilities (Proprietary Internal Service Fund) was due to unrealized capital asset insurance recoveries; negotiations continue for this loss. Additionally, the negative impact of the economy on non-routine and therefore, billable projects normally completed by Facilities reduced realized revenue. The Facilities Fund would be eligible for an operating transfer from the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The county's deposits and certificates of deposit are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

The county maintains an internal cash pool for idle cash that has not been invested for the benefit of specific funds. All interest earnings from this pool are credited to the General Fund. Cash balances of the individual funds constitute a portion of the Local Government Investment Pool and are reported on the balance sheet as Cash and Cash Equivalents or Investments depending on the maturity of the underlying investments. In addition, certain investments are held separately by several county funds and reported accordingly.

As of December 31, 2011, the county had the following investments:

Investment Type:	**Carrying Amount**	**Market Value**
U.S. Gov't Securities	15,500,000	15,631,510
Municipal Bonds	20,390,909	20,779,935
Total Investments Subject to Credit Risk Classification	35,890,909	36,411,445
Investments Not Subject to Credit Risk Classification:		
State Treasurer's Investment Pool	65,326,092	65,326,092
Time Deposits (CD)	458,500	458,500
Total Investments	101,675,501	102,196,037

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. The difference between the carrying value and market value is the unrealized gain (loss) on investments.

Interest Rate Risk

In accordance with its investment policy, the county manages its exposure to declines in fair values by limiting the maximum maturity of an individual investment in its investment portfolio to less than sixty months.

NOTES TO FINANCIAL STATEMENTS
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Credit Risk
Washington State statutes and county investment policy authorize the county to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers acceptances, primary certificates of deposit issued by qualified public depositories, the state treasurer's Local Government Investment Pool (LGIP), municipal bonds issued by Washington State or its local governments, and repurchase agreements collateralized by any previously authorized investments. Accordingly, credit risk, if any, is extremely limited.

NOTE 5 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed as collected and those collections requiring remittance are distributed to other jurisdictions after the end of each month.

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 installment payments is due.
May 31	Assessed value of property is established for next year's levy at 100% of market value.
October 31	Second installment is due.

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

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

The county is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general governmental services. The county road levy for 2011 was $1.75495 per $1,000 on an assessed valuation of $5,587,080,101 or a total road tax of $9,805,072.

The diverted county road levy for 2011 was $0.2208 per $1,000 on an assessed valuation of $5,587,080,101 for a total diverted road levy of $1,233,758.

A shift in the County Road fund levy to the Current Expense fund is allowed by RCW 84.52.043 as long as the shift from the County Road fund does not reduce the levy capacity of any other taxing districts. A shift from the County Road fund levy to Current Expense was authorized in the amount of $1,017,000 for 2011.

The county's total regular levy for 2011 was $1.55423 per $1,000 on an assessed valuation of $7,750,569,828 for a total regular tax of $12,046,204. The components of the regular levy are:

	Levy	Tax
General Fund	1.509218261	11,697,302
Veteran;s Relief	0.020016335	155,138
Social Services	0.025000001	193,764
Totals	1.554234597	12,046,204

NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – CAPITAL ASSETS

Capital Assets

Capital assets activity for the year ended December 31, 2011 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 01/01/2011	Increases	Adjustments	Decreases	Ending Balance 12/31/2011
Capital Assets, not being depreciated:					
Land	$ 3,888,885	$ 221,436	$ -	$ -	$ 4,110,321
Land Use Rights (Intangible Assets)	40,258	7,720		-	47,978
Construction in Progress	8,100,481	4,383,246	-	3,523,933	8,959,794
Total Capital Assets, not being depreciated	12,029,624	4,612,402	-	3,523,933	13,118,093
Capital Assets being depreciated:					
Buildings	62,591,655	284,733	-	-	62,876,388
Improvements other than buildings	3,667,812	53,484	-	-	3,721,296
Machinery & Equipment	20,981,692	1,161,134	-	1,575,228	20,567,598
Intangible Assets	-	-		-	-
Infrastructure	80,670,249	423,069	-	-	81,093,318
Total Capital Assets, being depreciated	167,911,408	1,922,420	-	1,575,228	168,258,600
Less Accumulated Depreciation for:					
Buildings	23,279,207	1,191,880	-	-	24,471,087
Improvements other than buildings	2,170,365	168,407	-	-	2,338,772
Machinery & Equipment	13,898,133	1,761,035	-	1,494,901	14,164,267
Intangible Assets	-	-		-	-
Infrastructure	45,008,197	2,261,195	-	-	47,269,392
Total Accumulated Depreciation	84,355,902	5,382,517	-	1,494,901	88,243,518
Total Capital Assets being depreciated, net	83,555,506	(3,460,097)	-	80,327	80,015,082
Governmental Type Activities Capital Assets, net	$ 95,585,130	$ 1,152,305	$ -	$ 3,604,260	$ 93,133,175

Balances may be adjusted due to rounding.

*Construction in Process includes $8,552,220 of Public Works infrastructure projects included in the Six Year Transportation Improvement Plan, $221,823 in feasibility studies for possible construction projects, and $185,750 in construction projects currently in progress.

Depreciation Expense was charged to functions as follows:	
General Government Services	$ 444,569
Security of Person and Property	763,740
Physical Environment	126,329
Transportation	2,264,451
Economic Environment	-
Mental and Physical Health	20,540
Culture and Recreation	95,025
	$ 3,714,654
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based upon their usage of the assets.	1,667,862
Total Governmental Activities Depreciation Expense	$ 5,382,516

NOTES TO FINANCIAL STATEMENTS
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BUSINESS TYPE ACTIVITIES	Beginning Balance 01/01/2011	Increases	Decreases	Ending Balance 12/31/2011
Capital Assets, not being depreciated:				
Land	$ 177,889	$ -	$ -	$ 177,889
Land Use Rights (Intangible Assets)	2,014	-	-	2,014
Construction in Progress	839,795	58,088	181,721	716,162
Total Capital Assets, not being depreciated	1,019,698	58,088	181,721	896,065
Capital Assets being depreciated:				
Buildings	1,239,352	-	-	1,239,352
Improvements other than buildings	2,996,271	334,700	-	3,330,971
Machinery & Equipment	506,120	-	-	506,120
Intangible Assets	-	-	-	-
Total Capital Assets, being depreciated	4,741,743	334,700	-	5,076,443
Less Accumulated Depreciation for:				
Buildings	882,086	49,471	-	931,557
Improvements other than buildings	838,032	148,749	-	986,781
Machinery & Equipment	269,471	41,060	-	310,531
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	1,989,589	239,280	-	2,228,869
Total Capital Assets being depreciated, net	2,752,154	95,420	-	2,847,574
Business Type Activities Capital Assets, net	$ 3,771,852	$ 153,508	$ 181,721	$ 3,743,639

***Construction in Progress includes $51,852 for South County Airport improvement projects and $664,310 for the Packwood Airport improvement project.

Depreciation Expense was charged to functions as follows:

Solid Waste	$ 111,520
Airport	127,761
Total	$ 239,281

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 – PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer defined benefit public employee retirement plans and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description: The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual

NOTES TO FINANCIAL STATEMENTS
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adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

NOTES TO FINANCIAL STATEMENTS
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Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted

NOTES TO FINANCIAL STATEMENTS
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from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier 47
Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC, pay higher contributions; stop contributing to the Judicial Retirement Account (JRA); and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Nonvested	51,005
Total	**262,285**

Funding Policy: Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

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The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2011, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	9.75%	9.75%	9.75%**
Employer-Local Government*	7.25%	7.25%	7.25%**
Employee-State Agency	9.76%	9.10%	7.50%***
Employee-Local Government	12.26%	11.60%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** Plan 3 defined benefit portion only.
***Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	$ 110,110	$ 1,278,820	$ 99,605
2010	$ 113,971	$ 1,126,083	$ 88,623
2009	$ 148,454	$ 1,529,722	$ 123,018

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

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

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LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan I members. Those who joined on or after October 1, 1977 are Plan 2 members. LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

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

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

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

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

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

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months.) Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit

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commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of 41 eligible health care insurance premiums.

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

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Nonvested	3,656
Total	**27,505**

Funding Policy: Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2011, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.
**The employer rate for ports and universities is 8.62%.

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

	LEOFF Plan 1	LEOFF Plan 2
2011	$ -	$ 138,823
2010	$ -	$ 142,793
2009	$ 12	$ 158,972

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description: The Legislature created PSERS in 2004 and the system became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet

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at least one of the PSERS eligibility criteria.PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

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

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

A *covered employer* is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections; Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.
- Corrections departments of Washington State counties;
- Corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and Interlocal corrections agencies.

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

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

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire 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, with an allowance of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3% per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Consumer Price Index), capped at 3% annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. 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).

PSERS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

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PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	4,210
Total	**4,217**

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2011, were as follows:

	PSERS Plan 2
Employer*	8.86%
Employee	6.36%

*The employer rate includes an employer administrative expense fee of 0.16%.

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

	PSERS Plan 2
2011	$131,611
2010	$118,138
2009	$130,293

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NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (HEALTH CARE)

The County provides other post-employment benefits (OPEB) in addition to the pension benefits described in Note 7.

A. LEOFF Plan 1

Lifetime full medical coverage is provided to uniformed law enforcement officers as members of the Law Enforcement Officers and Fire Fighters Plan 1 (LEOFF 1) retirement system. A liability for the accumulated unfunded actuarially required contribution (ARC) is reported in the Statement of Net Assets. The actual medical costs are reported as expenditures in the year they are incurred.

1. Plan Description

In accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26), the county provides certain lifetime health care benefits for retired full-time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. Substantially all of the county's law enforcement officers who established membership in the LEOFF 1 retirement system may become eligible for those benefits when they reach normal retirement age. The Lewis County Sheriff's Department, in conjunction with the Lewis County Disability Board, reimburses retired LEOFF 1 law enforcement officers for reasonable medical charges as described in the LEOFF act. In 2011, 24 retirees received benefits under this act. As of December 31, 2011, there were no active LEOFF 1 officers.

2. Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the County as required by RCW. The County’s funding policy is based upon pay-as-you-go financing requirements.

3. Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years as of January 1, 2012. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation. The net OPEB obligation of $1,292,765 is reported as a non-current liability on the Statement of Net Assets.

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		Year Ending 12/31/2011
Determination of Annual Required Contribution:		
Normal Cost at Year End	$	-
Amortization of UAAL *		651,788
Annual Required Contribution	$	651,788
Determination of Net OPEB Obligation:		
Annual Required Contribution	$	651,788
Interest on Prior Year Net OPEB Obligation		48,130
NOO Amortization **		(99,591)
Annual OPEB Cost		600,327
Contributions Made		(377,120)
Increase in Net OPEB Obligation	$	223,207
Net OPEB Obligation - End of Year:		
Net OPEB Obligation - Beginning of Year	$	1,069,558
Increase in Net OPEB Obligation		223,207
Net OPEB Obligation - End of Year	$	1,292,765

* Unfunded Actuarial Accrued Liability (UAAL)
** Net OPEB Obligation

4. Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $6,999,902 and the actuarial value of the assets was $0 resulting in a UAAL of $6,999,902. .

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2011, these costs totaled $377,120 with a cost per retiree of $15,713.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

5. Actuarial Methods and Assumptions

We have used the alternative measurement method permitted under GASB Statement No. 45. There were no active members to consider when determining the actuarial accrued liability.

Termination and mortality rates were assumed to follow the LEOFF 1 mortality rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are being amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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During 1993 the county began setting aside funds for future post-retirement health care benefit payments for the county's LEOFF 1 retired officers. The net assets available at December 31, 2011 were $6,588,745 ($6,549,045 investments, $41,140 interest receivable, less, $1,440 vouchers payable) which is reported in the internal service fund, Risk Management; however, the current strategy does not constitute an advance-funded approach.

B. Other County Retirees

Lewis County makes available to eligible retirees employer provided subsidies for post-employment medical insurance benefits provided through Washington Counties Insurance Fund, or Washington Teamsters Welfare Trust.

Actual participation is extremely low due likely to the economic costs of the retiree premiums. As a consequence, out of the entire population of eligible retirees there were only two retirees under the age of 65 participating at the end of 2011. Due to the immaterial nature, a liability for the accumulated unfunded actuarially required contribution has not been reported in the entity-wide and proprietary statements of net assets.

NOTE 9 - DEFERRED COMPENSATION PLAN

The county offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. Two plans are available, one with State of Washington Department of Retirement Systems Deferred Compensation Program and a second with Nationwide Retirement Solutions. The plans, available to all eligible employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Plan assets for both the State of Washington Deferred Compensation Program and Nationwide Retirement Solutions plans reside in trust held for exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since Lewis County is no longer the owner of these assets, as of December 31, 1998, the plan assets and liabilities are no longer reported as an Agency Fund.

NOTE 10 - RISK MANAGEMENT

Lewis County is one of twenty-seven members of the Washington Counties Risk Pool ("Pool"). Other members include: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Kittitas and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skamania, Skagit, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having terminated their memberships September 30, 2010, 2002 and 2003 respectively.
Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits resulting from any of the Pool's fiscal years are financed by proportional reassessments (aka retroactive assessments) amongst the deficient year's membership. The Pool's reassessments receivable balance at December 31, 2011 was $0 as no contingent liabilities were known to exist at that time.

Joint Self-Insurance Liability Program: The Pool has provided its member counties occurrence-based, jointly self-insured and/or jointly purchased liability coverage for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, including public officials' errors and omissions, since October 1, 1988. Total coverage limits have grown over time, from the $1 million limit during the Pool's initial two months to $5 million, then to $10 million and onto $15 million before reaching the $20 million limit the past eight years.

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(Note: Additional limits of $5 million were offered the past several years for acquisition as a member-by-member option.)

Except for the Pool's self-insured retention (the greater of the member's deductible or $100,000), the initial coverage of at least $10 million has been fully reinsured since October 1994 by superior-rated commercial carriers. Members annually select a deductible amount of $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. The remaining insurance (up to $15 million) is acquired as "following form" excess insurance, also from superior-rated commercial carriers. There are no aggregate limits to the payments made for any one member county or all member counties combined.

The Pool's claims database increased during Py2011 with the addition of 744 new claims (and lawsuits) raising the 3rd-party liability claims to-date total submitted by member counties to 17,982. Estimates of total incurred losses (payments made plus reserved estimates for open claims) increased $16.0 million during the year to $237.4 million.
Washington Counties Property Program: Since the Pool began offering the jointly-purchased, fully-insured property insurance coverage to its membership in October 2005 as an individual county option, participation has grown by more than 50% and the total value of covered properties has nearly doubled. Twenty seven member counties with covered properties totaling $2.6 billion participated in this program during Py2011.
Coverage is for structures, vehicles, mobile equipment, EDP equipment, etc., and composite limits include $500 million for normal (All Other Perils) exposures and $200 million for catastrophe (Flood / Earthquake) exposures. Occurrence deductibles, from which the participating counties annually select and for which they are solely responsible, range between $5,000 and $50,000 for the AOP coverage.

Superior-rated commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. There were 13 property claims submitted for processing during Py2011 with incurred losses-to-date totaling nearly $0.85 million. During its first six years being offered through the WCRP as an optional insuring program, there have been 78 property claims filed with incurred losses-to-date totaling nearly $9.75 million. With to-date premiums for this coverage totaling $13.75 million, the resulting to-date loss ratio is 0.71.

Other Insurances: Several member counties also use the Pool's producer (broker) for other insurance placements. Public officials bonds, or crime & fidelity, special events/concessionaires and environmental hazards insurance coverages are a few examples.

Background: The Pool was formed August 18, 1988 when several Washington counties approved an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW to provide its member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The Pool operates under Washington's "pooling" laws, more specifically Chapters 48.62 RCW and 200.100 WAC. It is overseen by the State Risk Manager and subject to fiscal audits performed annually by the State Auditor.

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

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The enabling Interlocal Agreement was amended once (in 2000) to add a Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support the best management of the Pool and its resources. The intent of the Compact was to obligate member counties to support these goals through three major elements; membership involvement, risk control practices, and a targeted risk management program.

A new member may be asked to pay modest admittance fees to cover that member's share of the Pool's organizational expenses and costs to analyze its loss data and risk profile. Members contract initially to remain in the Pool for at least five years. Counties may terminate their memberships at the conclusion of any Pool fiscal year following the initial term if the county timely files its required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, a former member remains responsible for reassessments from the Pool for its proportional shares of any unresolved, unreported, and in-process claims for the periods they were a signatory to the Interlocal Agreement.

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

Regular oversight of the Pool's operations is furnished by an 11-person executive committee. The committeepersons are elected by the Pool's board of directors from its membership to staggered, 3-year terms during each Annual Meeting. The committee meets several times throughout the year to approve all Pool disbursements and examine the Pool's financial health; to approve any case settlement exceeding the member's deductible by at least $50,000, and to review all claims with incurred loss estimates exceeding $100,000; to evaluate the Executive Director and the Pool's operations and program deliverables; and to participate in the board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

Staffing and Support Teams: The Pool's 5-person claims staff with more than eighty years combined claims-handling experience handles or oversees the handling of the several hundred liability cases filed upon the Pool's member counties each year. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other Pool staffers provide various member services, e.g conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverages and marketing. Some address and support the organization's administrative needs.
Professionals from some of the most respected organizations worldwide are called upon regularly to address specific needs of the Pool. For example, independent actuarial services are furnished by PricewaterhouseCoopers, LLP; independent claims auditing is performed by Startegic Claims Direction with special claims audits frequently performed by the Pool's commercial reinsurers / insurers; insurance producer (broker) and advanced loss control services are provided by Arthur J. Gallagher Risk Management Services, Inc.; and coverage counsel is provided by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend Pool cases, as well as the examinations by and services from the State Risk Manager and the State Auditor.

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Financial Summary: The following constitute the most significant highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2010 through September 2011):

Net Operating Income was realized of $0.8 million, a 58% decrease from the prior year.

Total Assets grew $2.2 million (6%) to $41.1 million. Current assets increased $2.3 million (6%) while non-current assets decreased 4%.

Total Claims Reserves for the Pool's direct reserving exposures increased to $15.0 million, up 6.7% from the prior year. This total includes: $5.6 million for losses in the coverage layer retained by the Pool, down 9.3%; $8.6 million for the aggregated stop losses in the retained layers associated with the "corridor" program for automobile and general liabilities, up 22%; and $0.8 million for unallocated loss adjustment expenses, down 5% from one year ago. NOTE: The corridor program referenced is now five years old yet still not fully matured. Further, its occurrence coverage maximum was increased to one million dollars beginning with Py2010, up from the half million level that existed during the program's first three years, while the program's occurrence minimum remains the greater of the applicable member's deductible or $100,000.

Net Position (formerly referred to as Net Assets and also known as Members' Equity) increased $.08 million to $11.0 million as of September 30, 2011. Of the total, $5.5 million is classified as Restricted Net Position — $0.9 million to satisfy the State's solvency provisions (WAC 200.100.03001) plus $4.6 million for the Pool's Underwriting Policy requirements. $0.2 million is invested in a real property (fraud) recovery, and another $1 million in Capital Assets (net of debt). The remaining $4.4 million held as Non-Restricted Net Position is available for use as directed by the Pool's Board of Directors.

Risk Management Fund: - The County established its own Risk Management fund in 1991, which is used to pay deductibles on general liability claims and unemployment claims. The county has elected to become self-insured for unemployment claims. Based on Washington Counties Risk Pool and county management estimates, the county's estimated liability for probable losses at December 31, 2011, which includes estimates for Incurred But Not Reported claims (IBNR) were as follows:

	2010	2011
General Liability Claims	$ 2,000,000	$ 2,000,000
Unemployment Claims	224,823	224,823
Total	**$ 2,224,823**	**$ 2,224,823**

In addition, the following shows changes in the balances of claims liabilities during the past year:

	Year Ended: 12/31/2010	**Year Ended: 12/31/2011**
Unpaid Claims, Beginning of Fiscal Year	$ 1,724,823	$ 2,224,823
Incurred Claims	748,781	573,633
Changes In Estimates	500,000	-
Claim Payments	(748,781)	(573,633)
Unpaid Claims, End of Fiscal Year	**$ 2,224,823**	**$ 2,224,823**

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As of December 31, 2011, cash and investments were $3,177 and $8,324,087, respectively, this included $6,588,745 for LEOFF 1 post retirement benefits.

County Insurance Fund: - The County has elected to become self-insured for worker's compensation and maintains the County Insurance Fund which is used to pay related claims costs. An independent claims management firm processes claims. Based on the county's claims management firm and Washington State Department of Labor & Industries data, the county's estimated reserve for probable losses at December 31, 2011 was $174,982:

	Year Ended: 12/31/2010	Year Ended: 12/31/2011
Unpaid Claims, Beginning of Fiscal Year	$ 334,983	$ 174,982
Incurred Claims	793,937	284,023
Changes In Estimates	-	-
Claim Payments	(953,938)	(284,023)
Unpaid Claims, End of Fiscal Year	**$ 174,982**	**$ 174,982**

The county has two fully funded pension obligations held by the State of Washington Department of Labor and Industries with a cash value of $726,825 at December 31, 2011. The county has met the SIR payable under the excess coverage for the claims.

The county is required by Washington State Department of Labor and Industries to set aside, for protection to the Workers' Compensation Fund, a minimum of $100,000 in cash reserves. Additionally, the county has purchased $1 million of excess coverage insurance for workers' compensation claims. The policy has a $600,000 SIR for individual claims. As of December 31, 2011, cash and investments were $1,151,360 and $410,048 in unrestricted and restricted assets, respectively, and net assets were $1,462,590.

Other Insurance: - The County has purchased coverage for property insurance (including computers), flood, and equipment physical damage, boiler, and liability for the Packwood and South County Airports. For the past five fiscal years, there were no settlements that exceeded insurance coverage.

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NOTE 11 - LONG-TERM DEBT

The County may issue general obligation and revenue bonds to finance the purchase of major capital items, the acquisition or construction of major capital facilities and other major items. The general obligation bonds have been issued for the general government and are being repaid from applicable resources. The County is also liable for notes that were entered into for various reasons stated below in the description of each note. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

A. Disclosures About Each Significant Debt Incurred

General Obligation Bonds	Outstanding 12/31/2011
$4,925,000 – Issued September 2, 2009, to defease, pay, redeem, and retire the 1999 refunded bonds. Interest is paid at 2.50% to 4.25% with annual debt service payments of $395,188 to $442,000 through December 1, 2024.	$4,445,000
$3,500,000 – Issued in August 2007, for the benefit of the Chehalis-Centralia Airport and their ongoing capital construction projects. Interest is paid at 4.32% with annual debt service payments of $316,206 through June 1, 2017. The Chehalis-Centralia Airport has a note payable due to the County for these payments.	$2,646,128
$7,100,000 - Issued May 25, 2005, to defease, pay, redeem and retire the 1999 refunded bonds. Interest is paid at 3.00% to 6.50% with annual debt service payments of $506,638 to $523,943 through December 1, 2024.	$ 5,065,000
$12,270,000 - Issued February 26, 2003, for the purpose of constructing a new jail facility. Interest is paid at 3.00% to 4.75% with annual debt service payments of $794,378 to $838,000 through December 1, 2027.	$9,130,000
Notes Payable	
Washington State, Public Works Trust Fund Loan - Dept. of Community Development - $389,125 - Issued April 14, 1994, for the purpose of financing extension of roads and utility services as an expansion of the Chehalis Industrial Park; whereby, the county acted as the lead agency in a cooperative project with the Port of Chehalis. All principal and interest payments made by the county are reimbursed 100% by the Port of Chehalis. Interest is paid at 1.00% on annual installments of $23,083 to $31,704 through July 1, 2014.	$83,384
Washington State Revolving Fund Loan - Dept. of Ecology - $406,261 - Issued July 1, 1994, for the purpose of paying for costs associated with the Wallace Road sewer project. The loan agreement provides a maximum allowable loan of $406,261, of which the County has received $322,808. Interest is paid at 4.50% on semi-annual installments of $12,297 through July 1, 2014.	$18,256
Total Outstanding Debt	**$21,387,768**

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

B. Debt Service Requirements to Maturity

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

Year		Principal		Interest
2012		1,184,074		896,940
2013		1,252,985		854,609
2014		1,282,285		809,099
2015		1,326,991		759,447
2016		1,392,122		706,957
2017-2021		7,972,672		2,447,986
2022-2026		6,075,000		923,319
2027-2031		800,000		38,000
Total	$	21,286,129	$	7,436,357

Annual debt service requirements to maturity for other outstanding debt are as follows:

	Governmental Activities				Business-Type Activities			
Year		Principal		Interest		Principal		Interest
2012		27,795		834		7,060		743
2013		27,795		556		7,381		422
2014		27,794		278		3,816		86
Total	$	83,384	$	1,668	$	18,257	$	1,251

C. Changes in Government-wide Long-Term Debt

The following is a summary of the County's Long-Term Debt transactions for the year ended December 31, 2011:

Activity:		Balance 12/31/2010		New Issues		Retirement		Balance 12/31/2011		Due Within One Year
Governmental:										
Compensated Absences	$	4,094,263	$	124,830	$	-	$	4,219,093	$	49,327
General Obligation Bonds		22,431,663		0		1,145,534		21,286,129		1,184,074
Notes Payable		111,178		0		27,794		83,384		27,795
TOTAL	$	26,637,104	$	124,830	$	1,173,328	$	25,588,606	$	1,261,196
Business-Type:										
Compensated Absences	$	126,710.00		9,401		0	$	136,111.00		0
Notes Payable		25,008		0		6,751	$	18,257.00		7,059
TOTAL	$	151,718	$	9,401	$	6,751	$	154,368	$	7,059

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Internal service funds predominantly serve the governmental funds. Accordingly, internal service fund long-term liabilities are included as part of the above totals for governmental activities. At year end $344,420 of internal service funds compensated absences are included in the above amounts. Additionally, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the responsible fund.

D. Assets Available for Long-Term Debt

At December 31, 2011, the county has $11,577 available in the debt service funds. The general fund and other county funds will transfer assets as required to service the general obligation bonded debt. Other debt is serviced by assets within the responsible fund.

E. Legal Debt Margin

State law sets the county's limitation on external long-term debt as follows:

Purpose of Indebtedness	Remaining Capacity	
General Government - No Vote Required	$	98,001,216
General Government - Vote Required	$	77,505,699

F. Prior Years' Debt Defeasance

In prior years, the county defeased three bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government wide financial statements. As of December 31, 2011, the amount of defeased debt outstanding but removed from the Solid Waste Disposal District amounted to $2,895,000 and the Governmental Long Term Debt amounted to $12,480,000.

G. Arbitrage

Governments may incur a liability to the federal government for arbitrage rebate if they earn more interest on the reinvested proceeds of tax-exempt debt than they incur on the underlying debt itself. The County has a review of potential arbitrage rebate conducted every five years on each outstanding bond issue. Based on the results of these periodic reviews, there is no arbitrage rebate on any of the County's outstanding debt issue.

H. Conduit Debt

To provide for the construction of an event center and sports complex that constitutes a "regional center", the county has provided credit support for the Lewis County Public Facilities District (PFD) to issue limited sales tax obligation bonds. These bonds are limited obligations of the PFD authorized by RCW 36.100.060, payable from and secured by a pledge of sales tax and use tax revenue as authorized to be imposed by RCW 82.14.390. The bonds do not constitute county debt subject to constitutional or statutory limitations, and accordingly have not been reported in the accompanying financial statements. At December 31, 2011, the Public Facilities District limited sales tax obligations bonds outstanding amounted to $5,795,000.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 12 - JUDGMENTS AND CONTINGENCIES

The 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.

The county participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representative. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 13 - RESTRICTED NET ASSETS

The government-wide statement of net assets reports $410,048 of restricted net assets by enabling legislation (County Self-Insurance).

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables and Payables

Activity between funds for goods or services occurs throughout the year. The following table depicts interfund receivable and payable balances as of December 31, 2011:

Fund	Due to Other Funds	Due From Other Funds
General Fund	$ 602,645	$ 345,852
Roads Fund	686,987	175,339
Capital Facilities Fund	147,600	422,587
Nonmajor Governmental Funds	104,295	41,408
Internal Service Funds	10,481	293,485
Solid Waste Disposal District	161,298	-
Nonmajor Business Type Funds	47,181	481,816
Total	$ 1,760,487	$ 1,760,487

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

B. Interfund Loans

Periodically, there is a business need to authorize loans between funds, usually for cash flow requirements for the smaller funds. The following table displays interfund loan activity during 2011:

		Interfund Loans			
Borrowing Fund	Lending Fund	Balance 12/31/2010	New Loans	Payments Made	Balance 12/31/2011
Flood Authority	General	$ 150,000	$ -	$ -	$ 150,000
Packwood Airport	General	56,243	-	-	56,243
	TOTAL	$ 206,243	$ -	$ -	$ 206,243

Interfund Transfers

On an annual basis interfund transfers are used to move resources between funds for authorized purposes. The following table displays interfund transfers during 2011:

	Operating Transfers	
Fund Types	**In**	**Out**
General Fund	$ 141,992	$ 2,467,195
Roads Fund	99,822	99,822
Capital Facilities Plan	421,177	1,432,988
Nonmajor Governmental Funds	1,182,051	98,425
Internal Service Funds	25,000	-
Debt Service Funds	1,765,788	-
Business Type	462,600	-
TOTAL	**$ 4,098,430**	**$ 4,098,430**

NOTE 15 – JOINT VENTURE

Lewis County was jointly participating with the city of Centralia and the city of Chehalis in the Chehalis-Centralia Airport. The joint venture is organized under RCW 14.08.200. On August 24, 2005 by joint resolution of the cities of Centralia and Chehalis and Lewis County, the action authorized the removal of the City of Centralia from the Chehalis-Centralia airport joint operating agreement and the two positions on the governing board held by representatives of the city of Centralia were eliminated.

Chehalis-Centralia Airport is jointly governed by an appointed six member board of which Lewis County is a member. Currently three airport board members are appointed by Lewis County and three members are appointed by the City of Chehalis. The appointment of the seventh member is alternated between the two entities. Lewis County has a one-half equity interest in the Chehalis-Centralia Airport. The Chehalis-Centralia Airport prepares its financial statements on a cash basis. The ending balance of cash and investments at as of December 31, 2011 was $1,591,383.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Debt related to the Chehalis-Centralia Airport consists of a bond issued by Lewis County in 2007 on behalf of the Chehalis-Centralia Airport in the amount of $3,500,000. The Chehalis-Centralia Airport makes the payments to Lewis County. The balance as of December 31, 2011 was $2,646,129.

Financial statements for the Chehalis-Centralia Airport can be obtained from its administrator at the Airport, PO Box 1344, Chehalis, WA 98532.

NOTE 16 - CLOSURE AND POSTCLOSURE CARE COST

On August 28, 1990, the Centralia Landfill was listed on the Washington State Hazardous Sites List pursuant to Chapter 70, 105D RCW, the Model Toxics Control Act, and WAC 173-340-330, and on August 30, 1990, the Landfill was added to the Federal National Priorities List (NPL) pursuant to 42 U.S.C. Section 9605 of the Comprehensive Environment Response, Compensation, and Liability Act (CERCLA or Superfund). As a result of these listings, it was necessary for the Landfill to be remediated pursuant to the requirements of these laws.

On May 1, 1990 an Interlocal agreement was made between the various municipalities within Lewis County forming the Centralia Landfill Closure Group (CLCG) regarding the closure of the Centralia landfill. The municipalities, by the agreement, commit to take all action reasonably necessary to comply with the Environmental Laws and to share the costs of such compliance. Lewis County's (unincorporated portion) potential liability represents 48.85% of the closure costs.

In addition to the municipalities, other PLPs (Potentially Liable Parties) and insurance carriers for the municipalities have been identified. The Washington State Department of Ecology (DOE) has evaluated information related to each PLP and found that credible evidence existed to notify two firms of their potential liability. Insurance carriers for the municipalities have been involved at various levels of the closure process, assisting in the duty to defend and to cover costs of the closure. As of December 1997, $3,430,481 had been recovered from insurance carriers.

During 1993, Lewis County concluded the process of forming a countywide Solid Waste Disposal District. Reportable financial activity of the district began in the spring of 1994, then, the district assumed the local county's share of the liability for the Centralia Landfill closure. The maximum liability to the Lewis County Solid Waste Disposal District as well as all signatory municipalities to the landfill closure interlocal agreement is capped at $13 million.

Also in 1994, the Lewis County Solid Waste Disposal District #1 forwarded the sum of $8.7 million to the city of Centralia to fulfill the assumption of the local county's share of the liability for the Centralia Landfill closure. Therefore, the potential remaining obligation to the Disposal District as well as all signing municipalities is $4.3 million with Lewis County either alone or through its Disposal District, responsible for 48.85% of that $4.3 million ($2.1 million). However, current estimates indicate that there may be no future costs to Lewis County; accordingly, no additional liabilities for closure have been recorded in the Lewis County Solid Waste Disposal District fund.

Since the closure project is currently included on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" and "Superfund"), there is potential financial assistance available through the State of Washington Department of Ecology for a percentage (historically 75%) of the closure costs. As of December 1997, the CLCG had received a total of $7,909,813 from 1991 through 1997 in grant proceeds from the Department of Ecology. Current assessments indicate that future Ecology

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

participation in closure activities will be in the area of 40% participation due to declining resources at the state level.

Interim action has been completed, pursuant to an initial consent decree, to provide a final cover over closed portions of the landfill. Completion of this project will reduce ultimate closure costs. The estimated total cost for the interim action was over $9.6 million, with financial assistance from the Washington State DOE. Lewis County's share is represented by 48.85% of the local cost. The sale of the bonds in 1994 partially offset those costs.

Within the landfill closure account managed by the CLCG, there have been adequate resources (factoring the $8.7 million forwarded to the CLCG by the Disposal District) to cover costs associated with remedial work undertaken thus far. A payment of $250,940 from the Solid Waste Disposal District to the CLCG was required during the year. At the end of 2011, approximately $128,580 remained in the City of Centralia Landfill Operating Trust Account, administered by the CLCG.

Significant decreases in the fund were the result of expenditures for post closure mitigation and the return of $8.7 million to Lewis County Solid Waste Disposal District #1. Increases to the landfill closure fund were the result of changes in known circumstances. The liability will continue to change as expenditures occur and as known circumstances occur due to the engineering determinations, inflation, deflation, technology or applicable laws or regulations and the completion of Remedial Investigation, Feasibility Study, and Closure Action Plan (RI/FS/CAP) negotiations with the Department of Ecology.

The CLCG, PLPs and insurance carriers have negotiated for the second consent decree with the Washington State DOE. A Remedial Investigation and Feasibility Study (RI/FS) has begun. Once completed, the results will be used to formulate the Closure Action Plan (CAP) which was completed in 2001. This plan will be approved by the DOE. It is possible that the landfill will be de-listed from CERCLA at the completion of the RI/FS because of pressure on the Environmental Protection Agency from the United States Congress, but that possibility is remote.

In April 1997, the Centralia Landfill Closure Group forwarded $8.7 million to the Lewis County Solid Waste Disposal District, as these funds were no longer needed for landfill closure costs. On May 6, 1997, this money, along with other funds set aside in the Solid Waste Disposal District fund as debt service reserves, were utilized to defease the $9,485,000 of the District's 1994 Revenue Bonds. The District acquired and deposited U.S. Government obligations irrevocably in escrow with First Trust National Association, Seattle, Washington, in amounts sufficient to pay the principal of and interest on the 1994 bonds through the final date of maturity, November 1, 2015. The payment of the debt service on the 1994 Bonds will be made solely from the U.S. Government Obligations and no longer constitutes a lien and charge on the revenues of the District.

The total costs to Lewis County Solid Waste Disposal District in the future, and the period of time over which such costs will be incurred are reasonably predictable at this time.

NOTE 17 - OTHER DISCLOSURES

A. Changes to Funds

New funds established in 2011:
Fund 110: Chemical Dependency/Mental Health/ Therapeutic Courts (CD/MH/TC)

Existing funds dissolved in 2011:
Fund 192: Senior Transportation
Fund 199: Senior Services

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

B. Accounting and Reporting Changes
The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. Balances previously reported as reserved and unreserved are now reported as Nonspendable, restricted, committed, assigned, or unassigned. Please see Note 1.E.13 for fund balance descriptions.
The following funds previously classified as Special Revenue Funds that do not qualify as such per GASB Statement No. 54 were reclassified to the General Fund. This reclassification included a restatement of the beginning fund balance for the General Fund:

General Fund Beginning Fund Balance:	$9,255,565
Addition of Rolled Funds:	
Flood Control Zone #125	72,567
Election reserve #158	114,156
Sheriff's Airplane #162	6,960
SWWF Entertainment Reserve #198	34
Senior Services #199	99,858
General Fund Beginning Fund Balances after GASB 54 implementation:	$9,549,140
Roads Fund Beginning Fund Balance:	$10,123,697
Addition of Paths & Trails #128	103,503
Roads Fund Beginning Fund Balance after GASB 54 implementation:	$10,227,200

C. Subsequent Events
In 2012 the County intends to issue General Limited Tax Obligation Refunding Bonds to refund the county's outstanding series 2003 General Limited Tax Obligation Bonds issued in 2003.

The County is unaware of the occurrence of any additional subsequent events that would be material to the County's financial statements for the year ending December 31, 2011.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For The Year Ended December 31, 2011

	General Fund			
	Budget		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes	$ 19,305,896	$ 19,305,896	$ 20,549,331	$ 1,243,435
Licenses & Permits	25,800	25,800	28,197	2,397
Intergovernmental	5,764,465	5,959,499	5,788,083	(171,416)
Charges for Services	2,420,695	2,431,993	2,491,802	59,809
Fines & Forfeits	1,684,746	1,684,746	1,595,074	(89,672)
Miscellaneous	2,652,391	2,611,456	1,939,551	(671,905)
Total Revenues	31,853,993	32,019,390	32,392,038	372,648
Expenditures				
Current:				
General Government Services	13,936,586	14,136,402	13,377,697	758,705
Security of Persons & Property	15,349,178	15,537,063	14,978,230	558,833
Utilities & Environment	476,609	489,889	475,595	14,294
Economic Environment	101,800	101,800	101,500	300
Mental & Physical Health	288,452	335,933	327,387	8,546
Culture & Recreation	196,453	197,712	184,320	13,392
Total Expenditures	30,349,078	30,798,799	29,444,729	1,354,070
Excess of Rev. Over (Under) Expend.	1,504,915	1,220,591	2,947,309	1,726,718
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Assets	830,000	830,000	1,868,703	1,038,703
Transfers-In	71,330	124,992	182,559	57,567
Transfers-Out	(2,406,245)	(2,608,076)	(2,467,196)	140,880
Total Other Financing Sources/(Uses)	(1,504,915)	(1,653,084)	(415,934)	1,237,150
Excess of Revenues and Other Financing Sources/ (Uses) Over (Under) Expenditures	-	(432,493)	2,531,375	2,963,868
Fund Balance as of January 1	9,255,565	9,255,565	9,255,565	-
Fund Balance as of December 31	$ 9,255,565	$ 8,823,072	$ 11,786,940	$ 2,963,868

Perspective Difference Reconciliation:

Actual Fund Balance - Schedule of Revenues, Expenditures, And Changes in Fund Balance	$ 11,786,940
The Following funds were budgeted as special revenue funds but do not meet the definition of such under Gasb Statement No. 54 and; therefore, are accounted for within the General Fund:	
Flood Control Zone #125	15,000
Cowlitz River Basin Subzone #126	15,000
Election Reserve #158	97,224
Sheriff's Airplane #162	2,194
SWW Fair Entertainment Reserve #197	34
Senior Services #199	-
Total Fund Balance - General Fund Balance Sheet for Governmental Funds	$ 11,916,392

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For The Year Ended December 31, 2011

	Special Revenue: Roads			
	Budget		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes	$ 12,219,820	$ 12,219,820	$ 12,773,864	$ 554,044
Licenses & Permits	15,000	15,000	29,023	14,023
Intergovernmental	9,271,925	9,271,925	5,281,350	(3,990,575)
Charges for Services	113,150	113,150	322,818	209,668
Fines & Forfeits	-	-	2	2
Miscellaneous	62,545	62,545	104,492	41,947
Total Revenues	21,682,440	21,682,440	18,511,549	(3,170,891)
Expenditures				
Current:				
General Government Services	500	500	61	439
Utilities & Environment	1,142,896	1,142,896	787,019	355,877
Transportation	14,287,186	14,296,031	14,008,604	287,427
Debt Service:				
Interest & Other Debt Service	1,500	1,500	1,112	388
Capital Outlays	9,070,970	9,070,970	4,257,979	4,812,991
Total Expenditures	24,503,052	24,511,897	19,054,775	5,457,122
Excess of Rev. Over (Under) Expend.	(2,820,612)	(2,829,457)	(543,226)	2,286,231
Other Financing Sources/(Uses)				
Insurance Recoveries		-	2,868	2,868
Proceeds from Sale of Capital Assets	600,000	600,000	2,176,172	1,576,172
Transfers-In	40,000	40,000	99,822	59,822
Transfers-Out	(15,902)	(15,902)	(99,822)	(83,920)
Total Other Financing Sources/(Uses)	624,098	624,098	2,179,040	1,554,942
Excess of Revenues and Other Financing Sources/ (Uses) Over (Under) Expenditures	(2,196,514)	(2,205,359)	1,635,814	3,841,173
Fund Balance as of January 1	10,123,697	10,123,697	10,123,697	-
Fund Balance as of December 31	$ 7,927,183	$ 7,918,338	$ 11,759,511	$ 3,841,173

Perspective Difference Reconciliation:	
Actual Fund Balance - Schedule of Revenues, Expenditures, And Changes in Fund Balance	11,759,511
The Following fund wase budgeted as special revenue fund but does not meet the definition of such under Gasb Statement No. 54 and; therefore, is accounted for within the Roads Fund:	
Paths & Trails #128	103,503
Total Fund Balance - Roads Fund Balance Sheet	11,863,014

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For The Year Ended December 31, 2011

	Capital Facilities Plan Fund			
	Budget		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes	$ 1,600,075	$ 1,600,075	$ 1,741,171	$ 141,096
Intergovernmental	-	-	1,410	1,410
Miscellaneous	150,918	150,918	231,837	80,919
Total Revenues	1,750,993	1,750,993	1,974,418	223,425
Expenditures				
Current:				
General Government Services	576,250	679,250	429,777	249,473
Security of Persons & Property	-	10,000	36,601	(26,601)
Mental & Physical Health	-	50,000	48,470	1,530
Culture & Recreation	-		1,296	(1,296)
Capital Outlays	205,000	455,000	295,239	159,761
Total Expenditures	781,250	1,194,250	811,383	382,867
Excess of Rev. Over (Under) Expend.	969,743	556,743	1,163,035	606,292
Other Financing Sources/(Uses)				
Transfers-In	667,600	770,600	421,177	(349,423)
Transfers-Out	(1,286,368)	(1,433,968)	(1,432,988)	980
Total Other Financing Sources/(Uses)	(618,768)	(663,368)	(1,011,811)	(348,443)
Excess of Revenues and Other Financing Sources/ (Uses) Over (Under) Expenditures	350,975	(106,625)	151,224	257,849
Fund Balance as of January 1	5,975,776	5,975,776	5,975,776	-
Fund Balance as of December 31	$ 6,326,751	$ 5,869,151	$ 6,127,000	$ 257,849

LEWIS COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Assistance Received Directly From a Federal Agency or Indirectly Through a State Agency

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Expenditures ($) From Pass-Through Awards	Expenditures ($) From Direct Awards	Expenditures ($) Total	Note Ref.
U.S. Office of National Drug Control Policy Passed-Through Educational Service District 105						
Northwest High Intensity Drug Trafficking Area	07.G09NW00 03A	9000000001	33,270		33,270	12
Total CFDA# 07.G09NW0003A			***33,270***		***33,270***	
Total U.S. Office of National Drug Control Policy Passed-Through Educational Service District 105			**33,270**		**33,270**	
U.S. Department of Agriculture Passed-Through Washington State Department of Agriculture						
National School Lunch Program	10.555	N/A	26,926		26,926	4
Total CFDA# 10.555			***26,926***		***26,926***	
Total U.S. Department of Agriculture Passed-Through Washington State Department of Agriculture			**26,926**		**26,926**	
U.S. Department of Agriculture Passed-Through Washington State Department of Health						
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C14954	442,317		442,317	
Total CFDA# 10.557			***442,317***		***442,317***	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	C14954	475		475	
Total CFDA# 10.572			***475***		***475***	
Total U.S. Department of Agriculture Passed-Through Washington State Department of Health			**442,792**		**442,792**	
U.S. Department of Agriculture Forest Service						
Schools and Roads_Grants to States	10.665	07-PA-11060300-037		45,427	45,427	10 (b)
Schools and Roads_Grants to States	10.665	P.L. 110-343		104,920	104,920	11 (a)
Schools and Roads_Grants to States	10.665	P.L. 110-343.		1,114,773	1,114,773	
Total CFDA# 10.665				***1,265,120***	***1,265,120***	
Total U.S. Department of Agriculture Forest Service				**1,265,120**	**1,265,120**	
U.S. Department of Housing & Urban Development Passed-Through Washington State Department of Commerce						
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	07-64007-020	68,722		68,722	11 (b)
Total CFDA# 14.228			***68,722***		***68,722***	
Emergency Shelter Grants Program	14.231	10-46000-220	86,003		86,003	11 (c)
Total CFDA# 14.231			***86,003***		***86,003***	
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	10-46111-616	143,590		143,590	9 & 11 (d)
Total CFDA# 14.257			***143,590***		***143,590***	
Total U.S. Department of Housing & Urban Development Passed-Through Washington State Department of Commerce			**298,315**		**298,315**	
U.S. Department of Housing & Urban Development						
Supportive Housing Program	14.235	WA0091B0T010802		37,096	37,096	11 (e)

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule

LEWIS COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Assistance Received Directly From a Federal Agency or Indirectly Through a State Agency

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Expenditures ($) From Pass-Through Awards	From Direct Awards	Total	Note Ref.
Continued:						
Supportive Housing Program	14.235	WA0091B0T011003		79,764	79,764	11 (e)
Total CFDA# 14.235				***116,860***	***116,860***	
Total U.S. Department of Housing & Urban Development				**116,860**	**116,860**	
U.S. Department of Housing & Urban Development Passed-Through Housing Authority of the City of Longview						
Housing Opportunities for Persons with AIDS (A,B)	14.241	09-46201-07	1,314		1,314	
Total CFDA# 14.241			***1,314***		***1,314***	
Total U.S. Department of Housing & Urban Development Passed-Through Housing Authority of the City of Longview			**1,314**		**1,314**	
U.S. Department of Justice Passed-Through Washington State Patrol						
Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004	C110854FED	675		675	
Total CFDA# 16.004			***675***		***675***	
Total U.S. Department of Justice Passed-Through Washington State Patrol			**675**		**675**	
U.S. Department of Justice Passed-Through Washington State Department of Social & Health Services						
Juvenile Accountability Block Grants	16.523	0663-98334-05	5,600		5,600	
Juvenile Accountability Block Grants	16.523	0663-98334-06	5,162		5,162	
Total CFDA# 16.523			***10,762***		***10,762***	
Enforcing Underage Drinking Laws Program	16.727	OPS DM #82-10	1,000		1,000	
Total CFDA# 16.727			***1,000***		***1,000***	
Total U.S. Department of Justice Passed-Through Washington State Department of Social & Health Services			**11,762**		**11,762**	
U.S. Department of Justice						
Bulletproof Vest Partnership Program	16.607	2009BUBX0904977‹		1,753	1,753	
Bulletproof Vest Partnership Program	16.607	2010BUBX1005425‹		3,125	3,125	
Total CFDA# 16.607				***4,878***	***4,878***	
Juvenile Mentoring Program	16.726	2008-JU-FX-0026		137,946	137,946	11 (f)
Total CFDA# 16.726				***137,946***	***137,946***	
Total U.S. Department of Justice				**142,824**	**142,824**	
U.S. Department of Justice Passed-Through Washington Association of Sheriffs & Police Chiefs						
Public Safety Partnership and Community Policing Grants	16.710	WSMI 10104	6,877		6,877	
Total CFDA# 16.710			***6,877***		***6,877***	
Total U.S. Department of Justice Passed-Through Washington Association of Sheriffs & Police Chiefs			**6,877**		**6,877**	
U.S. Department of Justice Passed-Through Washington State Department of Commerce						
Public Safety Partnership and Community Policing Grants	16.710	M08-66100-121D	6,883		6,883	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule

LEWIS COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Assistance Received Directly From a Federal Agency or Indirectly Through a State Agency

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Expenditures ($) From Pass-Through Awards	From Direct Awards	Total	Note Ref.
Continued:						
Public Safety Partnership and Community Policing Grants	16.710	M08-66100-121E	2,425		2,425	
Total CFDA# 16.710			***9,308***		***9,308***	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	F10-34021-034	21,742		21,742	
Total CFDA# 16.738			***21,742***		***21,742***	
Total U.S. Department of Justice Passed-Through Washington State Department of Commerce			**31,050**		**31,050**	
U.S. Department of Transportation						
Airport Improvement Program	20.106	DOT-FA09NM-0053		2,146	2,146	13 (a)
Airport Improvement Program	20.106	DOT-FA09NM-0196		3,277	3,277	14 (a)
Airport Improvement Program	20.106	DOT-FA10NM-0039		47,269	47,269	
Airport Improvement Program	20.106	DOT-FA11NM-0080		20,667	20,667	
Total CFDA# 20.106				***73,359***	***73,359***	
Highway Planning and Construction	20.205	DTFH70-10-E-00035		325,000	325,000	
Total CFDA# 20.205				***325,000***	***325,000***	
Total U.S. Department of Transportation				**398,359**	**398,359**	
U.S. Department of Transportation Passed-Through Washington State Department of Transportation						
Highway Planning and Construction	20.205	LA-5452	601,384		601,384	15
Highway Planning and Construction	20.205	LA-6450	21,398		21,398	14 (b)
Highway Planning and Construction	20.205	LA-6941	49,570		49,570	7
Highway Planning and Construction	20.205	LA-7204	191,055		191,055	7
Highway Planning and Construction	20.205	LA-7391	10,261		10,261	
Highway Planning and Construction	20.205	LA-7444	18,172		18,172	
Total CFDA# 20.205			***891,840***		***891,840***	
Total U.S. Department of Transportation Passed-Through Washington State Department of Transportation			**891,840**		**891,840**	
U.S. Department of Transportation Passed-Through Washington Traffic Safety Commission						
State and Community Highway Safety	20.600	11ST-02	8,853		8,853	
State and Community Highway Safety	20.600	2013ST	3,156		3,156	
State and Community Highway Safety	20.600	N/A	3,190		3,190	4
Total CFDA# 20.600			***15,199***		***15,199***	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	7,416		7,416	4
Total CFDA# 20.601			***7,416***		***7,416***	
Occupant Protection Incentive Grants	20.602	N/A	1,867		1,867	4
Total CFDA# 20.602			***1,867***		***1,867***	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule

LEWIS COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Assistance Received Directly From a Federal Agency or Indirectly Through a State Agency

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Expenditures ($) From Pass-Through Awards	From Direct Awards	Total	Note Ref.
Continued:						
Total U.S. Department of Transportation Passed-Through Washington Traffic Safety Commission			**24,482**		**24,482**	
U.S. Environmental Protection Agency Passed-Through Washington State Department of Commerce's Public Works Board						
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM10-952-005	183,180		183,180	3
Total CFDA# 66.468			***183,180***		***183,180***	
Total U.S. Environmental Protection Agency Passed-Through Washington State Department of Commerce's Public Works Board			**183,180**		**183,180**	
U.S. Environmental Protection Agency Passed-Through Washington State Department of Health						
Capitalization Grants for Drinking Water State Revolving Funds.	66.468	C14954	36,150		36,150	
Total CFDA# 66.468			***36,150***		***36,150***	
Total U.S. Environmental Protection Agency Passed-Through Washington State Department of Health			**36,150**		**36,150**	
U.S. Department of Health & Human Services Passed-Through National Association of County and City Health Officials						
Medical Reserve Corps Small Grant Program	93.008	MRC 11 1760	519		519	
Total CFDA# 93.008			***519***		***519***	
Total U.S. Department of Health & Human Services Passed-Through National Association of County and City Health Officials			**519**		**519**	
U.S. Department of Health & Human Services Passed-Through Washington State Department of Health						
Public Health Emergency Preparedness	93.069	C14954	159,606		159,606	
Total CFDA# 93.069			***159,606***		***159,606***	
Maternal and Child Health Federal Consolidated Programs	93.110	C14954	1,346		1,346	
Total CFDA# 93.110			***1,346***		***1,346***	
Affordable Care Act (ACA) Abstinence Education Program	93.235	C14954	40,281		40,281	
Total CFDA# 93.235			***40,281***		***40,281***	
Grants to States to Support Oral Health Workforce Activities	93.236	C14954	23,611		23,611	
Total CFDA# 93.236			***23,611***		***23,611***	
Immunization Grants	93.268	C14954	39,466		39,466	
Immunization Grants	93.268	Donated Vaccine	41,142		41,142	5
Total CFDA# 93.268			***80,608***		***80,608***	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C14954	4,511		4,511	
Total CFDA# 93.283			***4,511***		***4,511***	
Pregnancy Assistance Fund Program	93.500	C14954	10,673		10,673	
Total CFDA# 93.500			***10,673***		***10,673***	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule

LEWIS COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Assistance Received Directly From a Federal Agency or Indirectly Through a State Agency

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Expenditures ($) From Pass-Through Awards	From Direct Awards	Total	Note Ref.
Continued:						
ARRA - Immunization	93.712	C14954	1,959		1,959	9
Total CFDA# 93.712			***1,959***		***1,959***	
National Bioterrorism Hospital Preparedness Program	93.889	C14954	1,943		1,943	
Total CFDA# 93.889			***1,943***		***1,943***	
HIV Care Formula Grant	93.917	C14954	4,125		4,125	
Total CFDA# 93.917			***4,125***		***4,125***	
Preventive Health and Health Services Block Grant	93.991	C14954	8,750		8,750	
Total CFDA# 93.991			***8,750***		***8,750***	
Maternal and Child Health Services Block Grant to the States	93.994	C14954	68,942		68,942	
Total CFDA# 93.994			***68,942***		***68,942***	
Total U.S. Department of Health & Human Services Passed-Through Washington State Department of Health			**406,355**		**406,355**	
U.S. Department of Health & Human Services Passed-Through Washington State Department of Social & Health Services						
Child Support Enforcement	93.563	0763-15018	21,158		21,158	10 (a)
Child Support Enforcement	93.563	2110-81382	345,924		345,924	10 (a)
Total CFDA# 93.563			***367,082***		***367,082***	
Foster Care_Title IV-E	93.658	0969-70218-01	1,917		1,917	
Foster Care_Title IV-E	93.658	0969-70218-02	363		363	
Total CFDA# 93.658			***2,280***		***2,280***	
Medical Assistance Program	93.778	0963-68047	39,531		39,531	11 (g)
Medical Assistance Program	93.778	0966-53186	68,438		68,438	8 & 10 (c)
Medical Assistance Program	93.778	1163-27316	30,670		30,670	11 (g)
Total CFDA# 93.778			***138,639***		***138,639***	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	0963-68047	68,355		68,355	11 (h)
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27316	33,833		33,833	11 (h)
Total CFDA# 93.959			***102,188***		***102,188***	
Total U.S. Department of Health & Human Services Passed-Through Washington State Department of Social & Health Services			**610,189**		**610,189**	
U.S. Department of Homeland Security Passed-Through Thurston County Emergency Management						
Homeland Security Grant Program	97.004	29A-2011-056	2,697		2,697	6
Total CFDA# 97.004			***2,697***		***2,697***	
Total U.S. Department of Homeland Security Passed-Through Thurston County Emergency Management			**2,697**		**2,697**	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule

LEWIS COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Assistance Received Directly From a Federal Agency or Indirectly Through a State Agency

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Expenditures ($) From Pass-Through Awards	From Direct Awards	Total	Note Ref.
Continued:						
U.S. Department of Homeland Security Passed-Through Washington State Parks and Recreation Commission						
Boating Safety Financial Assistance	97.012	LE 911-222	6,807		6,807	13 (b)
Boating Safety Financial Assistance	97.012	LE 911-417	13,289		13,289	
Total CFDA# 97.012			***20,096***		***20,096***	
Total U.S. Department of Homeland Security Passed-Through Washington State Parks and Recreation Commission			**20,096**		**20,096**	
U.S. Department of Homeland Security Passed-Through Washington State Military Department						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-065 (1817-DR-WA)	245,242		245,242	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-717 (1671-DR-WA)	363,151		363,151	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-731 (1734-DR-WA)	149,310		149,310	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E11-016 (1963-DR-WA)	58,694		58,694	
Total CFDA# 97.036			***816,397***		***816,397***	
Emergency Management Performance Grants	97.042	E10-255	28,989		28,989	
Emergency Management Performance Grants	97.042	E12-093	12,217		12,217	
Total CFDA# 97.042			***41,206***		***41,206***	
Homeland Security Grant Program	97.067	E11-134	17,240		17,240	
Homeland Security Grant Program	97.067	E11-275A	32,173		32,173	
Total CFDA# 97.067			***49,413***		***49,413***	
Total U.S. Department of Homeland Security Passed-Through Washington State Military Department			**907,016**		**907,016**	
U.S. Department of Homeland Security Passed-Through Thurston County Emergency Management						
Homeland Security Grant Program.	97.067	29A-2011-054	6,266		6,266	
Total CFDA# 97.067			***6,266***		***6,266***	
Total U.S. Department of Homeland Security Passed-Through Thurston County Emergency Management			**6,266**		**6,266**	
TOTAL FEDERAL ASSISTANCE			**3,941,771**	**1,923,163**	**5,864,934**	

The Accompanying Notes To The Schedule Of Expenditures Of Federal Awards Are An Integral Part Of This Schedule

LEWIS COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2011

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the county's financial statements. The county uses accural basis of accounting for all funds except governmental funds, which use the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - FEDERAL LOANS

The county was approved by the Environmental Protection Agency and the Washington State Department of Commerce's Public Works Board to receive a loan totalling $721,822 to improve its drinking water system. The amount listed for this loan includes the proceeds received during the year.

NOTE 4 - NOT AVAILABLE (N/A)

The county was unable to obtain another identification number.

NOTE 5 - NONCASH AWARDS - VACCINATIONS

The amount of vaccine reported on the schedule is the value of vaccine received and distributed by the county during the year and priced as prescribed by the Washington Department of Health.

NOTE 6 - NONCASH AWARDS - EQUIPMENT

The county received equipment that was purchased with federal Homeland Security funds by Thurston County Emergency Management. The amount reported on the schedule is the value of the property provided by Thurston County Emergency Management on the date it was received by the county.

NOTE 7 - SUPPLEMENTAL GRANT AWARDS

Federal awards for the construction projects funded by contracts LA-6941 and LA-7204 under CFDA 20.205 "Highway Planning and Construction" were exhausted during 2010. Subsequent funding was awarded in 2011 to allow reimbursement of additional project costs, including expenditures incurred in 2010 after the original funding was exhausted.

LA-6941 incurred costs of $6,965 in 2010. These costs became reimbursable through a supplemental agreement finalized December 2011.
LA-7204 incurred costs of $191,055 in 2010. These costs became reimbursable through a supplemental agreement finalized June 2011.

The expenditures incurred in 2010 that did not become reimbursable until 2011 have been included in the expenditure totals reported on the 2011 Schedule of Expenditures of Federal Awards.

NOTE 8 - MEDICAL ASSISTANCE PROGRAM

A portion of the reimbursement for contract #0966-53186 is based on expenditures occuring during the third and fourth quarters of 2010. Due to the length of time needed to prepare the billing information, the amount of expenditures associated with the third and fourth quarters of 2010 were not determined in time to be included in the 2010 Financial Statements.

NOTE 9 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

LEWIS COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2011

NOTE 10 - INDIRECT COST RATE

(a) The amount expended for "Child Support Enforcement" (CFDA 93.563) includes $2,038 from Contract Number 0763-15018 and $32,647 from Contract Number 2110-81382 claimed as an indirect cost recovery using an indirect cost rate of 16.83% as approved by the Board of County Commissioners on March 7, 2011 through Resolution #11-071.

(b) The amount expended for "Schools and Roads Grants to States (CFDA 10.665) includes $1,944 from Contract Number 07-PA11060300-037 claimed as an indirect cost recovery. The rate of 12.12% in effect for 2010 as approved by the Board of County Commissioners on September 28, 2009 through Resolution #09-331 was inadvertently used instead of the rate of 16.83% in effect for 2011.

(c) The amount expended for "Medical Assistance Program" (CFDA 93.778) includes $6,853 from Contract Number 0966-53186 claimed as an indirect cost recovery. The rate of 12.12% in effect for 2010 as approved by the Board of County Commissioners on September 28, 2009 through Resolution #09-331 was inadvertently used instead of the rate of 16.83% in effect for 2011.

NOTE 11 - AMOUNTS AWARDED TO SUBRECIPIENTS

(a) Included in the total amount expended for "Schools and Roads" (CFDA number 10.665) is $150,000, which was passed through to subrecipents that administered their own projects. This amount includes both current and prior year Title III funds.

(b) Included in the total amount expended for "Community Development Block Grants" (CFDA number 14.228) is $68,722 from Contract Number 07-64007-020 that was passed through to subrecipents that administered their own projects.

(c) Included in the total amount expended for "Emergency Shelter" (CFDA number 14.231) is $86,003 from Contract Number 10-46000-220 that was passed through to subrecipents that administered their own projects.

(d) Included in the total amount expended for "ARRA - Homelessness Prevention and Rapid Re-Housing Program" (CFDA number 14.257) is $140,779 from Contract Number 10-46111-616 that was passed through to subrecipents that administered their own projects.

(e) Included in the total amount expended for "Supportive Housing Program" (CFDA number 14.235) is $36,201 from Contract Number WA0091B0T010802 and $78,022 from Contract Number WA0091B0T011003 that was passed through to subrecipents that administered their own projects.

(f) Included in the total amount expended for "Juvenile Mentoring Program" (CFDA number 16.726) is $132,914 from Contract Number 2008-JU-FX-0026 that was passed through to subrecipents that administered their own projects.

(g) Included in the total amount expended for "Medical Assistance Program" (CFDA number 93.778) is $39,531 from Contract Number 0963-68047 and $30,670 from Contract Number 1163-27316 that was passed through to subrecipents that administered their own projects.

(h) Included in the total amount expended for "Prevention/Treatment of Substance Abuse " (CFDA number 93.959) is $65,758 from Contract Number 0963-68047 and $23,850 from Contract Number 1163-27316 that was passed through to subrecipents that administered their own projects.

NOTE 12 - CFDA NUMBER

The Office of National Drug Control Policy does not use CFDA numbers. The CFDA number provided on the Schedule of Expenditures of Federal Awards was determined per guidance provided in the Budgeting, Accounting, and Reporting System Manual using the Federal Agency's Grant Award Number G09NW0003A.

LEWIS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

NOTE 13 - OVER REPORTED 2010 EXPENDITURES

(a) Expenditures of $2,146, which were incurrred in 2011 under CFDA number 20.106 "Airport Improvement Program" Contract Number DOT-FA09NM-0053, were reimbursed by revenue received in 2010. In 2010, expenditures were mistakenly billed and reimbursed twice. The excess revenue received was applied to expenditures incurred after the billing. A remainder of $5,962 excess revenue will be applied to expenditures incurred in 2012. Due to this billing error, expenditures were over reported by $8,108 on the 2010 Schedule of Expenditures of Federal Awards under CFDA number 20.106 "Airport Improvement Program" Contract Number DOT-FA09NM-0053.

(b) Expenditures of $289, which were incurred in 2011 under CFDA number 97.012 "Boating Safety Financial Assistance" Contract Number LE 911-222, were reimbursed by revenue received in 2010. In 2010, an error occurred on the hours billed to the grant, resulting in an overpayment. Due to this billing error, expenditures were over reported by $289 on the 2010 Schedule of Expenditures of Federal Awards under CFDA number 97.012 "Boating Safety Financial Assistance" Contract Number LE 911-222.

NOTE 14 - UNDER REPORTED 2010 EXPENDITURES

The following grants incurred expenditures in 2010 that were not included on the 2010 Schedule of Expenditures of Federal Awards. The 2010 expenditures are not included in the expenditure totals reported on the 2011 Schedule of Expenditures of Federal Awards.

(a) Under CFDA 20.106 "Airport Improvement Program," 2010 expenditures of $3,135 were not included since the eligibility of the costs was still being determined.

(b) Under CFDA 20.205 "Highway Planning and Construction" contract LA-6450, expenditures of $108,913 were incurred in 2010, but identification of the costs for billing was delayed until 2011.

NOTE 15 - 2011 EXPENDITURES INCURRED IN 2010

Expenditures of $293,273, reported under CFDA 20.205 "Highway Planning and Construction" contract LA-5452 on the 2011 Schedule of Expenditures of Federal Awards, were expenditures incurred in 2010 but not paid until 2011. These expenditures should have been reported as expenditures on the 2010 Schedule of Federal Awards, but were not identified as 2010 services until after the 2010 Schedule of Federal Awards was complete.

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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Deputy Chief of Staff	**Doug Cochran**
Chief Policy Advisor	**Jerry Pugnetti**
Director of Audit	**Chuck Pfeil, CPA**
Director of Performance Audit	**Larisa Benson**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte, CPA, CGFM**
Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
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