

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

---

**Lewis County**

Audit Period  
**January 1, 2010 through December 31, 2010**

**Report No. 1006320**

Issue Date  
**September 26, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 26, 2011

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

# Table of Contents

## Lewis County January 1, 2010 through December 31, 2010

Federal Summary .....	1
Schedule of Audit Findings and Responses .....	3
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> .....	6
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 .....	8
Independent Auditor's Report on Financial Statements.....	10
Financial Section.....	12

# Federal Summary

## Lewis County January 1, 2010 through December 31, 2010

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 identified 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:

<u>CFDA No.</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads Grants to States
14.228	Community Development Block Grants - State's Program
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act)
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$378,003.

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

# **Schedule of Audit Findings and Responses**

## **Lewis County January 1, 2010 through December 31, 2010**

- 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.**

### **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.

Government Auditing Standards, prescribed by the Comptroller General of the United States, requires the auditor to communicate significant deficiencies, as defined below in the Applicable Laws and Regulations section, as a finding.

### **Description of Condition**

We identified the following deficiencies in internal controls over financial reporting which when taken together represent a significant deficiency.

The County Budget/Fiscal Office performs accounting functions for the Public Works Department and sends a report to the County Auditor's Office detailing the expenditures to be reported on the SEFA. The Highway Planning and Construction grant (CFDA 20.205) was underreported by \$1,196,311. The Budget/Fiscal Office provided inaccurate information to the County Auditor's Office.

Further, the County Auditor's Office does not have a procedure to ensure the information received from the County Budget/Fiscal Office is accurate and complete before including it on the SEFA.

### **Cause of Condition**

The County manages grants at the department level. The County Budget/Fiscal Office employees responsible for reporting the amounts to the County Auditor's Office do not know how expenditures should be reported on the SEFA.

## **Effect of Condition**

Our audit determined the Highway Planning and Construction grant (CFDA 20.205) was underreported by \$1,196,311 on the SEFA. The County subsequently corrected this error.

Information on the SEFA is used for audit planning and by grantors. After receiving a corrected SEFA from the County, an additional federal program was selected for audit in order to meet the required 25 percent coverage.

An incorrect SEFA can delay an audit beyond the reporting deadline and cause unnecessary audit costs.

## **Recommendation**

We recommend any County employees responsible for federal grants have adequate training of the SEFA reporting requirements.

We also recommend the County establish and implement internal controls to ensure financial information received from departments that is used to prepare the SEFA is complete and accurate.

## **County's Response**

*The Board of County Commissioners has been informed that errors occurred in the preparation of certain reports provided by a County department to the County Auditor's Office detailing expenditures included in the Schedule of Expenditures of Federal Awards (SEFA). The departmental personnel involved were not fully trained in reporting expenditures on the SEFA and the County Auditor's Office relied on the inaccurate and incomplete information provided by the department.*

*The Board of County Commissioners will undertake the following corrective actions to address this deficiency:*

- 1. Ensure that relevant personnel in departments receiving federal grant funding provide training to their personnel in the procedures for reporting expenditures on the SEFA.*
- 2. Require departments receiving federal grant funding to make documentation and information available to the County Auditor as requested by the County Auditor or his staff in support of SEFA worksheets.*

*The County Auditor will:*

- 1. Request additional documentation or information as necessary to support the SEFA worksheets submitted by County departments receiving grant funding.*
- 2. Randomly and annually review the processes and documentation being used in the County departments receiving grant funding to ensure compliance with SEFA reporting requirements.*

## **Auditor's Remarks**

We appreciate the County's commitment to resolving the issues noted. We will review the status during the next audit.

## **Applicable Laws and Regulations**

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, states:

Section 300 – Auditee responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.

*Government Auditing Standards*, July 2007 Revision – Section 5.11 states that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

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



# **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, 2010 through December 31, 2010**

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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 2, 2011.

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 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 identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as Finding 1 that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **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*.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. We did not audit the County's response and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 2, 2011

**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, 2010 through December 31, 2010

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, 2010. 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, 2010.

## **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

September 2, 2011

# **Independent Auditor's Report on Financial Statements**

**Lewis County**  
**January 1, 2010 through December 31, 2010**

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, 2010, which collectively comprise the County's basic financial statements as listed on page 12. 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, 2010, 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.

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.

The management's discussion and analysis on pages 13 through 24 and budgetary comparison on pages 73 through 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 2, 2011

# **Financial Section**

**Lewis County**  
**January 1, 2010 through December 31, 2010**

## ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2010

## ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2010  
Statement of Activities – 2010  
Balance Sheet – Governmental Funds – 2010  
Reconciliation of the Balance Sheet to the to the Statement of Net Assets –  
Governmental Funds – 2010  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2010  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balance of Governmental Funds to the Statement of Activities – Governmental  
Funds – 2010  
Statement of Net Assets – Proprietary Funds – 2010  
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary  
Funds – 2010  
Statement of Cash Flows – Proprietary Funds – 2010  
Statement of Fiduciary Net Assets – Fiduciary Funds – 2010  
Notes to Financial Statements – 2010

## ***REQUIRED SUPPLEMENTAL INFORMATION***

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP  
Basis) to Actual – General Fund – 2010  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP  
Basis) to Actual – Special Revenue Roads Fund – 2010  
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP  
Basis) to Actual – Capital Facilities Plan Fund – 2010

## ***SUPPLEMENTAL INFORMATION***

Schedule of Expenditures of Federal Awards – 2010  
Notes to the Schedule of Expenditures of Federal Awards – 2010

## 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, 2010. 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 \$133 million (*net assets*). Of this amount, \$50.4 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$4.9 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 \$35.1 million, a decrease of \$3.6 million in comparison with the prior year. Approximately 93.5 percent of this total amount, \$32.8 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 \$7.7 million, or 22.6 percent of general fund expenditures and operating transfers out.
- Lewis County's total debt decreased by \$1.1 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 comprised 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 40 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. Data from the other 37 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 \$133 million at the close of the most recent fiscal year.

By far the largest portion of Lewis County's net assets (59.9 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	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 64,442,616	\$ 68,351,936	\$ 5,739,161	\$ 6,203,244	\$ 70,181,777	\$ 74,555,180
Capital Assets	95,585,130	96,821,875	3,771,852	3,276,377	99,356,982	100,098,252
<b>Total Assets</b>	<b>\$ 160,027,746</b>	<b>\$ 165,173,811</b>	<b>\$ 9,511,013</b>	<b>\$ 9,479,621</b>	<b>\$ 169,538,758</b>	<b>\$ 174,653,432</b>
Payables	\$ 7,818,672	\$ 7,114,672	\$ 533,764	\$ 510,908	\$ 8,352,436	\$ 7,625,580
Long-Term Debt	27,839,777	28,821,531	151,718	150,212	27,991,495	28,971,743
<b>Total Liabilities</b>	<b>35,658,449</b>	<b>35,936,203</b>	<b>685,482</b>	<b>661,120</b>	<b>36,343,931</b>	<b>36,597,323</b>
<b>Net Assets:</b>						
Invested in Capital, net of related debt	75,995,129	76,351,874	3,771,852	3,252,583	79,766,981	79,604,457
Restricted	397,671	397,671	416,023	378,842	813,694	776,513
Reserved for Other Purposes	46,722	380,499	-	-	46,722	380,499
Designated for Other Purposes	2,219,471	1,500,000	-	-	2,219,471	1,500,000
Unrestricted	45,710,304	50,607,564	4,637,656	5,187,076	50,347,960	55,794,640
<b>Total Net Assets</b>	<b>\$ 124,369,297</b>	<b>\$ 129,237,608</b>	<b>\$ 8,825,531</b>	<b>\$ 8,818,501</b>	<b>\$ 133,194,828</b>	<b>\$ 138,056,109</b>

An additional portion of Lewis County's net assets (0.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$50.4 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 \$37 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	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 14,002,670	\$ 14,552,419	\$ 6,982,393	\$ 6,849,260	\$ 20,985,063	\$ 21,401,679
Operating Grants and Contributions	14,486,638	15,050,112	901,813	536,591	15,388,451	15,586,703
Capital Grants and Contributions	3,799,145	2,826,994	-	-	3,799,145	2,826,994
<b>General Revenues:</b>						
Property Taxes	21,289,820	20,428,363	-	-	21,289,820	20,428,363
Private Harvest Taxes	970,073	872,646	-	-	970,073	872,646
Sales Tax	7,064,651	7,976,653	-	-	7,064,651	7,976,653
Excise Tax	5,618,040	5,413,215	-	-	5,618,040	5,413,215
Penalty and Interest Delinquent Tax	879,342	755,230	-	-	879,342	755,230
Investment Earnings	1,316,589	1,609,283	241	(2,261)	1,316,830	1,607,022
Miscellaneous	326,496	354,306	(50,412)	22,695	276,084	377,001
Gain on sale of capital assets	1,708,186	2,352,343	-	(33,984)	1,708,186	2,318,359
Fixed Asset Loss Recovery	99,011	-	-	-	99,011	-
<b>Total Revenues</b>	<b>71,560,661</b>	<b>72,191,564</b>	<b>7,834,035</b>	<b>7,372,301</b>	<b>79,394,696</b>	<b>79,563,865</b>
<b>Program Expenses Including Indirect Expenses:</b>						
General Government Services	16,306,011	16,046,871	-	-	16,306,011	16,046,871
Security of Persons & Property	21,345,478	21,987,971	-	-	21,345,478	21,987,971
Physical Environment	2,164,891	1,860,888	-	-	2,164,891	1,860,888
Transportation	24,056,584	20,801,434	-	-	24,056,584	20,801,434
Economic Environment	5,214,065	4,923,162	-	-	5,214,065	4,923,162
Mental & Physical Health	4,666,031	5,191,304	-	-	4,666,031	5,191,304
Culture & Recreation	1,635,266	2,219,593	-	-	1,635,266	2,219,593
Interest on Long-Term Debt	1,020,684	1,223,108	-	-	1,020,684	1,223,108
Solid Waste	-	-	7,557,715	7,384,519	7,557,715	7,384,519
Airport	-	-	360,212	358,861	360,212	358,861
Water Sewer	-	-	25,472	2,760	25,472	2,760
<b>Total Expenses</b>	<b>76,409,010</b>	<b>74,254,331</b>	<b>7,943,399</b>	<b>7,746,140</b>	<b>84,352,409</b>	<b>82,000,471</b>
Capital Contributions (Dispositions)	94,483	29,555	1,950	(7,502)	96,433	22,053
Transfers	(114,444)	(100,500)	114,444	100,500	-	-
Rounding Adjustment	(1)	-	-	-	(1)	-
<b>Change in Net Assets</b>	<b>(4,868,311)</b>	<b>(2,133,712)</b>	<b>7,030</b>	<b>(280,841)</b>	<b>(4,861,281)</b>	<b>(2,414,553)</b>
<b>Net Assets - Beginning of Year</b>	<b>129,237,608</b>	<b>131,371,320</b>	<b>8,818,501</b>	<b>9,099,342</b>	<b>138,056,109</b>	<b>140,470,662</b>
<b>Net Assets - End of Year</b>	<b>\$ 124,369,297</b>	<b>\$ 129,237,608</b>	<b>\$ 8,825,531</b>	<b>\$ 8,818,501</b>	<b>\$ 133,194,828</b>	<b>\$ 138,056,109</b>

The government's net assets decreased by \$4.9 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 decreased Lewis County's net assets by \$4.9 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 \$861 thousand (4.2 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 decreased by \$912 thousand (11.4 percent), which relates to significant down turn in economic conditions and the change to the destination based sales tax collection.

- Operating grants and intergovernmental revenues for governmental activities decreased by \$564 thousand (3.7 percent), which relates to decrease in grants and intergovernmental revenue the county received in 2010.
- Gain on sale of capital assets decreased by \$644 thousand (27.4 percent), which relates primarily to the sale of county assets.

### Expenses and Program Revenues—Governmental Activities

	Expenses	Program Revenue	Net (Expense) / Revenue
General Government Services	\$ 16,306,011	\$ 8,857,101	\$ (7,448,910)
Security of Persons & Property	21,345,478	5,946,013	(15,399,465)
Physical Environment	2,164,891	913,928	(1,250,963)
Transportation	24,056,584	9,502,046	(14,554,538)
Economic Environment	5,214,065	2,470,286	(2,743,779)
Mental & Physical Health	4,666,031	3,538,318	(1,127,713)
Culture & Recreation	1,635,266	1,060,761	(574,505)
Debt	1,020,684	-	(1,020,684)
	<u>\$ 76,409,010</u>	<u>\$ 32,288,453</u>	<u>\$ (44,120,557)</u>

### Revenues by Source—Governmental Activities

Charges for Services	\$ 14,002,670	19.54%
Operating Grants and Contributions	14,486,638	20.22%
Capital Grants and Contributions	3,799,145	5.30%
Property Taxes	21,289,820	29.71%
Other Taxes	14,532,106	20.28%
Investment Earnings	1,316,589	1.84%
Miscellaneous	326,496	0.46%
Capital Contributions (Dispositions)	94,483	0.13%
Capital Asset Loss Recovery	99,011	0.14%
Gain on Sales of Capital Assets	1,708,186	2.38%
	<u>\$ 71,655,144</u>	<u>100.00%</u>

For the most part, the decreases in expenses 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. Transportation was the only governmental activity with a measureable increase of \$3.3 million.

Revenues were flat with a very slight decrease of \$566 thousand.

**Business-type activities.** Business-type activities increased Lewis County’s net assets by \$7 thousand, accounting for 0.1 percent of the increase in the government’s business-type net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 1.9 percent. The Solid Waste Disposal District No. 1 accounts for a significant portion of this revenue source, which resulted from tipping fees. Revenues also increased as a result of a modest increase in demand. Together, these factors account for the \$133 thousand increase in charges for services for the Solid Waste Disposal District No. 1.
- Expenses related to the Solid Waste activity also increased slightly by \$173 thousand (2.3 percent) over the prior year.

**Expenses and Program Revenues—Business-type Activities**

	<b>Expenses</b>	<b>Program Revenue</b>	<b>Net (Expense) / Revenue</b>
Solid Waste	\$ 7,557,715	\$ 7,241,069	\$ (316,646)
Airport	360,212	643,137	282,925
Water Sewer	25,472	-	(25,472)
	<u>\$ 7,943,399</u>	<u>\$ 7,884,206</u>	<u>\$ (59,193)</u>

**Revenues by Source—Business-type Activities**

	<b>Revenue</b>	<b>Percent</b>
Charges for Services	\$ 6,982,393	89.11%
Operating Grants and Contributions	901,813	11.51%
Capital Grants and Contributions	-	0.00%
Investment Earnings	241	0.00%
Miscellaneous	(50,412)	-0.64%
Other Capital Contributions	1,950	0.02%
Gain (Loss) on Sales of Capital Assets	-	0.00%
	<u>\$ 7,835,985</u>	<u>100.00%</u>

## 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 \$35.1 million, a decrease of \$3.6 million in comparison with the prior year. Approximately 93.5 percent of this total amount (\$32.8 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 \$7.7 million, while total fund balance reached \$9.3 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 25.6 percent of total general fund expenditures, while total fund balance represents 30.7 percent of that same amount.

The fund balance of Lewis County's general fund decreased by \$1.6 million during the current fiscal year. There was a \$416 thousand increase in revenues, which were greater than expenditures by \$1.4 million, due in part because expenditures decreased by \$1.4 million. However, net negative other financing sources and uses of \$3.0 million resulted in revenues falling short of covering all expenses by \$1.6 million. 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 down-turn in economic conditions which has adversely impacted revenues from: charges for services, operating grants, sales tax and investment earnings

The debt service funds have a total fund balance of \$12 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 (\$0.9 thousand). There was a decrease in interest expenditures during the current period (\$194 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 \$4.1 million, and those for the non-major enterprise funds amounted to \$0.6 million. The slight decrease in net assets for the Solid Waste Disposal District No. 1 and an increase in all funds were \$514 thousand and \$7 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 reductions of \$130 thousand in most departments, and an decrease of \$911 thousand in other financing uses which were transfers out to other funds which fell short and required additional general fund dollars (1.0 million net decrease in departmental and other financing uses appropriations) and can be briefly summarized as follows:

- \$180 thousand in increases in general government activities
- \$379 thousand in decreases allocated to the various law and justice departments
- \$16 thousand in decreases allocated economic environment
- \$37 thousand in increases in mental and physical health
- \$7 thousand in decreases in culture and recreation
- \$42 thousand in increases in capital outlays
- \$911 thousand in decreases in operating transfers out to other funds

Of this change, \$83 thousand was funded out of miscellaneous increases in various revenue sources. As an additional offset to the budget changes, there was a \$0.6 million decrease in budgeted estimated ending fund balances. During the year actual revenues were less than original budgetary estimates, expenditures less than budgetary estimates, and the net effect after other financing uses lead to the use of \$1.6 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, 2010, amounts to \$99.4 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 0.7 percent (a \$1.2 million decrease for governmental activities and \$495 thousand increase for business-type activities).

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

- Decrease in county land, due to the sale of surplus property acquired as a result of the loss of a county road during the 2007 flood.
- Decrease in county buildings resulting from the demolition of three buildings that were no longer in useable condition. Replacement of the building at South County Airport will occur in 2011.
- Increase in infrastructure, such as roads and bridges.

### Lewis County's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,888,885	\$ 4,095,293	\$ 177,889	\$ 177,889	\$ 4,066,774	\$ 4,301,367
Intangible Assets: Land Use Rights	40,258	28,185	2,014	-	42,272	-
Construction in Progress	8,100,481	13,621,498	839,795	153,226	8,940,276	13,774,724
Buildings	39,312,448	40,649,063	357,266	406,736	39,669,714	41,055,799
Improvements other than Buildings	1,497,447	1,425,159	2,158,239	2,260,358	3,655,686	3,685,517
Machinery & Equipment	7,083,559	7,197,533	236,649	278,168	7,320,208	7,475,701
Infrastructure	35,662,052	29,805,144	-	-	35,662,052	29,805,144
Total	\$ 95,585,130	\$ 96,821,875	\$ 3,771,852	\$ 3,276,377	\$ 99,356,982	\$ 100,098,252

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 \$22.6 million. Of this amount, \$111 thousand comprises debt other than General Obligation bonds backed by the full faith and credit of the government and \$25 thousand is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of Lewis County's debt represents general obligation bonds of \$22.4 million, which is backed by the full faith and credit of the government.

**Lewis County's Outstanding Debt**  
General Obligation Bonds

	Balance 12/31/2009	New Issues	Retirement	Balance 12/31/2010
General Obligation Bonds	\$ 23,499,017	\$ -	\$ 1,067,354	\$ 22,431,663
<b>TOTAL</b>	<b>\$ 23,499,017</b>	<b>\$ -</b>	<b>\$ 1,067,354</b>	<b>\$ 22,431,663</b>

Lewis County's total debt decreased by \$1.1 million (4.7 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 \$168.7 and \$92.8 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 13.3 percent, a slight decrease from the rate of 14.5 percent a year ago. This is higher than the current state's average unemployment rate of 9.2 percent compared to 10.1 percent a year ago and the national average rate of 9.1 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 2011 fiscal year.

During the fiscal year, 2010, unreserved fund balance in the general fund decreased to approximately \$7.7 million. For 2011, Lewis County has appropriated \$0 of this amount for spending in the 2011 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 2011 fiscal year. It is uncertain if additional cuts in county departments may be required.

**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, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash & Cash Equivalents	\$ 16,140,826	\$ 3,123,216	\$ 19,264,042
Deposit with Fiscal Agent	799,088	-	799,088
Investments	33,712,069	1,725,640	35,437,709
Receivables: Taxes	1,445,666	-	1,445,666
Receivables	2,071,109	535,051	2,606,160
Interest Receivable	226,258	-	226,258
Notes/Contracts Receivable	3,209,715	-	3,209,715
Other Current Receivables	99,050	-	99,050
Internal Balances	84,471	213,974	298,445
Due from Other Governmental Units	4,703,779	111,078	4,814,857
Inventories	722,297	-	722,297
Prepayments	513,679	10,179	523,858
Deferred Charges	316,938	-	316,938
Restricted Assets:			
Investments	397,671	-	397,671
Special Assessments-Current	-	4,642	4,642
Special Assessments-Deferred	-	15,381	15,381
Capital Assets Net of Accumulated Depreciation:			
Land	3,929,143	179,903	4,109,046
Buildings & Structures	39,312,448	357,266	39,669,714
Improvements Other than Buildings	1,497,447	2,158,239	3,655,686
Machinery & Equipment	7,083,559	236,649	7,320,208
Infrastructure	35,662,052	-	35,662,052
Construction in Progress	8,100,481	839,795	8,940,276
<b>Total Assets</b>	<b>\$ 160,027,746</b>	<b>\$ 9,511,013</b>	<b>\$ 169,538,759</b>
<b>Liabilities</b>			
Accounts Payable & Other Current Liabilities	\$ 1,376,919	\$ 339,063	\$ 1,715,982
Claims & Judgements Payable	2,399,806	-	2,399,806
Retainage Payable	199,086	-	199,086
Internal Balances	213,972	84,471	298,443
Due to Other Governmental Units	322,389	28,043	350,432
Accrued Interest Payable	75,109	-	75,109
Accrued Employee Benefits	2,228,325	70,277	2,298,602
Unearned Revenue	159,133	12,186	171,319
Custodial Accounts	843,933	(276)	843,657
Noncurrent Liabilities:			
Due Within One Year	1,173,330	6,752	1,180,082
General Obligation Debt	21,286,129	-	21,286,129
Deferred Credits	133,114	-	133,114
Contracts Payable	83,384	-	83,384
Compensated Absences	4,094,262	126,711	4,220,973
Net OPEB Obligation	1,069,558	-	1,069,558
Other Long-Term Liabilities	-	18,255	18,255
<b>Total Liabilities</b>	<b>35,658,449</b>	<b>685,482</b>	<b>36,343,931</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	75,995,129	3,771,852	79,766,981
Restricted	397,671	416,023	813,694
Reserved for Other Purposes	46,722	-	46,722
Designated for Other Purposes	2,219,471	-	2,219,471
Unrestricted	45,710,304	4,637,656	50,347,960
<b>Total Net Assets</b>	<b>\$ 124,369,297</b>	<b>\$ 8,825,531</b>	<b>\$ 133,194,828</b>

See Accompanying Notes to Financial Statements

**Statement of Activities**

December 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
General Government Services	\$ 16,306,011	\$ 6,913,259	\$ 1,792,020	\$ 151,822	\$ (7,448,910)	\$ -	\$ (7,448,910)
Security of Persons & Property	21,345,478	4,480,518	1,427,452	38,043	(15,399,465)	-	(15,399,465)
Physical Environment	2,164,891	51,838	862,090	-	(1,250,963)	-	(1,250,963)
Transportation	24,056,584	456,148	5,436,618	3,609,280	(14,554,538)	-	(14,554,538)
Economic Environment	5,214,065	603,113	1,867,173	-	(2,743,779)	-	(2,743,779)
Mental & Physical Health	4,666,031	657,054	2,881,264	-	(1,127,713)	-	(1,127,713)
Culture & Recreation	1,635,266	840,740	220,021	-	(574,505)	-	(574,505)
Interest on Long-Term Debt	1,020,684	-	-	-	(1,020,684)	-	(1,020,684)
Total Government Activities	76,409,010	14,002,670	14,486,638	3,799,145	(44,120,557)	-	(44,120,557)
<b>Business-type activities:</b>							
Solid Waste	7,557,715	6,921,675	319,394	-	-	(316,646)	(316,646)
Airport	360,212	60,718	582,419	-	-	282,925	282,925
Water Sewer	25,472	-	-	-	-	(25,472)	(25,472)
Total business-type activities	7,943,399	6,982,393	901,813	-	-	(59,193)	(59,193)
Total primary government	\$ 84,352,409	\$ 20,985,063	\$ 15,388,451	\$ 3,799,145	(44,120,557)	(59,193)	(44,179,750)

General Revenues:							
Property Taxes	21,289,820						21,289,820
Private Harvest Taxes	970,073						970,073
Sales Tax	7,064,651						7,064,651
Excise Tax	5,618,040						5,618,040
Penalty and Interest Delinquent Tax	879,342						879,342
Investment Earnings	1,316,589			241			1,316,830
Miscellaneous	326,496			(50,412)			276,084
Gain <Loss> on Sale of Capital Assets	1,708,186			-			1,708,186
Fixed Asset Loss Recovery	99,011			-			99,011
Capital Contributions (Dispositions)	94,483			1,950			96,433
Transfers	(114,444)			114,444			-
Adjustment for Rounding	(1)			(1)			(1)
Total General Revenues, Contributions and Transfers	39,252,246			66,223			39,318,469
Change in Net Assets	(4,868,311)			7,030			(4,861,281)
Net Assets - Beginning	129,237,608			8,818,501			138,056,109
Net Assets - Ending	\$124,369,297			\$8,825,531			\$133,194,828

See Accompanying Notes to Financial Statements

**Balance Sheet**  
**Governmental Funds**  
*December 31, 2010*

	General	Roads	Capital Facilities Plan
<b>Assets</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 3,377,672	\$ 6,240,134	\$ -
Deposit with Fiscal Agent	799,088	-	-
Investments	7,153,738	3,449,898	5,003,764
Taxes Receivable	747,035	598,154	-
Accounts Receivable	7,731	12,883	-
Interest Receivable	113,946	-	14,504
Notes/Contracts Receivable	-	24,607	-
Other Current Receivables	7,853	-	-
Due from Other Funds	357,715	115,536	909,968
Interfund Loan Receivable	206,243	-	-
Due from Other Governmental Units	990,674	1,831,530	77,152
Inventories	1,728	-	-
Prepays	33,877	8,678	-
Long-Term Assets			
Notes/Contracts Receivable	-	343,445	-
<b>Total Assets</b>	<b>\$ 13,797,300</b>	<b>\$ 12,624,865</b>	<b>\$ 6,005,388</b>
<b>Liabilities and Fund Balance</b>			
Current Liabilities:			
Accounts/Vouchers Payable	\$ 528,843	\$ 152,772	\$ 29,525
Retainage Payable	199,086	-	-
Due to Other Funds	899,643	876,294	87
Interfund Loans payable	-	-	-
Due to Other Governmental Units	13,211	900	-
Accrued Employee Benefits	1,235,712	504,818	-
Unearned Revenue	114,979	-	-
Custodial Accounts	803,219	177	-
Long-Term Liabilities:			
Deferred Revenue	747,042	966,207	-
<b>Total Liabilities</b>	<b>4,541,735</b>	<b>2,501,168</b>	<b>29,612</b>
<b>Fund Balance</b>			
Fund Balances:			
Reserved for Inventories			
Reserved for Prepaid Items	35,605	8,678	-
Unreserved, reported in:			
General Fund	7,719,960	-	-
Special Revenue Funds	-	10,115,019	5,828,176
Debt Service Funds	-	-	-
Capital Project Funds	-	-	-
Designated for Other Purposes	1,500,000	-	147,600
<b>Total Equity &amp; Other Credits</b>	<b>9,255,565</b>	<b>10,123,697</b>	<b>5,975,776</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 13,797,300</b>	<b>\$ 12,624,865</b>	<b>\$ 6,005,388</b>

See Accompanying Notes to Financial Statements

**Balance Sheet**  
**Governmental Funds**  
*December 31, 2010*

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 2,804,978	\$ 12,422,784
Deposit with Fiscal Agent	-	799,088
Investments	6,329,488	21,936,888
Taxes Receivable	100,477	1,445,666
Accounts Receivable	49,351	69,965
Interest Receivable	6,072	134,522
Notes/Contracts Receivable	-	24,607
Other Current Receivables	21,047	28,900
Due from Other Funds	113,964	1,497,183
Interfund Loan Receivable	-	206,243
Due from Other Governmental Units	1,774,346	4,673,702
Inventories	-	1,728
Prepays	2,439	44,994
Long-Term Assets		
Notes/Contracts Receivable	-	343,445
<b>Total Assets</b>	<b>\$ 11,202,162</b>	<b>\$ 43,629,715</b>
<b>Liabilities and Fund Balance</b>		
Current Liabilities:		
Accounts/Vouchers Payable	\$ 494,356	\$ 1,205,496
Retainage Payable	-	199,086
Due to Other Funds	176,037	1,952,061
Interfund Loans payable	150,000	150,000
Due to Other Governmental Units	154,128	168,239
Accrued Employee Benefits	323,543	2,064,073
Unearned Revenue	44,154	159,133
Custodial Accounts	40,537	843,933
Long-Term Liabilities:		
Deferred Revenue	100,477	1,813,726
<b>Total Liabilities</b>	<b>1,483,232</b>	<b>8,555,747</b>
<b>Fund Balance</b>		
Fund Balances:		
Reserved for Inventories		-
Reserved for Prepaid Items	2,439	46,722
Unreserved, reported in:		
General Fund	-	7,719,960
Special Revenue Funds	8,019,657	23,962,852
Debt Service Funds	12,397	12,397
Capital Project Funds	1,112,566	1,112,566
Designated for Other Purposes	571,871	2,219,471
<b>Total Equity &amp; Other Credits</b>	<b>9,718,930</b>	<b>35,073,968</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 11,202,162</b>	<b>\$ 43,629,715</b>

See Accompanying Notes to Financial Statements

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

*December 31, 2010*

Fund balances - total governmental funds	\$ 35,073,968
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.	86,672,862
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,813,726
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	4,834,971
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(27,277,274)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	23,251,045
Adjustment for Rounding	(1)
Net assets of government activities.	<u><u>\$ 124,369,297</u></u>

See Accompanying Notes to Financial Statements



**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
*For The Year Ended*  
*December 31, 2010*

	General	Roads	Capital Facilities Plan
<b>Revenues</b>			
Taxes	\$ 19,675,116	\$ 12,053,520	\$ 1,714,273
Licenses & Permits	24,908	41,677	-
Intergovernmental	5,332,930	9,271,912	-
Charges for Services	2,474,594	168,486	-
Fines & Forfeits	1,608,882	25	-
Miscellaneous	2,381,271	56,358	218,932
<b>Total Revenues</b>	<b>31,497,701</b>	<b>21,591,978</b>	<b>1,933,205</b>
<b>Expenditures</b>			
Current:			
General Government Services	13,923,681	200	718,596
Security of Persons & Property	14,979,156	-	203,545
Utilities & Environment	502,076	865,800	-
Transportation	-	13,882,753	-
Economic Environment	162,816	-	-
Mental & Physical Health	306,019	-	75
Culture & Recreation	202,537	-	3,686
Debt Service:			
Principal	-	-	-
Interest & Other Debt Service	-	1,390	-
Capital Outlays	51,579	9,870,080	89,619
<b>Total Expenditures</b>	<b>30,127,864</b>	<b>24,620,223</b>	<b>1,015,521</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,369,837</b>	<b>(3,028,245)</b>	<b>917,684</b>
<b>Other Financing Sources/(Uses)</b>			
Insurance Recoveries: Non-Capital	7,845	2,960	-
Proceeds from Sale of Capital Assets	872,897	1,015,616	-
Transfers-In	95,604	269,562	860,278
Transfers-Out	(3,967,049)	(15,796)	(1,286,432)
<b>Total Other Financing Sources/(Uses)</b>	<b>(2,990,703)</b>	<b>1,272,342</b>	<b>(426,154)</b>
<b>Excess of Revenues &amp; Other Financing Sources/(Uses) Over (Under) Expenditures</b>	<b>(1,620,866)</b>	<b>(1,755,903)</b>	<b>491,530</b>
<b>Fund Balance as of January 1</b>	<b>10,876,431</b>	<b>11,879,600</b>	<b>5,484,246</b>
<b>Fund Balance as of December 31</b>	<b>\$ 9,255,565</b>	<b>\$ 10,123,697</b>	<b>\$ 5,975,776</b>

See Accompanying Notes to Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
*For The Year Ended*  
*December 31, 2010*

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Taxes	\$ 2,181,263	\$ 35,624,172
Licenses & Permits	925,025	991,610
Intergovernmental	7,558,485	22,163,327
Charges for Services	2,042,571	4,685,651
Fines & Forfeits	670,904	2,279,811
Miscellaneous	1,060,197	3,716,758
<b>Total Revenues</b>	<b>14,438,445</b>	<b>69,461,329</b>
<b>Expenditures</b>		
Current:		
General Government Services	755,717	15,398,194
Security of Persons & Property	4,354,512	19,537,213
Utilities & Environment	683,932	2,051,808
Transportation	7,500	13,890,253
Economic Environment	5,009,041	5,171,857
Mental & Physical Health	4,241,042	4,547,136
Culture & Recreation	1,244,299	1,450,522
Debt Service:		
Principal	1,067,354	1,067,354
Interest & Other Debt Service	1,016,587	1,017,977
Capital Outlays	349,969	10,361,247
<b>Total Expenditures</b>	<b>18,729,953</b>	<b>74,493,561</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,291,508)</b>	<b>(5,032,232)</b>
<b>Other Financing Sources/(Uses)</b>		
Insurance Recoveries: Non-Capital	88,206	99,011
Proceeds from Sale of Capital Assets	98,773	1,987,286
Transfers-In	3,884,430	5,109,874
Transfers-Out	(466,166)	(5,735,443)
<b>Total Other Financing Sources/(Uses)</b>	<b>3,605,243</b>	<b>1,460,728</b>
<b>Excess of Revenues &amp; Other Financing Sources/(Uses) Over (Under) Expenditures</b>	<b>(686,265)</b>	<b>(3,571,504)</b>
<b>Fund Balance as of January 1</b>	<b>10,405,195</b>	<b>38,645,472</b>
<b>Fund Balance as of December 31</b>	<b>\$ 9,718,930</b>	<b>\$ 35,073,968</b>

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, 2010*

Net changes in fund balances - total governmental funds	\$ (3,571,504)
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.	2,734,343
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net assets.	(279,100)
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.	1,064,647
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.	(3,843,870)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	(972,825)
(Rounding Adjustment)	(2)
Change in net assets of governmental activities.	<u><u>\$ (4,868,311)</u></u>

See Accompanying Notes to Financial Statements

## Statement of Net Assets

## Proprietary Funds

December 31, 2010

	Business-type Activity-Enterprise Funds			Governmental
	Solid Waste	Other	Totals	Activities -
	Disposal District	Enterprise Funds		Internal Service
				Funds
<b>Assets</b>				
Current Assets:				
Cash & Cash Equivalents	\$ 2,445,887	\$ 677,329	\$ 3,123,216	\$ 3,718,042
Investments	1,351,126	374,514	1,725,640	11,775,181
Accounts Receivable	534,386	665	535,051	7,836
Interest Receivable	-	-	-	91,736
Notes/Contracts Receivable	-	-	-	-
Other Current Receivables	-	-	-	70,150
Due from Other Funds	235,567	326,272	561,839	330,325
Interfund Loan Receivable	-	-	-	-
Due from Other Governmental Units	-	111,078	111,078	30,077
Inventories	-	-	-	720,569
Prepays	-	10,179	10,179	468,685
Restricted Assets:				
Investments-Current	-	-	-	397,671
Special Assessments-Current	-	4,642	4,642	-
Special Assessments-Deferred	-	15,381	15,381	-
Long-Term Assets:				
Notes/Contracts Receivable	-	-	-	-
Land	-	179,903	179,903	575,466
Buildings & Structures, Net	-	357,266	357,266	1,608,480
Other Improvements, Net	-	2,158,239	2,158,239	494,291
Machinery & Equipment, Net	-	236,649	236,649	6,234,031
Construction in Progress	-	839,795	839,795	-
<b>Total Assets</b>	<b>\$ 4,566,966</b>	<b>\$ 5,291,912</b>	<b>\$ 9,858,878</b>	<b>\$ 26,522,540</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts/Vouchers Payable	\$ 186,704	\$ 152,359	\$ 339,063	\$ 171,423
Claims & Judgments Payable	-	-	-	2,399,806
Retainage Payable	-	-	-	-
Due to Other Funds	302,089	74,004	376,093	61,190
Interfund Loans Payable	-	56,243	56,243	-
Due to Other Governmental Units	26,969	1,074	28,043	154,150
Accrued Employee Benefits	-	70,277	70,277	164,252
Unearned Revenue	-	12,186	12,186	-
Custodial Accounts	137	(413)	(276)	-
Long-Term Liabilities:				
Due Within One Year	-	6,752	6,752	-
Employee Leave Benefits	-	126,711	126,711	320,674
Other Long-Term Liabilities	-	18,255	18,255	-
<b>Total Liabilities</b>	<b>515,899</b>	<b>517,448</b>	<b>1,033,347</b>	<b>3,271,495</b>
<b>Net Assets</b>				
Invested in Capital Assets	-	3,771,852	3,771,852	8,912,268
Restricted for Risk Management/County Insurance	-	-	-	397,671
Restricted for Special Assessments/Designations	-	416,023	416,023	-
Unreserved	4,051,067	586,589	4,637,656	13,941,106
<b>Total Net Assets</b>	<b>\$ 4,051,067</b>	<b>\$ 4,774,464</b>	<b>\$ 8,825,531</b>	<b>\$ 23,251,045</b>

See Accompanying Notes to Financial Statements

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
*For The Year Ended*  
*December 31, 2010*

	Solid Waste Disposal Dist	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
<b>Operating Revenues</b>				
Charges for Services	\$ 4,786,307	\$ 2,154,211	\$ 6,940,518	\$ 4,584,844
Equipment Rental		-	-	3,611,070
Insurance Premiums and Recoveries	-	-	-	673,879
Other Operating Revenue	919	40,956	41,875	51,677
<b>Total Operating Revenues</b>	<b>4,787,226</b>	<b>2,195,167</b>	<b>6,982,393</b>	<b>8,921,470</b>
<b>Operating Expenses</b>				
General Operations	5,439,590	1,279,610	6,719,200	7,635,622
Maintenance	-	72,403	72,403	41,281
Customer Services and Marketing		130,291	130,291	-
Administration: General	5,442	529,786	535,228	15,000
Administration: Planning, Conservation, R&D	-	57,729	57,729	-
Depreciation, Amortization, & Depletion	90,000	235,545	325,545	1,413,096
Risk Transfer payments	-	-	-	439,787
Loss and Loss Adjustment Expense	-	-	-	1,470,385
Other Operating Expense	-	103,003	103,003	275,407
<b>Total Operating Expenses</b>	<b>5,535,032</b>	<b>2,408,367</b>	<b>7,943,399</b>	<b>11,290,578</b>
<b>Operating Income (Loss)</b>	<b>(747,806)</b>	<b>(213,200)</b>	<b>(961,006)</b>	<b>(2,369,108)</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and Investment Revenue	5	236	241	262,428
Miscellaneous Revenue	44,071	-	44,071	-
Other Non-Operating Revenue (Expenses)		(94,483)	(94,483)	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	162,069
Fixed Asset Loss Insurance Recovery	-	-	-	88
<b>Total Non-Operating Revenues (Expenses)</b>	<b>44,076</b>	<b>(94,247)</b>	<b>(50,171)</b>	<b>424,585</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(703,730)</b>	<b>(307,447)</b>	<b>(1,011,177)</b>	<b>(1,944,523)</b>
Capital Contributions (Dispositions)	-	1,950	1,950	350,632
Grants	189,791	712,022	901,813	109,940
Transfer In (Out)	-	114,444	114,444	511,125
<b>Change in Net Assets</b>	<b>(513,939)</b>	<b>520,969</b>	<b>7,030</b>	<b>(972,826)</b>
<b>Net Assets as of January 1</b>	<b>4,565,006</b>	<b>4,253,495</b>	<b>8,818,501</b>	<b>24,223,871</b>
<b>Net Assets as of December 31</b>	<b>\$ 4,051,067</b>	<b>\$ 4,774,464</b>	<b>\$ 8,825,531</b>	<b>\$ 23,251,045</b>

See Accompanying Notes to Financial Statements

**Statement of Cash Flows**  
**Proprietary Funds**

For The Year Ended December 31, 2010

	Solid Waste Disposal Dist	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Charges for Services	\$ 4,501,621	\$ 2,029,001	\$ 6,530,622	\$ 4,614,252
Cash Received from Premiums/Recoveries	-	-	-	692,417
Cash Received from Rent Proceeds	-	17,634	17,634	-
Cash Received from Equipment Rental	-	-	-	3,611,070
Cash Received from Miscellaneous Activities	919	21,922	22,841	51,677
Cash from Other Sources	-	-	-	-
Payments for Wages & Benefits	-	(1,144,404)	(1,144,404)	(3,428,237)
Payments for Inventory & Supplies	-	-	-	(1,641,186)
Payments to Suppliers for Goods & Services	(5,455,615)	(906,786)	(6,362,401)	(3,006,677)
Payments for Risk Transfer	-	-	-	(519,330)
Payments for Claimants & Beneficiaries	-	-	-	(869,552)
Other Non-Operating Revenues	44,071	-	44,071	-
Other Non-Operating Expenses	-	(94,483)	(94,483)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(909,004)</b>	<b>(77,116)</b>	<b>(986,120)</b>	<b>(495,566)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Proceeds from Interfund Loan	-	17,500	17,500	-
Payments of Interfund Loan	-	-	-	27,683
Operating Grants Received	68,262	189,459	257,721	98,431
Operating Transfer-In	-	114,444	114,444	511,125
<b>Cash Provided (Used) by Financing Activities</b>	<b>68,262</b>	<b>321,403</b>	<b>389,665</b>	<b>637,239</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Net Proceeds (loss) from Capital Improvement Assessments	-	360	360	-
Proceeds from Sale of Capital Assets	-	-	-	177,356
Acquisition/Construction of Capital Assets	-	(752,862)	(752,862)	(984,446)
Capital Grants Received	-	598,732	598,732	-
Insurance Proceeds	-	-	-	88
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(153,770)</b>	<b>(153,770)</b>	<b>(807,002)</b>
<b>Cash Flows from Investing Activities:</b>				
Receipt of Interest	5	236	241	265,032
Sale of Investment Securities	2,225,760	461,458	2,687,218	13,451,437
Purchase of Investment Securities	(1,351,126)	(374,514)	(1,725,640)	(12,172,852)
<b>Cash Provided by Investing Activities</b>	<b>874,639</b>	<b>87,180</b>	<b>961,819</b>	<b>1,543,617</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>33,897</b>	<b>177,697</b>	<b>211,594</b>	<b>878,288</b>
Cash and Cash Equivalents at Beginning of Year	2,411,990	499,632	2,911,622	2,839,754
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,445,887</b>	<b>\$ 677,329</b>	<b>\$ 3,123,216</b>	<b>\$ 3,718,042</b>

**Statement of Cash Flows  
Proprietary Funds**

*For The Year Ended December 31, 2010*

	<b>Solid Waste Disposal Dist</b>	<b>Other Enterprise Funds</b>	<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
<b>Net Operating Income (Loss)</b>	\$ (747,806)	\$ (213,200)	\$ (961,006)	\$ (2,369,108)
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:</b>				
Depreciation Expense	-	235,545	235,545	1,413,096
Expense for Donation of Non-Capital Asset	-	-	-	1,773
Expense of Non-Capitalized Construction in Progress	-	23,794	23,794	-
Other Non-Operating Expense	44,071	(94,483)	(50,412)	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(284,686)	(125,796)	(410,482)	47,946
(Increase) Decrease in Inventories	-	-	-	10,522
(Increase) Decrease in Prepays	-	(1,204)	(1,204)	(158,366)
Increase (Decrease) in Payables	79,417	98,228	177,645	558,571
<b>Total Adjustments</b>	<b>(161,198)</b>	<b>136,084</b>	<b>(25,114)</b>	<b>1,873,542</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (909,004)</b>	<b>\$ (77,116)</b>	<b>\$ (986,120)</b>	<b>\$ (495,566)</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Contributions of Capital Assets from Government	\$ -	\$ 1,950	\$ 1,950	\$ 350,632
Contributions of Non-Capital Assets from Local Sources	-	-	-	1,773
Loss on Disposal of Capital Assets	-	-	-	162,069

See Accompanying Notes to Financial Statements

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
*December 31, 2010*

	<u>Agency Funds</u>
<b>Assets</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 6,354,457
Investments	55,263,279
<b>Total Assets</b>	<u>\$ 61,617,736</u>
<b>Liabilities</b>	
Current Liabilities:	
Warrants Payable	\$ 97,633
Accounts/Vouchers Payable	46,550
Custodial Accounts	61,473,553
<b>Total Liabilities</b>	<u>\$ 61,617,736</u>

See Accompanying Notes to Financial Statements



## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### 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 and recreation, judicial administration, health and social services, senior 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, 2010

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, 2010

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected not to follow subsequent private-sector guidance.

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. All annual appropriations lapse at fiscal year-end. Annual budgets are adopted by the County's legislative authority (board of county commissioners BOCC) at the fund level, except in the general fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for all funds lapse at 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 public hearings, the 2010 budget was adopted by the board of county commissioners on Monday, December 07, 2009.

## NOTES TO FINANCIAL STATEMENTS

December 31, 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, hours, or other conditions of employment must be approved by the county commission.

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 or any Special Revenue Funds.

## 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, 2010, the treasurer was holding \$7,063,352 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. 85-95. 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 2010 were approximately \$4,384,171.

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.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### **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).

### **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, 2010, \$5,470 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. All inventories are valued at cost using the first-in/first-out (FIFO) method, which approximates the market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in proprietary funds are valued at cost by the weighted average method. The average cost is recorded as an expense at the time items are consumed.

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, 2010*

**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	-	397,671

**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:

<u>Assets</u>	<u>Years</u>
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. Long-term Obligations**

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations or fund balance represent tentative management plans that are subject to change.

**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	\$ 35,073,968
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.	86,672,862
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,813,726
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	4,834,971
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(27,277,274)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	23,251,045
Adjustment for Rounding	(1)
Net assets of government activities.	<u>\$ 124,369,297</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

**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	\$ (3,571,504)
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.	2,734,343
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(279,100)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the 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.	1,064,647
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.	(3,843,870)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	(972,825)
(Rounding Adjustment)	(2)
Change in net assets of governmental activities.	<u><u>\$ (4,868,311)</u></u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

**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).



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

**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, 2010, the county had the following investments:

	<u>Carrying Value</u>	<u>Market Value</u>
U.S. Government Securities	20,694,542	20,965,239
Municipal Bonds	12,749,036	12,851,254
Total Investments Subject to Credit Risk Classification	33,443,578	33,816,493
Investments Not Subject to Credit Risk Classification		
State Investment Pool	68,973,777	68,973,777
CD's	248,500	248,500
Total Investments	<u>102,665,855</u>	<u>103,038,770</u>

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.

**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.

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

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, subject to the following two limitations stated in a and b:

- a. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to an inflation limit factor percent per year, after adjustments for new construction. If the assessed valuation increases by more than the limit factor percent due to revaluation, the levy rate will be decreased. Additionally, upon a finding of ‘substantial need’ the legislative authority of taxing district other than the state may provide for the use of a limit factor of 106% or less.
- b. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

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 2010 was \$1.74396 per \$1,000 on an assessed valuation of \$5,449,619,500 or a total road tax of \$9,503,921.

The diverted county road levy for 2010 was \$0.2121 per \$1,000 on an assessed valuation of \$5,449,619,500 for a total diverted road levy of \$1,155,575.

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 2010.

The county's total regular levy for 2010 was \$1.54964 per \$1,000 on an assessed valuation of \$7,593,018,077 for a total regular tax of \$11,766,431. The components of the regular levy are:

	<b>Levy</b>	<b>Tax</b>
General Fund	1.504470	\$ 11,423,456
Veterans Relief	0.020075	152,433
Social Services	0.025094	190,541
Totals	1.549639	\$ 11,766,430

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 6 – CAPITAL ASSETS**

**A. Capital Assets**

Capital assets activity for the year ended December 31, 2010 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 01/01/2010	Increases	Decreases	Ending Balance 12/31/2010
Capital Assets, not being depreciated:				
Land	\$ 4,095,293	\$ 72,908	\$ 279,316	\$ 3,888,885
Land Use Right (Intangible Assets)	\$ 28,185	\$ 12,073	\$ -	\$ 40,258
Construction in Progress *	13,621,498	9,929,276	15,450,293	8,100,481
Total Capital Assets, not being depreciated	<u>17,744,976</u>	<u>10,014,257</u>	<u>15,729,609</u>	<u>12,029,624</u>
Capital Assets being depreciated:				
Buildings	62,882,389	-	290,734	62,591,655
Improvements other than buildings	3,451,253	216,559	-	3,667,812
Machinery & Equipment	20,811,230	1,458,815	1,288,353	20,981,692
Intangible Assets	-	-	-	-
Infrastructure	72,837,003	7,833,246	-	80,670,249
Total Capital Assets, being depreciated	<u>159,981,875</u>	<u>9,508,620</u>	<u>1,579,087</u>	<u>167,911,408</u>
Less Accumulated Depreciation for:				
Buildings	22,233,326	1,336,366	290,485	23,279,207
Improvements other than buildings	2,026,094	144,271	-	2,170,365
Machinery & Equipment	13,613,697	1,557,503	1,273,067	13,898,133
Intangible Assets	-	-	-	-
Infrastructure	43,031,859	1,976,338	-	45,008,197
Total Accumulated Depreciation	<u>80,904,976</u>	<u>5,014,478</u>	<u>1,563,552</u>	<u>84,355,902</u>
Total Capital Assets being depreciated, net	79,076,899	4,494,142	15,535	83,555,506
Governmental Type Activities Capital Assets, net	<u>\$ 96,821,875</u>	<u>\$ 14,508,399</u>	<u>\$ 15,745,144</u>	<u>\$ 95,585,130</u>

Balances may be adjusted due to rounding

\*Construction in Process includes \$7,836,680 of Public Works infrastructure projects included in the Six Year Transportation Improvement Plan, \$220,203 in feasibility studies for possible construction projects, and \$43,598 in construction projects currently in progress.

Depreciation Expense was charged to functions as follows:

General Government Services	\$ 491,881
Security of Person and Property	888,806
Physical Environment	126,329
Transportation	1,977,197
Economic Environment	-
Mental and Physical Health	17,987
Culture and Recreation	99,182
	<u>\$ 3,601,382</u>

In addition, depreciation on capital assets held by  
by the County's internal service funds is charged  
to the various functions based upon their usage of  
the assets.

1,413,096

Total Governmental Activities Depreciation Expense

\$ 5,014,478

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

BUSINESS TYPE ACTIVITIES	Beginning Balance		Ending Balance	
	01/01/2010	Increases	Decreases	12/31/2010
Capital Assets, not being depreciated:				
Land	\$ 177,889	\$ -	\$ -	\$ 177,889
Land Use Right (Intangible Assets)	-	2,014	-	2,014
Construction in Progress*	153,226	808,155	121,586	839,795
Total Capital Assets, not being depreciated	<u>331,115</u>	<u>810,169</u>	<u>121,586</u>	<u>1,019,698</u>
Capital Assets being depreciated:				
Buildings	1,240,972	-	1,620	1,239,352
Improvements other than buildings	2,953,834	42,437	-	2,996,271
Machinery & Equipment	506,120	-	-	506,120
Intangible Assets	-	-	-	-
Total Capital Assets, being depreciated	<u>4,700,926</u>	<u>42,437</u>	<u>1,620</u>	<u>4,741,743</u>
Less Accumulated Depreciation for:				
Buildings	834,236	49,470	1,620	882,086
Improvements other than buildings	693,476	144,556	-	838,032
Machinery & Equipment	227,952	41,519	-	269,471
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	<u>1,755,664</u>	<u>235,545</u>	<u>1,620</u>	<u>1,989,589</u>
Total Capital Assets being depreciated, net	2,945,262	(193,108)	-	2,752,154
Business Type Activities Capital Assets, net	<u>\$ 3,276,377</u>	<u>\$ 617,061</u>	<u>\$ 121,586</u>	<u>\$ 3,771,852</u>

\*Construction in Progress includes \$49,594 for the South County Airport improvement project, \$608,480 for the Packwood Airport improvement project, and \$181,721 for the Solid Waste Utility bulkhead project.

Depreciation Expense was charged to functions as follows:

Solid Waste	\$ 107,784
Airport	127,761
Total	<u>\$ 235,545</u>

**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

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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:** 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.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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 retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Plan 1 members are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age 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) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual 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 1 prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a 2 month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation 3 benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member 4 with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the 5 allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the 6 member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

to 7 reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service 8 times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of 9 this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. 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 28 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. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

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.)

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:

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

- 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 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 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

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees & Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled To But Not	28,074
Active Plan Member Vested	105,339
Active Plan Members Nonvested	53,896
<b>Total</b>	<b>262,166</b>

**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 Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent to 15 percent; 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.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2010, are as follows:

Members Not Participating in JBM:



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	5.31% **	5.31% **	5.31% ***
Employee	6.00% ****	3.9% ****	*****

\* The employer rates include the employer administrative expense fee currently set at 0.16%

\*\* The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.5% for Plan 1 and 3.90% for Plan 2.

\*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum to based on rated selected by the PERS 3 member.

Members participating in JBM:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer-State Agency*	7.81%	7.81%	7.81% **
Employer-Local Govt.*	5.31%	5.31%	5.31% **
Employee-State Agency	9.76%	7.25%	7.5% ***
Employee-Local Govt.	12.26%	9.75%	7.5% ***

\* 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:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2010	\$ 113,971	\$ 1,126,083	\$ 88,623
2009	\$ 148,454	\$ 1,529,722	\$ 123,018
2008	\$ 181,357	\$ 1,591,560	\$ 129,361

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

**Plan Description:** 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. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF 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.

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 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. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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:

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
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 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.

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

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 purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing 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.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees & Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Member Nonvested	3,944
<b>Total</b>	<b>27,435</b>

**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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

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, 2010, 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
2010	\$ -	\$ 142,793
2009	\$ 12	\$ 158,972
2008	\$ 94	\$ 141,491

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

**Plan Description:** PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and 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 at least one of the PSERS eligibility criteria.

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.

To be eligible for PSERS, an employee must work on a full-time basis and have one of the following:

- 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.
- Primary responsibility to ensure the custody and security of incarcerated or probationary individuals.
- Limited authority Washington peace officer, as defined in RCW 10.93.020.
- Primary responsibility to supervise eligible members who meet the above criteria.

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

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 4 the deceased member.

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 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees & Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members Vested	-
Active Plan Member Nonvested	4,340
<b>Total</b>	<b>4,342</b>

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

**Funding Policy:** 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, 2010, were as follows:

	<b>PSERS Plan 2</b>
Employer*	7.85%
Employee	6.55%

\*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:

	<b>PSERS Plan 2</b>
2010	\$118,138
2009	\$130,293
2008	\$141,711

**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 2010, 24 retirees received benefits under this act. As of December 31, 2010, there were no active LEOFF 1 officers.

**2. Funding Policy**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

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, 2011. 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 \$1,069,558 is reported as a non-current liability on the Statement of Net Assets.

	<u>Year Ending</u> <u>12/31/2010</u>
<b>Determination of Annual Required Contribution:</b>	
Normal Cost at Year End	\$ -
Amortization of UAAL *	<u>602,768</u>
Annual Required Contribution	<u>\$ 602,768</u>
 <b>Determination of Net OPEB Obligation:</b>	
Annual Required Contribution	\$ 602,768
Interest on Prior Year Net OPEB Obligation	34,486
Adjustment to ARC	<u>(71,359)</u>
Annual OPEB Cost	565,895
Contributions Made	<u>(262,703)</u>
Increase in Net OPEB Obligation	<u>\$ 303,192</u>
 <b>Net OPEB Obligation - End of Year:</b>	
Net OPEB Obligation - Beginning of Year	\$ 766,366
Increase in Net OPEB Obligation	<u>303,192</u>
Net OPEB Obligation - End of Year	<u>\$ 1,069,558</u>

\* Unfunded Actuarial Accrued Liability (UAAL)

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2010	\$ 585,895	41.6%	\$ 1,069,558

**4. Funded Status and Funding Progress**

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

As of December 31, 2010, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$6,473,454 and the actuarial value of the assets was \$0 resulting in a UAAL of \$6,473,454.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2010, these costs totaled \$262,703 with a cost per retiree of \$10,946.

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, 2007 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 2007. 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 UAAL is 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.

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, 2010 were \$6,485,987 (\$6,407,509 investments, and \$78,478 interest receivable) 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 three retirees under the age of 65 participating at the end of 2010. 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



## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 the 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, Mason and Okanogan, Pacific, Pend Oreille, San Juan and Skagit, Skamania, Spokane, Thurston and Walla Walla, and Whatcom and Yakima Counties. Kitsap County terminated its membership September 30, 2010. Klickitat and Whitman Counties were also former Pool members, having terminated their memberships September 30, 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) against the particular year's membership.

The Pool's reassessments receivable balance at December 31, 2010 remains at \$0.

Joint Self-Insurance Liability Program: The Pool has been providing its member counties with occurrence-based, jointly self-insured and/or jointly purchased liability coverage since October 1, 1988 for 3<sup>rd</sup>-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, including public officials' errors and omissions. Total coverage limits have grown from the \$1 million limit existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million occurrence limit existing the past seven years. (Note: Additional limits of \$5 million have been available several recent years as an option for acquisition by individual member counties.)

Except for the Pool's self-insured retention (the greater of the member's deductible or \$100,000), the initial \$10 million of coverage is fully reinsured 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 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 Py2010 with the addition of 769 new claims (and lawsuits) raising the 3<sup>rd</sup>-party liability claims to-date total submitted by member counties to 17,238. Estimates of incurred losses (payments made plus reserve estimates for *open* claims) increased \$17.8 million during the year to \$221.4 million.

Washington Counties Property Program: Since the Pool began offering a fully-insured and jointly-purchased property insurance coverage to its membership in October 2005 as an individual county option, participation has

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

grown by more than 50% and the total value of covered properties has nearly doubled. Twenty seven member counties with covered properties totaling \$2.76 billion participated in this program during Py2010.

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, which the participating counties are solely responsible for, 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 7 property claims submitted for processing during Py2010 with incurred losses-to-date totaling \$0.33 million. But during its first five years as an optional WCRP insuring program, there have been 65 property claims filed with incurred losses-to-date totaling nearly \$9 million.

Other Insurances: Many 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 82.60 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.

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.

New members can expect to pay the Pool modest admittance fees to cover that members' share of 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 any unresolved, unreported, and in-process claims for the period 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

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

appointed county officials, meets three times each year with the summer meeting being the Annual Meeting. The board of directors is responsible for determining the 3<sup>rd</sup>-party liability coverage to be offered (approving the insuring document or coverage form), the reinsurance program to acquire, the excess insurance(s) to be jointly purchased or offered for optional purchase, for approval of the Pool's annual operating budget(s) and work program(s), and for approval of the member deposit assessment formulas.

Regular oversight of the Pool's operations is furnished by an 11-person executive committee. The committee members 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 each year upon the Pool's member counties each year. This includes establishing reserves for reported and unreported covered events and estimating undiscounted future cash payments for losses and related claims adjustment expenses. Other Pool staffers provide various member services, including 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; insurance producer (brokerage) and advanced loss control services are provided by Arthur J. Gallagher Risk Management Services, Inc.; coverage counsel is provided by Stafford Frey Cooper; and independent claims auditing will be conducted by Strategic Claims Directions LLC with special claims audits frequently performed by the Pool's commercial reinsurers / insurers. These noted professionals are in addition to the many contracted and in-county counselors assigned to defend Pool cases as well as the State Risk Manager and the State Auditor.

Financial Summary: The following constitute the more significant highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2009 through September 2010):

- *Net Operating Income* was realized of \$1.8 million, a 59% increase from the prior year.
- *Total Assets* grew \$3.2 million (9%) to \$38.9 million. Current assets increased \$3.1 million (9%) while non-current assets increased \$0.1 million (12%).
- *Total Claims Reserves* for the Pool's direct reserving exposures increased to \$14.0 million, up 7% from the prior year. This total includes: \$6.1 million for losses in the Pool-only retained layer, down 13%; \$7.0 million for losses within the aggregated stop losses of the "corridor" program for automobile and general liabilities, up 37%; and \$0.9 million for unallocated loss adjustment expenses, down 2% from one year ago. *NOTE: The corridor program is only four years old and not fully matured. Its occurrence coverage maximum was increased to one million dollars in Py2010, up from the half million level that existed during the program's first three years. The program's occurrence minimum remains the greater of the applicable member's deductible or \$100,000.*
- *Net Assets* (aka *Members' Equity*) increased \$2 million to \$10.2 million as of September 30, 2010. Of the total, \$5.8 million is classified as *Restricted Net Assets* — \$1 million to satisfy the State's solvency provisions (WAC 82.60.03001) plus \$4.8 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 \$3.2 million is *Non-Restricted Net Assets* that is available for use as directed by the Board of Directors.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

**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, 2010, which includes estimates for Incurred But Not Reported claims (IBNR) were as follows:

	2009	2010
General Liability Claims	\$ 1,600,000	\$ 2,000,000
Unemployment Claims	124,823	224,823
<b>Total</b>	<b>\$ 1,724,823</b>	<b>\$ 2,224,823</b>

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

	Year Ended 12/31/2009	Year Ended 12/31/2010
Unpaid claims, beginning of fiscal year	\$ 1,492,764	\$ 1,724,823
Incurred claims	899,841	748,781
Changes in Estimates	245,000	500,000
Claim Payments	(912,782)	(748,781)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 1,724,823</b>	<b>\$ 2,224,823</b>

As of December 31, 2010, unrestricted cash and investments were \$3,177 and \$8,831,591, respectively, this included \$6,407,509 reserved for LEOFF 1 past retirement benefit.

**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, 2010 was \$174,982:

	Year Ended 12/31/2009	Year Ended 12/31/2010
Unpaid claims, beginning of fiscal year	\$ 334,983	\$ 174,982
Incurred claims & changes in estimate	793,937	283,535
Claim Payments	(953,938)	(283,534)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 174,982</b>	<b>\$ 174,983</b>

The county has two fully funded pension obligations held by the State of Washington Department of Labor and Industries with a cash value of \$731,002 at December 31, 2010. 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

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

\$1 million of excess coverage insurance for workers' compensation claims, with the county's aggregate SIR of \$500,000 for the current two-year policy period. The policy has a lower SIR for individual claims, which varies with each policy year. As of December 31, 2010, cash and investments were \$951,250 and \$397,671 in unrestricted and restricted assets, respectively, and net assets were \$1,194,223.

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

**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**

<u>General Obligation Bonds</u>	<u>Outstanding 12/31/2010</u>
<p>\$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.</p>	\$4,710,000
<p>\$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.</p>	\$2,841,663
<p>\$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.</p>	\$ 5,365,000
<p>\$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.</p>	\$9,515,000
<u>Notes Payable</u>	
<p><i>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.</i></p>	\$111,179

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

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.

\$25,008

**Total Outstanding Debt**

**\$22,567,850**

**B. Debt Service Requirements to Maturity**

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

Year Ended	Principal	Interest
2011	1,145,535	935,479
2012	1,184,074	896,940
2013	1,252,985	854,609
2014	1,282,285	809,099
2015	1,326,991	759,447
2016-2020	7,969,793	2,781,563
2021-2025	6,710,000	1,222,599
2026-2030	1,560,000	112,100
<b>TOTAL</b>	<b>\$ 22,431,663</b>	<b>\$ 8,371,836</b>

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

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	27,795	1,112	6,752	1,050
2012	27,795	834	7,060	743
2013	27,795	556	7,381	422
2014	27,794	278	3,815	86
<b>TOTAL</b>	<b>\$ 111,179</b>	<b>\$ 2,780</b>	<b>\$ 25,008</b>	<b>\$ 2,301</b>

**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, 2010:

Activity:	Balance 12/31/2009	New Issues	Retirement	Balance 12/31/2010	Due Within One Year
<b>Governmental:</b>					
Compensated Absences	\$ 4,274,553	0	180,290	\$4,094,263	\$89,217
General Obligation Bonds	23,499,018	-	1,067,355	22,431,663	1,145,535
Notes Payable	138,973	-	27,795	111,178	27,795
<b>TOTAL</b>	<b>\$ 27,912,544</b>	<b>\$ -</b>	<b>\$ 1,275,440</b>	<b>\$ 26,637,104</b>	<b>\$ 1,262,547</b>
<b>Business-type:</b>					
Compensated Absences	\$ 118,745	\$7,965	\$ -	\$126,710	\$ -
Notes Payable	31,466	-	6,458	25,008	6,752
<b>TOTAL</b>	<b>\$ 150,211</b>	<b>\$ 7,965</b>	<b>\$ 6,458</b>	<b>\$151,718</b>	<b>\$ 6,752</b>

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 \$320,675 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.

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

**D. Assets Available for Long-Term Debt**

At December 31, 2010, the county has \$12,397 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 Gov't (no vote required)	\$ 92,803,943
General Gov't (3/5 majoriy vote)	\$ 168,734,124

**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, 2010, the amount of defeased debt outstanding but removed from the Solid Waste Disposal District amounted to \$3,550,000 and the Governmental Long Term Debt amounted to \$12,940,000.

**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, 2010, the Public Facilities District limited sales tax obligations bonds outstanding amounted to \$5,795,000.

**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.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

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 \$397,671 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, 2010:

Fund Types	Due to Other Funds	Due From Other Funds
General Fund	899,643	\$ 357,715
Roads	876,294	115,536
Capital Facilities Fund	87	909,968
Nonmajor governmental funds	176,038	113,964
<i>Capital Project</i>		
Land Acquisition	-	-
Capital Facilities Plan	-	-
SW Disposal District	302,089	235,567
Nonmajor business-type funds	74,004	326,272
Internal Service	61,191	330,324
<b>TOTAL</b>	<b>2,389,346</b>	<b>2,389,346</b>

**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 2010:

<i>Interfund Loans</i>					
Borrowing Fund	Lending Fund	Balance 12/31/09	New Loans	Payments Made	Balance 12/31/10
Packwood Airport	General	56,243	-	-	56,243
Flood Authority	General	150,000	-	-	150,000
<b>TOTAL</b>		<b>\$ 206,243</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 206,243</b>

**C. 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 2010:



**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

<i>Operating Transfers</i>		
<i>Fund Types</i>	<b>IN</b>	<b>OUT</b>
<i>General Fund</i>	95,604	3,967,049
<i>Roads</i>	269,562	15,796
<i>Capital Facilities Plan</i>	860,278	1,286,432
<i>Nonmajor governmental funds</i>	2,117,599	466,167
<i>Debt Services</i>	1,766,832	-
<i>Capital Project</i>	-	-
<i>Enterprise</i>	114,444	
<i>Internal Service</i>	511,125	
<b>TOTAL</b>	<b>5,735,444</b>	<b>5,735,444</b>

**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, 2010 was \$1,503,252.

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, 2010 was \$2,841,664.

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

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 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 transfer of \$90,000 from the Solid Waste Disposal District to the CLCG was required during the year. At the end of 2010, approximately \$36,297 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

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 2010*

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 2010:**

Fund 126: Cowlitz River Basin Subzone

Fund 165: Gambling and Fraud Enforcement

Fund 306: Vader Water System Improvements Construction

**Existing funds dissolved in 2010:**

No funds were dissolved in 2010.

**B. Accounting and Reporting Changes**

None

**C. Subsequent Events**

The County is unaware of the occurrence of any subsequent events that would be material to the County's financial statements for the year ending December 31, 2010.

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget (GAAP Basis) to Actual**  
*For the Year Ended  
December 31, 2010*

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 20,080,966	\$ 20,080,966	\$ 19,675,116	\$ (405,850)
Licenses & Permits	27,800	27,800	24,908	(2,892)
Intergovernmental	5,341,553	5,437,304	5,332,930	(104,374)
Charges for Services	2,500,633	2,482,950	2,474,594	(8,356)
Fines & Forfeits	1,645,428	1,645,428	1,608,882	(36,546)
Miscellaneous	3,030,753	3,035,753	2,381,271	(654,482)
<b>Total Revenues</b>	<b>32,627,133</b>	<b>32,710,201</b>	<b>31,497,701</b>	<b>(1,212,500)</b>
<b>Expenditures</b>				
Current:				
General Government Services	14,078,486	14,259,330	13,923,681	335,649
Security of Persons & Property	15,599,010	15,219,977	14,979,156	240,821
Utilities & Environment	510,442	515,111	502,076	13,035
Transportation	-	-	-	-
Economic Environment	263,000	247,270	162,816	84,454
Mental & Physical Health	270,196	314,469	306,019	8,450
Culture & Recreation	216,136	209,613	202,537	7,076
Debt Service:				
Interest & Other Debt Service	-	-	-	-
Capital Outlays	-	42,000	51,579	(9,579)
<b>Total Expenditures</b>	<b>30,937,270</b>	<b>30,807,770</b>	<b>30,127,864</b>	<b>679,906</b>
<b>Excess of Rev. Over (Under) Expend.</b>	<b>1,689,863</b>	<b>1,902,431</b>	<b>1,369,837</b>	<b>(532,594)</b>
<b>Other Financing Sources/(Uses)</b>				
Insurance Recoveries		-	7,845	7,845
Proceeds from Sale of Capital Assets	1,000,000	1,000,000	872,897	(127,103)
Transfers-In	59,000	161,183	95,604	(65,579)
Transfers-Out	(3,232,195)	(4,142,827)	(3,967,049)	175,778
<b>Total Other Financing Sources/(Uses)</b>	<b>(2,173,195)</b>	<b>(2,981,644)</b>	<b>(2,990,703)</b>	<b>(9,059)</b>
<b>Excess of Revenues and Other Financing Sources/ (Uses) Over (Under) Expenditures</b>	<b>(483,332)</b>	<b>(1,079,213)</b>	<b>(1,620,866)</b>	<b>(541,653)</b>
<b>Fund Balance as of January 1</b>	<b>10,876,431</b>	<b>10,876,431</b>	<b>10,876,431</b>	<b>-</b>
<b>Fund Balance as of December 31</b>	<b>\$ 10,393,099</b>	<b>\$ 9,797,218</b>	<b>\$ 9,255,565</b>	<b>\$ (541,653)</b>

See Accompanying Notes to Financial Statements

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget (GAAP Basis) to Actual**  
*For the Year Ended  
December 31, 2010*

	Special Revenue: Roads			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 12,421,538	\$ 9,121,372	\$ 12,053,520	\$ 2,932,148
Licenses & Permits	16,200	16,200	41,677	25,477
Intergovernmental	15,661,112	18,961,278	9,271,912	(9,689,366)
Charges for Services	178,750	178,750	168,486	(10,264)
Fines & Forfeits	-	-	25	25
Miscellaneous	36,770	36,770	56,358	19,588
<b>Total Revenues</b>	<b>28,314,370</b>	<b>28,314,370</b>	<b>21,591,978</b>	<b>(6,722,392)</b>
<b>Expenditures</b>				
Current:				
General Government Services	1,000	1,000	200	800
Security of Persons & Property	-	-	-	-
Utilities & Environment	1,059,450	1,061,680	865,800	195,880
Transportation	13,985,259	14,030,416	13,882,753	147,663
Economic Environment	-	-	-	-
Mental & Physical Health	-	-	-	-
Culture & Recreation	-	-	-	-
Debt Service:				
Interest & Other Debt Service	1,390	1,390	1,390	-
Capital Outlays	17,660,000	17,660,000	9,870,080	7,789,920
<b>Total Expenditures</b>	<b>32,707,099</b>	<b>32,754,486</b>	<b>24,620,223</b>	<b>8,134,263</b>
<b>Excess of Rev. Over (Under) Expend.</b>	<b>(4,392,729)</b>	<b>(4,440,116)</b>	<b>(3,028,245)</b>	<b>1,411,871</b>
<b>Other Financing Sources/(Uses)</b>				
Insurance Recoveries		-	2,960	2,960
Proceeds from Sale of Capital Assets	1,000,000	1,000,000	1,015,616	15,616
Transfers-In	313,000	313,000	269,562	(43,438)
Transfers-Out	(16,501)	(16,501)	(15,796)	705
<b>Total Other Financing Sources/(Uses)</b>	<b>1,296,499</b>	<b>1,296,499</b>	<b>1,272,342</b>	<b>(24,157)</b>
<b>Excess of Revenues and Other Financing (Uses) Over (Under) Expenditures</b>	<b>(3,096,230)</b>	<b>(3,143,617)</b>	<b>(1,755,903)</b>	<b>1,387,714</b>
<b>Fund Balance as of January 1</b>	<b>11,879,600</b>	<b>11,879,600</b>	<b>11,879,600</b>	<b>-</b>
<b>Fund Balance as of December 31</b>	<b>\$ 8,783,370</b>	<b>\$ 8,735,983</b>	<b>\$ 10,123,697</b>	<b>\$ 1,387,714</b>

See Accompanying Notes to Financial Statements

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget (GAAP Basis) to Actual**  
*For the Year Ended  
December 31, 2010*

	Capital Facilities Plan Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,550,075	\$ 1,550,075	\$ 1,714,273	\$ 164,198
Licenses & Permits	-	-	-	-
Intergovernmental	-	100,000	-	(100,000)
Charges for Services	-	-	-	-
Fines & Forfeits	-	-	-	-
Miscellaneous	196,750	196,750	218,932	22,182
<b>Total Revenues</b>	<b>1,746,825</b>	<b>1,846,825</b>	<b>1,933,205</b>	<b>86,380</b>
<b>Expenditures</b>				
Current:				
General Government Services	850,000	1,048,000	718,596	329,404
Security of Persons & Property	-	210,500	203,545	6,955
Utilities & Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Mental & Physical Health	-	-	75	(75)
Culture & Recreation	-	-	3,686	(3,686)
Debt Service:	-	-	-	-
Interest & Other Debt Service	-	-	-	-
Capital Outlays	251,000	291,000	89,619	201,381
<b>Total Expenditures</b>	<b>1,101,000</b>	<b>1,549,500</b>	<b>1,015,521</b>	<b>533,979</b>
<b>Excess of Rev. Over (Under) Expend.</b>	<b>645,825</b>	<b>297,325</b>	<b>917,684</b>	<b>620,359</b>
<b>Other Financing Sources/(Uses)</b>				
Insurance Recoveries	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers-In	997,600	925,600	860,278	(65,322)
Transfers-Out	(1,787,182)	(1,288,516)	(1,286,432)	2,084
<b>Total Other Financing Sources/(Uses)</b>	<b>(789,582)</b>	<b>(362,916)</b>	<b>(426,154)</b>	<b>(63,238)</b>
<b>Excess of Revenues and Other Financing (Uses) Over (Under) Expenditures</b>	<b>(143,757)</b>	<b>(65,591)</b>	<b>491,530</b>	<b>557,121</b>
<b>Fund Balance as of January 1</b>	<b>5,484,246</b>	<b>5,484,246</b>	<b>5,484,246</b>	<b>-</b>
<b>Fund Balance as of December 31</b>	<b>\$ 5,340,489</b>	<b>\$ 5,418,655</b>	<b>\$ 5,975,776</b>	<b>\$ 557,121</b>

See Accompanying Notes to Financial Statements

Page 1 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2010**

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>U.S. Office of National Drug Control Policy Passed-Through Educational Service District 105</b>						
Northwest High Intensity Drug Trafficking Area	07.G09NW00 03A	9000000001	3,817		3,817	Note 11
<b>Total CFDA# 07.G09NW0003A</b>			<b>3,817</b>		<b>3,817</b>	
<b>Total U.S. Office of National Drug Control Policy Passed-Through Educational Service District 105</b>			<b>3,817</b>		<b>3,817</b>	
<b>U.S. Department of Agriculture Passed-Through Washington State Department of Agriculture</b>						
National School Lunch Program	10.555	N/A	22,893		22,893	Note 4
<b>Total CFDA# 10.555</b>			<b>22,893</b>		<b>22,893</b>	
<b>Total U.S. Department of Agriculture Passed-Through Washington State Department of Agriculture</b>			<b>22,893</b>		<b>22,893</b>	
<b>U.S. Department of Agriculture Passed-Through Washington State Department of Health</b>						
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C14954	449,756		449,756	
<b>Total CFDA# 10.557</b>			<b>449,756</b>		<b>449,756</b>	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C14954	5,911		5,911	Note 9
<b>Total CFDA# 10.561</b>			<b>5,911</b>		<b>5,911</b>	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	C14954	493		493	
<b>Total CFDA# 10.572</b>			<b>493</b>		<b>493</b>	
<b>Total U.S. Department of Agriculture Passed-Through Washington State Department of Health</b>			<b>456,160</b>		<b>456,160</b>	
<b>U.S. Department of Agriculture Forest Service</b>						
Schools and Roads_Grants to States	10.665	07-PA-11060300-037		35,177	35,177	Note 9
Schools and Roads_Grants to States	10.665	P.L. 110-343		161,038	161,038	Note 10
Schools and Roads_Grants to States	10.665	P.L. 110-343.		1,711,026	1,711,026	
<b>Total CFDA# 10.665</b>				<b>1,907,241</b>	<b>1,907,241</b>	
<b>Total U.S. Department of Agriculture Forest Service</b>				<b>1,907,241</b>	<b>1,907,241</b>	
<b>U.S. Department of Housing &amp; Urban Development Passed-Through Washington State Department of Commerce</b>						
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	07-64007-020	683,932		683,932	Note 10
<b>Total CFDA# 14.228</b>			<b>683,932</b>		<b>683,932</b>	
Emergency Shelter Grants Program	14.231	10-46000-220	140,100		140,100	Notes 9 & 10
<b>Total CFDA# 14.231</b>			<b>140,100</b>		<b>140,100</b>	
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	10-46111-616	104,427		104,427	Notes 8, 9 & 10
<b>Total CFDA# 14.257</b>			<b>104,427</b>		<b>104,427</b>	

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

Page 2 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended December 31, 2010*

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>Continued:</b>						
<b>Total U.S. Department of Housing &amp; Urban Development Passed-Through Washington State Department of Commerce</b>			<b>928,459</b>		<b>928,459</b>	
<b>U.S. Department of Housing &amp; Urban Development</b>						
Supportive Housing Program	14.235	WA0091B0T010801		44,636	44,636	Notes 9 & 10
Supportive Housing Program	14.235	WA0091B0T010802		71,718	71,718	Notes 9 & 10
<b>Total CFDA# 14.235</b>				<b>116,354</b>	<b>116,354</b>	
<b>Total U.S. Department of Housing &amp; Urban Development</b>				<b>116,354</b>	<b>116,354</b>	
<b>U.S. Department of Housing &amp; Urban Development Passed-Through Housing Authority of the City of Longview</b>						
Housing Opportunities for Persons with AIDS (A,B)	14.241	09-46201-06	2,730		2,730	Note 9
<b>Total CFDA# 14.241</b>			<b>2,730</b>		<b>2,730</b>	
<b>Total U.S. Department of Housing &amp; Urban Development Passed-Through Housing Authority of the City of Longview</b>			<b>2,730</b>		<b>2,730</b>	
<b>U.S. Department of the Interior Passed-Through Washington State Department of Ecology</b>						
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	C1000254	919		919	
<b>Total CFDA# 15.228</b>			<b>919</b>		<b>919</b>	
<b>Total U.S. Department of the Interior Passed-Through Washington State Department of Ecology</b>			<b>919</b>		<b>919</b>	
<b>U.S. Department of Justice Passed-Through Washington State Patrol</b>						
Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004	C100887FED	5,203		5,203	
<b>Total CFDA# 16.004</b>			<b>5,203</b>		<b>5,203</b>	
<b>Total U.S. Department of Justice Passed-Through Washington State Patrol</b>			<b>5,203</b>		<b>5,203</b>	
<b>U.S. Department of Justice Passed-Through Washington State Department of Social &amp; Health Services</b>						
Juvenile Accountability Block Grants	16.523	0663-98334-04	5,000		5,000	
Juvenile Accountability Block Grants	16.523	0663-98334-05	5,600		5,600	
<b>Total CFDA# 16.523</b>			<b>10,600</b>		<b>10,600</b>	
<b>Total U.S. Department of Justice Passed-Through Washington State Department of Social &amp; Health Services</b>			<b>10,600</b>		<b>10,600</b>	
<b>U.S. Department of Justice Passed-Through National Court Appointed Special Advocate Association</b>						
Victims of Child Abuse	16.547	WA10589-09-1009- G	851		851	
<b>Total CFDA# 16.547</b>			<b>851</b>		<b>851</b>	
<b>Total U.S. Department of Justice Passed-Through National Court Appointed Special Advocate Association</b>			<b>851</b>		<b>851</b>	
<b>U.S. Department of Justice</b>						
Bulletproof Vest Partnership Program	16.607	2009BUBX0949772		4,070	4,070	Note 6

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



Page 3 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended December 31, 2010*

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>Continued:</b>						
	<b>Total CFDA# 16.607</b>			<b>4,070</b>	<b>4,070</b>	
Juvenile Mentoring Program	16.726	2008-JU-FX-0026		165,989	165,989	Note 10
	<b>Total CFDA# 16.726</b>			<b>165,989</b>	<b>165,989</b>	
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	2009-SB-B9-0928		38,043	38,043	Note 8
	<b>Total CFDA# 16.804</b>			<b>38,043</b>	<b>38,043</b>	
<b>Total U.S. Department of Justice</b>				<b>208,102</b>	<b>208,102</b>	
<b>U.S. Department of Justice Passed-Through Washington Association of Sheriffs &amp; Police Chiefs</b>						
Public Safety Partnership and Community Policing Grants	16.710	2009CKWX0392	15,601		15,601	
Public Safety Partnership and Community Policing Grants	16.710	WSMI09104	18,297		18,297	
	<b>Total CFDA# 16.710</b>			<b>33,898</b>	<b>33,898</b>	
<b>Total U.S. Department of Justice Passed-Through Washington Association of Sheriffs &amp; Police Chiefs</b>				<b>33,898</b>	<b>33,898</b>	
<b>U.S. Department of Justice Passed-Through Washington State Department of Commerce</b>						
Public Safety Partnership and Community Policing Grants	16.710	M08-66100-121C	3,403		3,403	
Public Safety Partnership and Community Policing Grants	16.710	M08-66100-121D	159		159	
	<b>Total CFDA# 16.710</b>			<b>3,562</b>	<b>3,562</b>	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	F10-34021-034	42,527		42,527	
	<b>Total CFDA# 16.738</b>			<b>42,527</b>	<b>42,527</b>	
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	F09-34721-045	45,619		45,619	Note 8
	<b>Total CFDA# 16.803</b>			<b>45,619</b>	<b>45,619</b>	
<b>Total U.S. Department of Justice Passed-Through Washington State Department of Commerce</b>				<b>91,708</b>	<b>91,708</b>	
<b>U.S. Department of Transportation</b>						
Airport Improvement Program	20.106	DOT-FA09NM-0053		18,826	18,826	
Airport Improvement Program	20.106	DOT-FA09NM-0196		40,025	40,025	
Airport Improvement Program	20.106	DOT-FA10NM-0039		442,344	442,344	
Airport Improvement Program	20.106	DOT-FA10NM-0046		67,708	67,708	
	<b>Total CFDA# 20.106</b>			<b>568,903</b>	<b>568,903</b>	
<b>Total U.S. Department of Transportation</b>				<b>568,903</b>	<b>568,903</b>	
<b>U.S. Department of Transportation Passed-Through Washington State Department of Transportation</b>						
Highway Planning and Construction	20.205	LA-5389	8,120		8,120	

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

Page 4 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2010**

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>Continued:</b>						
Highway Planning and Construction	20.205	LA-5413	746		746	
Highway Planning and Construction	20.205	LA-5452	2,143,311		2,143,311	Note 6
Highway Planning and Construction	20.205	LA-6450	0		0	Note 6
Highway Planning and Construction	20.205	LA-6696	0		0	Note 6
Highway Planning and Construction	20.205	LA-6698	0		0	Note 6
Highway Planning and Construction	20.205	LA-6699	0		0	Note 6
Highway Planning and Construction	20.205	LA-6700	0		0	Note 6
Highway Planning and Construction	20.205	LA-6701	0		0	Note 6
Highway Planning and Construction	20.205	LA-6702	0		0	Note 6
Highway Planning and Construction	20.205	LA-6705	1,305		1,305	Note 6
ARRA - Highway Planning and Construction	20.205	LA-6874	9,873		9,873	Note 8
ARRA - Highway Planning and Construction	20.205	LA-6876	1,658		1,658	Note 8
Highway Planning and Construction	20.205	LA-6941	42,702		42,702	Note 6
Highway Planning and Construction	20.205	LA-6947	334,470		334,470	
Highway Planning and Construction	20.205	LA-7204	1,141,800		1,141,800	
Highway Planning and Construction	20.205	LA-7262	0		0	Note 6
<b>Total CFDA# 20.205</b>			<b>3,683,985</b>		<b>3,683,985</b>	
<b>Total U.S. Department of Transportation Passed-Through Washington State Department of Transportation</b>			<b>3,683,985</b>		<b>3,683,985</b>	
<b>U.S. Department of Transportation Passed-Through Washington Association of Sheriffs &amp; Police Chiefs</b>						
State and Community Highway Safety	20.600	N/A	998		998	Note 4
<b>Total CFDA# 20.600</b>			<b>998</b>		<b>998</b>	
<b>Total U.S. Department of Transportation Passed-Through Washington Association of Sheriffs &amp; Police Chiefs</b>			<b>998</b>		<b>998</b>	
<b>U.S. Department of Transportation Passed-Through Washington Traffic Safety Commission</b>						
State and Community Highway Safety	20.600	N/A	2,212		2,212	Note 4
<b>Total CFDA# 20.600</b>			<b>2,212</b>		<b>2,212</b>	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	5,822		5,822	Note 4
<b>Total CFDA# 20.601</b>			<b>5,822</b>		<b>5,822</b>	
Occupant Protection Incentive Grants	20.602	N/A	516		516	Note 4
<b>Total CFDA# 20.602</b>			<b>516</b>		<b>516</b>	
<b>Total U.S. Department of Transportation Passed-Through Washington Traffic Safety Commission</b>			<b>8,550</b>		<b>8,550</b>	
<b>U.S. Federal Environmental Protection Agency Passed-Through Washington State Department of Health</b>						
Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14954	15,750		15,750	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N18164	15,000		15,000	

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

Page 5 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2010**

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>Continued:</b>						
	<b>Total CFDA# 66.468</b>		<b>30,750</b>		<b>30,750</b>	
<b>Total U.S. Federal Environmental Protection Agency Passed-Through Washington State Department of Health</b>			<b>30,750</b>		<b>30,750</b>	
<b>U.S. Department of Education Passed-Through Washington State Department of Commerce</b>						
Safe and Drug-Free Schools and Communities_State Grants	84.186	M08-66100-121C	15,055		15,055	
	<b>Total CFDA# 84.186</b>		<b>15,055</b>		<b>15,055</b>	
<b>Total U.S. Department of Education Passed-Through Washington State Department of Commerce</b>			<b>15,055</b>		<b>15,055</b>	
<b>U.S. Election Assistance Commission Passed-Through Washington State Office of the Secretary of State, Elections Division</b>						
Help America Vote Act Requirements Payments	90.401	G-2846 (Amend 4)	3,400		3,400	
Help America Vote Act Requirements Payments	90.401	G-2846 (Amend 5)	24,822		24,822	
Help America Vote Act Requirements Payments	90.401	G-2846 (Amend 6)	38,688		38,688	
	<b>Total CFDA# 90.401</b>		<b>66,910</b>		<b>66,910</b>	
<b>Total U.S. Election Assistance Commission Passed-Through Washington State Office of the Secretary of State, Elections Division</b>			<b>66,910</b>		<b>66,910</b>	
<b>U.S. Department of Health &amp; Human Services Passed-Through National Association of County and City Health Officials</b>						
Medical Reserve Corps Small Grant Program	93.008	MRC 10 1760	1,917		1,917	
	<b>Total CFDA# 93.008</b>		<b>1,917</b>		<b>1,917</b>	
<b>Total U.S. Department of Health &amp; Human Services Passed-Through National Association of County and City Health Officials</b>			<b>1,917</b>		<b>1,917</b>	
<b>U.S. Department of Health &amp; Human Services Passed-Through Washington State Department of Health</b>						
Public Health Emergency Preparedness	93.069	C14954	310,102		310,102	
	<b>Total CFDA# 93.069</b>		<b>310,102</b>		<b>310,102</b>	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C14954	454		454	
	<b>Total CFDA# 93.116</b>		<b>454</b>		<b>454</b>	
Grants for Dental Public Health Residency Training	93.236	C14954	21,862		21,862	
	<b>Total CFDA# 93.236</b>		<b>21,862</b>		<b>21,862</b>	
Immunization Grants	93.268	C14954	38,851		38,851	
Immunization Grants	93.268	Donated Vaccine	37,243		37,243	Note 5
	<b>Total CFDA# 93.268</b>		<b>76,094</b>		<b>76,094</b>	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C14954	4,587		4,587	
	<b>Total CFDA# 93.283</b>		<b>4,587</b>		<b>4,587</b>	
Child Care and Development Block Grant	93.575	C14954	2,224		2,224	
	<b>Total CFDA# 93.575</b>		<b>2,224</b>		<b>2,224</b>	
ARRA - Immunization	93.712	C14954	6,683		6,683	Note 8

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

Page 6 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended December 31, 2010*

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>Continued:</b>						
<b>Total CFDA# 93.712</b>			<b>6,683</b>		<b>6,683</b>	
National Bioterrorism Hospital Preparedness Program	93.889	C14954	4,546		4,546	
<b>Total CFDA# 93.889</b>			<b>4,546</b>		<b>4,546</b>	
Maternal and Child Health Services Block Grant to the States	93.994	C14954	70,384		70,384	
<b>Total CFDA# 93.994</b>			<b>70,384</b>		<b>70,384</b>	
<b>Total U.S. Department of Health &amp; Human Services Passed-Through Washington State Department of Health</b>			<b>496,936</b>		<b>496,936</b>	
<b>U.S. Department of Health &amp; Human Services Passed-Through Washington State Department of Social &amp; Health Services</b>						
Child Support Enforcement	93.563	0763-15018	25,688		25,688	Note 9
Child Support Enforcement	93.563	2110-81382	331,830		331,830	Note 9
<b>Total CFDA# 93.563</b>			<b>357,518</b>		<b>357,518</b>	
Foster Care_Title IV-E	93.658	0969-70218	2,285		2,285	
Foster Care_Title IV-E	93.658	0969-70218-01	375		375	
<b>Total CFDA# 93.658</b>			<b>2,660</b>		<b>2,660</b>	
Medical Assistance Program	93.778	0966-53186	80,476		80,476	Notes 7 & 9
<b>Total CFDA# 93.778</b>			<b>80,476</b>		<b>80,476</b>	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	0963-68047	150,982		150,982	Note 10
<b>Total CFDA# 93.959</b>			<b>150,982</b>		<b>150,982</b>	
<b>Total U.S. Department of Health &amp; Human Services Passed-Through Washington State Department of Social &amp; Health Services</b>			<b>591,636</b>		<b>591,636</b>	
<b>U.S. Department of Health &amp; Human Services Passed-Through Clark County Public Health Department</b>						
HIV Care Formula Grant	93.917	HDC.306	4,979		4,979	Note 9
HIV Care Formula Grant	93.917	HDC.404	14,250		14,250	Note 9
<b>Total CFDA# 93.917</b>			<b>19,229</b>		<b>19,229</b>	
<b>Total U.S. Department of Health &amp; Human Services Passed-Through Clark County Public Health Department</b>			<b>19,229</b>		<b>19,229</b>	
<b>U.S. Department of Homeland Security Passed-Through Washington State Parks and Recreation Commission</b>						
Boating Safety Financial Assistance	97.012	LE 911-222	12,692		12,692	
<b>Total CFDA# 97.012</b>			<b>12,692</b>		<b>12,692</b>	
<b>Total U.S. Department of Homeland Security Passed-Through Washington State Parks and Recreation Commission</b>			<b>12,692</b>		<b>12,692</b>	
<b>U.S. Department of Homeland Security Passed-Through Washington State Military Department</b>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-065 (1817-DR-WA)	46,825		46,825	

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

Page 7 of 7

**LEWIS COUNTY, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2010**

*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 (\$)			Ref.
			From Pass- Through Awards	From Direct Awards	Total	
<b>Continued:</b>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-432 (1825-DR-WA)	35,305		35,305	Note 9
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-717 (1671-DR-WA)	75,918		75,918	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-927 (1682-DR-WA)	11,623		11,623	Note 9
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-731 (1734-DR-WA)	2,957,875		2,957,875	
	<b>Total CFDA# 97.036</b>		<b>3,127,546</b>		<b>3,127,546</b>	
Emergency Management Performance Grants	97.042	E09-292	49,439		49,439	Note 6
Emergency Management Performance Grants	97.042	E10-255	25,682		25,682	
	<b>Total CFDA# 97.042</b>		<b>75,121</b>		<b>75,121</b>	
Homeland Security Grant Program	97.067	E09-195	98,460		98,460	
	<b>Total CFDA# 97.067</b>		<b>98,460</b>		<b>98,460</b>	
<b>Total U.S. Department of Homeland Security Passed-Through Washington State Military Department</b>			<b>3,301,127</b>		<b>3,301,127</b>	
<b>U.S. Department of Homeland Security Passed-Through Thurston County Emergency Management</b>						
Homeland Security Grant Program.	97.067	019EM-09-021	12,462		12,462	
	<b>Total CFDA# 97.067</b>		<b>12,462</b>		<b>12,462</b>	
<b>Total U.S. Department of Homeland Security Passed-Through Thurston County Emergency Management</b>			<b>12,462</b>		<b>12,462</b>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>9,799,485</b>	<b>2,800,600</b>	<b>12,600,085</b>	

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, 2010*

**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 accrual 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 - REVOLVING LOAN - PROGRAM INCOME**

Note 3 was not applicable for year 2010.

**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 - UNDER-REPORTED 2008 and 2009 EXPENDITURES**

An amount of \$3,130, which was expended in 2009 under CFDA 16.607 "Bulletproof Vest Partnership," was erroneously omitted from the 2009 Schedule of Expenditures of Federal Awards.

An amount of \$383, which was expended in 2009 under CFDA 97.042 "Emergency Management Performance Grants," was erroneously omitted from the 2009 Schedule of Expenditures of Federal Awards.

The amounts of \$777,797, which was incurred in 2009, and \$355,881, which was incurred in 2008, under CFDA 20.205 "Highway Planning and Construction" were not identified for inclusion in the 2008 and 2009 Schedule of Expenditures of Federal Awards. Due to the number of road projects that resulted from the 2007 flood event, the expenditures for the contracts listed below were not identified to their respective grants until 2010.

LA-5452 incurred \$3,951 expended in 2009.

LA-6450 incurred \$126,316 expended in 2009.

LA-6696 incurred \$9,400 expended in 2008.

LA-6698 incurred \$77,919 expended in 2008.

LA-6699 incurred \$18,562 expended in 2008.

LA-6700 incurred \$5,496 expended in 2008.

LA-6701 incurred \$125,427 expended in 2008.

LA-6702 incurred \$8,660 expended in 2008.

LA-6705 incurred \$110,417 expended in 2008 and \$626,001 expended in 2009.

LA-6941 incurred \$48 expended in 2009.

LA-7262 incurred \$21,481 expended in 2009. The contract for this project was not finalized until September 2010.

The 2008 and 2009 expenditures were not included in the expenditure amounts reported on the 2010 Schedule of Expenditures of Federal Awards.

**NOTE 7 - MEDICAL ASSISTANCE PROGRAM**

A portion of the reimbursement for contract #0966-53186 is based on expenditures occurring during the third and fourth quarters of 2009. Due to the length of time needed to prepare the billing information, the amount of expenditures associated with the third and fourth quarters of 2009 were not determined in time to be included in the 2009 Financial Statements.

**NOTE 8 - 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, 2010*

**NOTE 9 - INDIRECT COST RATE**

The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate.

The amount expended for "Schools and Roads Grants to States (CFDA 10.665) includes \$2,499 from Contract Number 07-PA11060300-037 claimed as an indirect cost recovery using an indirect cost rate of 12.12% as certified by the Board of County Commissioners on September 28, 2009 through Resolution #09-331.

The amount expended for "Child Support Enforcement" (CFDA 93.563) includes \$1,835 from Contract Number 0763-15018 and \$23,394 from Contract Number 2110-81382 claimed as an indirect cost recovery using an indirect cost rate of 12.12% as certified by the Board of County Commissioners on September 28, 2009 through Resolution #09-331.

The amount expended for "Medical Assistance Program" (CFDA 93.778) includes \$9,630 from Contract Number 0966-53186 claimed as an indirect cost recovery using an indirect cost rate of 12.12% as certified by the Board of County Commissioners on September 28, 2009 through Resolution #09-331.

The amounts expended for "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program", "Supportive Housing Program", "Emergency Shelter Grants Program", "ARRA - Homelessness Prevention and Rapid Re-Housing Program", "Housing Opportunities for Persons with AIDS (A,B)", "HIV Care Formula Grant", and "Disaster Grants-Public Assistance (Presidentially Declared Disasters)" include \$17,341 claimed as an indirect cost recovery using various indirect cost rates as authorized per grant agreements.

**NOTE 10 - AMOUNTS AWARDED TO SUBRECIPIENTS**

Included in the total amount expended for "Schools and Roads" (CFDA number 10.665) is \$230,416, which was passed through to subrecipients that administered their own projects. This amount includes both current and prior year Title III funds.

Included in the total amount expended for "Community Development Block Grants" (CFDA number 14.228) is \$683,932 from Contract Number 07-64007-020 that was passed through to subrecipients that administered their own projects.

Included in the total amount expended for "Emergency Shelter" (CFDA number 14.231) is \$134,525 from Contract Number 10-46000-220 that was passed through to subrecipients that administered their own projects.

Included in the total amount expended for "Supportive Housing Program" (CFDA number 14.235) is \$43,672 from Contract Number WA0091B0T010801 and \$69,909 from Contract Number WA0091B0T010802 that was passed through to subrecipients that administered their own projects.

Included in the total amount expended for "ARRA - Homelessness Prevention and Rapid Re-Housing Program" (CFDA number 14.257) is \$101,149 from Contract Number 10-46111-616 that was passed through to subrecipients that administered their own projects.

Included in the total amount expended for "Juvenile Mentoring Program" (CFDA number 16.726) is \$150,389 from Contract Number 2008-JU-FX-0026 that was passed through to subrecipients that administered their own projects.

Included in the total amount expended for "Prevention/Treatment of Substance Abuse " (CFDA number 93.959) is \$122,539 from Contract Number 0963-68047 that was passed through to subrecipients that administered their own projects.

**NOTE 11 - 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.



## **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.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
**Mike Murphy**  
**Mindy Chambers**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

**Website**  
**Subscription Service**

[www.sao.wa.gov](http://www.sao.wa.gov)  
<https://www.sao.wa.gov/EN/News/Subscriptions/>