



Office of the Washington State Auditor
Pat McCarthy

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

For the period January 1, 2018 through December 31, 2018

Published July 30, 2020

Report No. 1026727





**Office of the Washington State Auditor
Pat McCarthy**

July 30, 2020

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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lewis County January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We 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 unmodified opinion on the County’s compliance with requirements applicable to each of its major federal programs.

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.665	Forest Service Schools and Roads Cluster – Schools and Roads – Grants to States
10.760	Water and Waste Disposal Systems for Rural Communities
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

The County did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2018-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Lewis County

January 1, 2018 through December 31, 2018

2018-001 The County's internal controls over financial reporting were not adequate to ensure timely reporting.

Background

The County is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the timeliness and reliability of financial reporting. Failure to submit timely financial reports limits access by the public, state and federal agencies, and other interested parties to financial and other information about the County.

State law (RCW 43.09.230) requires the County to submit an annual report to the State Auditor's Office within 150 days after its fiscal year end. The annual financial report includes summaries of financial information, supporting schedules, and responses to compliance requirements.

Additionally, when a government spends \$750,000 or more in federal grant funds during a fiscal year, it must obtain financial statement and federal grant compliance audits and submit the resulting audit reports with related data to the Federal Audit Clearinghouse within nine months after the government's fiscal year end.

Description of Condition

The County did not submit the required annual report with 150 days after its 2018 fiscal year ended.

The County routinely prepares and submits its annual financial reports in a timely manner. However, in 2018, the County undertook a software conversion of its general ledger, which was very time intensive. In addition, preparing an accurate financial report required the County to analyze and implement a new accounting standard. The County wanted to prioritize the accuracy of its report; therefore, it decided to submit the annual report after the reporting deadline.

Cause of Condition

The County experienced turnover in multiple key positions responsible for preparing the annual financial reports. Further, additional workload related to the software system conversion, and a corresponding delay in receiving necessary

reports from other departments, challenged the County's ability to prepare a timely annual financial report.

Effect of Condition

The County filed its annual report 280 days late for the fiscal year ending December 31, 2018. Delays in the availability of complete financial reports prevent County officials, the public and other interested parties from obtaining timely information. Such delays also hinder transparency to citizens and the efforts of the State Auditor's Office to compile statistical and financial information for use by the state Legislature and others.

Further, the delayed submission of the annual report prevented the County from receiving timely audits of its financial statements and federal grant awards, including submitting the required reports to the Federal Audit Clearinghouse within nine months of the County's fiscal year end.

Recommendation

We recommend the County establish internal controls to ensure it submits timely annual financial reports to the State Auditor's Office, as required by state law.

County's Response

The County thanks the SAO for the professionalism related to the audit of the 2018 Annual Financial Report and agrees with the finding, description, and cause of condition related to timely submission of the report.

The County Auditor's Office has successfully recruited key staff with knowledge and experience in compiling the annual reports and implementing new GASB standards.

The County Auditor's Office filed the 2019 Annual Financial Report with the SAO on time and is working with other departments in stressing the importance of submitting accurate and timely information related to this report in the future.

Auditor's Remarks

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during the next regular audit.

Applicable Laws and Regulations

RCW 43.09.230 – Local government accounting – Annual reports – Comparative statistics, requires all local governments to file annual reports with the state auditor within 150 days after the close of each fiscal year.

Budgeting, Accounting and Report System (BARS) manual, Internal Controls, section 3.1.3, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, section 512, Report submission, establishes deadlines for submission of required data to the federal audit clearinghouse.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Lewis County
January 1, 2018 through December 31, 2018**

Board of Commissioners
Lewis County
Chehalis, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 23, 2020.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

As discussed in Note 15 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy
State Auditor
Olympia, WA

July 23, 2020

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

**Lewis County
January 1, 2018 through December 31, 2018**

Board of Commissioners
Lewis County
Chehalis, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Lewis County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

July 23, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lewis County January 1, 2018 through December 31, 2018

Board of Commissioners
Lewis County
Chehalis, Washington

REPORT ON THE FINANCIAL STATEMENTS

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 19.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Roads and Distressed Counties funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Council. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 19 be presented to supplement the basic financial statements. Such information, although not a part

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2020 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, looped initial "P".

Pat McCarthy

State Auditor

Olympia, WA

July 23, 2020

FINANCIAL SECTION

Lewis County January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Governmental Funds Balance Sheet – 2018

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018

General and Major Special Revenue Fund Budgetary Comparisons – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Net Position – Fiduciary Funds – 2018

Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2, and PSERS 2 – 2018

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2, and PSERS 2 – 2018

Schedule of Changes in Total OPEB Liability and Related Ratios – PEBB and LEOFF 1 – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

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, 2018. 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

- Total assets and deferred outflows of resources exceeded the County's liabilities and deferred inflows of resources by \$129.27 million (net position). Of this amount, \$1.63 million was reported as unrestricted net position, amounts which may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's governmental funds reported a combined ending fund balance of \$41.21 million, an increase of 14.7% compared with the prior year.
- The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. This standard required an adjustment to beginning net position in the amount of \$13.86 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of Lewis County's asset, liabilities, deferred outflows and inflows. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in

cash flows in future fiscal periods (e.g., uncollected taxes and 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, transportation, 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.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lewis County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lewis County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lewis County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the County's four major funds. The General Fund, Roads Fund, Distressed Counties, and Capital Facilities Fund all are considered to be major funds. Pursuant to GASB Statement No. 54, four governmental funds were rolled into major funds for

financial reporting purposes, three into the General Fund and one into the Roads Fund. Data from the other 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (either total governmental or total enterprise), and
- b. The same element that met the above ten percent intention is at least five percent of the corresponding element total for all governmental and enterprise funds combined.
- 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 in accordance with state law, and are adopted at the fund level, except the General Fund, which is adopted at the department level. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund and special revenue funds with statutorily mandated budgets. Major fund budgetary variance statements are included with the basic financial statements, while non-major fund budget variance schedules follow the combining fund statements.

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, Vader Water System Utility, 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, radio services, 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 Utility, the Solid Waste Disposal District, the Vader Water System Utility, and the Packwood Airport which are considered to be a major funds of Lewis County. Additionally, the following are non-major enterprise funds of the county: Water Sewer Utility and South County Airport. Conversely, seven 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).

A combined summary Statement of Net Position for all of the fiduciary funds can be found following the proprietary fund financial statements of 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 immediately following the basic 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 position may serve over time as a useful indicator of a government's financial position. By far the largest portion of Lewis County's net position (79.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); 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 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. In the case of Lewis County, assets exceeded liabilities by \$133.62 million at the close of the most recent fiscal year.

The condensed financial information that follows is derived from the Government-Wide Statement of Net Position and presents a comparison of year-end 2018 to year-end 2017.

Condensed Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 70,304,662	\$ 64,599,430	\$ 5,244,966	\$ 5,739,885	\$ 75,549,628	\$ 70,339,315
Capital assets	104,984,970	108,421,324	9,387,253	8,199,987	114,372,223	116,621,311
Total assets	<u>175,289,632</u>	<u>173,020,754</u>	<u>14,632,219</u>	<u>13,939,872</u>	<u>189,921,851</u>	<u>186,960,626</u>
Deferred Outflows of Resources	<u>2,975,757</u>	<u>3,211,645</u>	<u>81,519</u>	<u>106,305</u>	<u>3,057,276</u>	<u>3,317,950</u>
Liabilities						
Current and other liabilities	8,257,111	7,979,457	762,020	745,207	9,019,131	8,724,664
Long-term liabilities	44,644,332	39,044,788	2,640,370	1,609,206	47,284,702	40,653,994
Total liabilities	<u>52,901,443</u>	<u>47,024,245</u>	<u>3,402,390</u>	<u>2,354,413</u>	<u>56,303,833</u>	<u>49,378,658</u>
Deferred Inflows of Resources	<u>7,136,828</u>	<u>3,852,987</u>	<u>269,012</u>	<u>149,595</u>	<u>7,405,840</u>	<u>4,002,582</u>
Net Position						
Net investment in capital assets	94,508,219	96,650,773	8,445,818	7,498,390	102,954,037	104,149,163
Restricted	24,678,322	20,459,118	4,502	12,999	24,682,824	20,472,117
Unrestricted	(959,423)	8,245,276	2,592,016	4,030,780	1,632,593	12,276,056
Total net position	<u>\$ 118,227,118</u>	<u>\$ 125,355,167</u>	<u>\$ 11,042,336</u>	<u>\$ 11,542,169</u>	<u>\$ 129,269,454</u>	<u>\$ 136,897,336</u>

A portion of Lewis County's net position, \$24.68 million, represents resources that are subject to external restrictions on how they may be used. The \$1.63 million in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

Deferred Outflows represent amounts related to the refunding of long-term debt, pension reporting required by GASB 68, and OPEB reporting required by GASB 75. Deferred Inflows represent amounts related to pension and OPEB reporting requirements.

Lewis County's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 16,925,103	\$ 18,522,221	\$ 9,523,991	\$ 9,332,941	\$ 26,449,094	\$ 27,855,162
Operating grants and contributions	16,125,402	13,082,484	-	-	16,125,402	13,082,484
Capital grants and contributions	136,581	3,733,301	1,083,993	431,812	1,220,574	4,165,113
General revenues						
Taxes	42,856,873	40,012,573	-	-	42,856,873	40,012,573
Interest and investment earnings	1,100,197	743,667	-	-	1,100,197	743,667
Other	2,563,905	2,013,109	17,633	28,007	2,581,538	2,041,116
Total Revenues	79,708,061	78,107,355	10,625,617	9,792,760	90,333,678	87,900,115
Expenses						
General Government & Judicial	16,382,839	16,179,808	-	-	16,382,839	16,179,808
Public Safety	23,269,854	22,768,155	-	-	23,269,854	22,768,155
Utilities	124,560	126,882	-	-	124,560	126,882
Transportation	22,232,641	23,748,555	-	-	22,232,641	23,748,555
Natural & Economic Environment	3,126,012	3,299,858	-	-	3,126,012	3,299,858
Social Services & Physical Health	6,027,152	6,325,307	-	-	6,027,152	6,325,307
Culture & Recreation	1,762,131	2,085,434	-	-	1,762,131	2,085,434
Interest on Long-Term Debt	351,340	411,463	9,227	15,699	360,567	427,162
Solid Waste	-	-	9,375,121	8,474,578	9,375,121	8,474,578
Airport	-	-	410,911	362,934	410,911	362,934
Water Sewer	-	-	435,585	398,422	435,585	398,422
Total Expenses	73,276,529	74,945,462	10,230,844	9,251,633	83,507,373	84,197,095
Excess (deficiency) of revenues over expenses before transfers	6,431,532	3,161,893	394,773	541,127	6,826,305	3,703,020
Transfers	(235,719)	(97,600)	235,719	97,600	-	-
Increase (decrease) in net position	6,195,813	3,064,293	630,492	638,727	6,826,305	3,703,020
Net position - Beginning, as restated	112,031,305	122,290,874	10,411,844	10,903,442	122,443,149	133,194,316
Net position - Ending	\$ 118,227,118	\$ 125,355,167	\$ 11,042,336	\$ 11,542,169	\$ 129,269,454	\$ 136,897,336

Lewis County's net position decreased by \$7.63 million during the 2018 fiscal year. The decrease in net position is attributable to a 5.7 percent decrease in governmental activities and 4.3 percent decrease in business-type activities. This decrease is primarily due to the implementation of GASB 75 which increased the County's OPEB liability by \$13.36 million.

Governmental Activities

In 2018, the three largest sources of revenue for governmental activities were taxes at \$42.86 million (53.8 percent of revenues), operating grants and contributions at \$16.13 million (20.2 percent of revenues), and charges for services at \$16.93 million (21.2 percent of revenues). The remaining 4.8 percent of governmental revenues include capital grants and contributions, interest and investment earnings, and other general revenues.

Tax revenues increased by \$2.84 million in 2018 reflecting positive growth in the economy. Grants and contributions decreased by \$553 thousand due to a decrease in grant revenue in the Roads fund. Total revenues increased over the prior year by \$1.60 million whereas total expenditures decreased by \$1.67 million.

Overview of governmental revenues and expenditures:

Program Revenues and Expenditures - Governmental Activities				
Governmental Function	Revenue	Percent of Total	Expenditures	Percent of Total
General Government & Judicial Services	\$ 12,422,835	37.43%	\$ 16,382,839	22.36%
Public Safety	5,879,403	17.72%	23,269,854	31.76%
Utilities	-	0.00%	124,560	0.17%
Transportation	8,278,590	24.95%	22,232,641	30.34%
Natural & Economic Environment	1,629,197	4.91%	3,126,012	4.27%
Social Services & Physical Health	3,914,536	11.80%	6,027,152	8.23%
Culture & Recreation	1,062,525	3.20%	1,762,131	2.40%
Interest on Long-Term Debt	-	0.00%	351,340	0.48%
Total	\$ 33,187,086	100.00%	\$ 73,276,529	100.00%

Revenues by Source - Governmental Activities		
	Revenue	Percent of Total
Taxes	\$ 42,856,873	53.77%
Charges for Services	16,925,103	21.23%
Operating Grants and Contributions	16,125,402	20.23%
Capital Grants and Contributions	136,581	0.17%
Investment Earnings	1,100,197	1.38%
Gain on Sale of Capital Assets	2,533,577	3.18%
Miscellaneous Revenues	30,328	0.04%
Total	\$ 79,708,061	100.00%

For the most part, the slight increases in expenses and revenues were the results of the outcomes of the current marginal up-tick in economic conditions. Although, overall conditions have required the county to maintain the previous cuts in various programs in most functions of the government due to the decline in revenues in the prior few years.

Business-type Activities

In 2018, the largest source of revenue for business-type activities was charges for services at \$9.52 million, or 89.6 percent of total business-type revenues.

Key changes for fiscal year 2018 include:

- Capital grants and contributions increased by \$652 thousand due to funding received by the Vader Water System Utility fund for the construction of a new water reservoir.
- Total revenue increased by \$832 thousand and total expenses increased by \$979 thousand for business-type activities in 2018.

Overview of business-type revenues and expenses:

Program Revenues and Expenses - Business-Type Activities

Program	Revenue	Percent of Total	Expenses	Percent of Total
Solid Waste	\$ 9,113,228	85.91%	\$ 9,375,121	91.72%
Airports	356,929	3.36%	410,911	4.02%
Water-Sewer Utilities	1,137,827	10.73%	435,585	4.26%
Total	\$ 10,607,984	100.00%	\$ 10,221,617	100.00%

Revenues by Source - Business-Type Activities

	Revenue	Percent of Total
Charges for Services	\$ 9,523,991	89.63%
Capital Grants and Contributions	1,083,993	10.20%
Gain (Loss) on Sale of Capital Assets	437	0.00%
Miscellaneous Revenues	17,196	0.16%
Total	\$ 10,625,617	100.00%

Financial Analysis of the County’s Major Funds

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

Governmental funds analysis. 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, *unassigned 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 \$41.21 million, an increase of \$5.23 million in comparison with the prior year. Approximately 45.3 percent of this total amount (\$18.66 million) constitutes *assigned and unassigned 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 following are highlights related to each major fund in 2018:

The **General Fund** is the chief operating fund of Lewis County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.07 million, while total fund balance reached \$10.97 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The change in total fund balance in 2018 was an increase of \$1.07 million compared to a decrease of \$153 thousand in 2017.

General fund expenditures are concentrated in the primary services and programs most vital to citizens, general government, judicial services, and public safety. These services account for 95.4 percent of total fund expenditures.

General Fund			
Revenues	2018	2017	Increase (decrease)
Taxes	\$ 22,138,316	\$ 19,940,499	\$ 2,197,817
Grants and contributions	6,402,197	5,618,525	783,672
Charges for services	3,862,491	4,624,667	(762,176)
Other	3,897,962	3,663,708	234,254
Total	36,300,966	33,847,399	2,453,567
Expenditures			
General Government & Judicial	15,314,000	15,183,704	130,296
Security of Persons & Property	18,488,162	17,809,268	678,894
Other	1,645,099	1,426,082	219,017
Total	35,447,261	34,419,054	1,028,207
Net transfers in (out)	(980,091)	(442,770)	(537,321)
Other financing sources	1,192,654	860,932	331,722
Net increase (decrease) in fund balance	\$ 1,066,268	\$ (153,493)	\$ 1,219,761

The **Roads Fund** provides road maintenance and construction services to the citizens of Lewis County. The Roads fund ended 2018 with a total fund balance of \$3.25 million, an increase of \$230 thousand over the previous year. Expenditures in the fund decreased significantly, by \$6.39 million, due to a decrease in capital outlay. This decrease is due to the completion of highway stabilization projects in 2017. Accordingly, revenues in the fund decreased by \$1.85 million due to a decrease in grant funding related to the projects completed in the prior year.

The **Capital Facilities Plan Fund** accounts for financial resources used for the acquisition or construction of major capital facilities. At the end of the current fiscal year, total fund balance in the Capital Facilities Plan Fund was \$10.57 million, \$9.46 million of which is classified as restricted fund balance, which is subject to externally enforceable legal restrictions. Restricted fund balance increased by \$1.73 million due to an increase in revenues and decrease in expenditures of restricted funds.

The **Distressed Counties Fund** was established in 2002 for the purpose of financing public facilities and infrastructure related to economic development using the .09% of the state sales tax the County receives. The Distressed Counties Fund ended 2018 with a total fund balance of \$5.99 million. Revenue and expenditures remained fairly consistent with the prior year.

Proprietary funds analysis. Lewis County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Solid Waste Utility Fund, Solid Waste Disposal District No. 1, the Vader Water System Utility, and the Packwood Airport are categorized as major proprietary funds for 2018.

The **Solid Waste Utility Fund** and the **Solid Waste Disposal District No. 1** provide efficient disposal and recycling services to the residents and businesses of Lewis County.

The Solid Waste Utility fund ended the fiscal year with a total net position of \$612 thousand, a decrease of \$1.38 million from the prior year. The decrease is due to the implementation of GASB 75 as well as the recognition of a post-closure care liability for the Centralia landfill.

The Solid Waste Disposal District No. 1 ended 2018 with a total net position of \$3.30 million, an increase of \$196 thousand over the prior year. Revenues remained consistent with the prior year while operating expenses increased slightly, by \$263 thousand.

The **Vader Water System Utility Fund** accounts for activity of the public water system serving the City of Vader and surrounding county lands. Previously in receivership, the court awarded the Vader Water System to Lewis County in 2015. The Vader Water System Utility fund is responsible for establishing, operating, and maintaining the supply, treatment, and distribution of water for the Vader-Enchanted Valley Water System. At the end of the current fiscal year, the net position of this fund was \$2.66 million, an increase of \$650 thousand over the prior year. The fund took on additional debt in 2018, \$279 thousand, to finance the construction of a new drinking water supply storage facility. The Vader Water fund also received an increase in capital grant revenue related to the same project.

The **Packwood Airport Fund** accounts for activity of the airport located in Packwood, WA. At the end of the current fiscal year, the net position of this fund was \$2.90 million. Activity in the fund remained fairly consistent with the prior year, revenues decreasing slightly by \$61 thousand due the close of a construction project in the prior year.

During the year, net position for all enterprise funds decreased by \$500 thousand. The decrease is primarily due to the recognition of landfill post-closure care and other postemployment benefit liabilities.

General Fund Budgetary Highlights

Lewis County adopts an annual budget in December of the preceding year, with adjustments made throughout the year.

The significant differences between the original budget and the final amended budget, as well as actual revenues and expenditures, are summarized in the table below.

General Fund Summary				
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 21,212,027	21,212,027	\$ 22,138,316	\$ 926,289
Licenses & Permits	34,500	74,500	80,509	6,009
Intergovernmental	5,307,204	6,327,827	6,402,197	74,370
Charges for Services	3,856,863	3,921,995	3,842,631	(79,364)
Fines & Forfeits	1,703,100	1,703,100	1,770,437	67,337
Interest & Other Earnings	1,915,155	1,875,155	2,011,146	135,991
Miscellaneous	60,460	60,460	35,870	(24,590)
Total Revenues	34,089,309	35,175,064	36,281,106	1,106,042
Expenditures				
General Government Services	15,234,747	16,147,050	15,314,000	833,050
Security of Persons & Property	18,407,544	18,892,614	18,488,162	404,452
Utilities & Environment	-	-	-	-
Transportation	-	-	-	-
Natural & Economic Environment	628,452	676,197	625,157	51,040
Mental & Physical Health	708,910	743,116	596,507	146,609
Culture & Recreation	228,197	240,590	211,079	29,511
Debt Service	49,544	49,544	56,645	(7,101)
Capital Outlays	50,840	50,840	98,540	(47,700)
Total Expenditures	35,308,234	36,799,951	35,390,090	1,409,861
Excess of Revenues Over (Under) Expenditures	(1,218,925)	(1,624,887)	891,016	2,515,903
Other Financing Sources (Uses)	(102,684)	(737,684)	167,597	905,281
Net Change in Fund Balance	(1,321,609)	(2,362,571)	1,058,613	3,421,184
Fund Balance - January 1	9,884,773	9,884,773	9,884,773	-
Fund Balance - December 31	\$ 8,563,164	\$ 7,522,202	\$ 10,943,386	\$ 3,421,184

The general fund's original and final budget were very similar, with an increase of \$1.09 million in budgeted revenues and \$1.49 million in budgeted expenditures.

Capital Asset and Debt Administration

Capital Assets. Lewis County's capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$114.37 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and

equipment, park facilities, and county road's infrastructure (roads, bridges, culverts). The total decrease in Lewis County's investment in capital assets for the current fiscal year was \$2.25 million. The decrease is due to annual depreciation and a decrease in capital expenditures in 2018.

Lewis County's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land, Intangibles	\$ 6,757,377	\$ 6,944,807	\$ 214,182	\$ 214,182	\$ 6,971,559	\$ 7,158,989
Construction in Progress	1,924,228	1,004,308	1,807,594	507,386	3,731,822	1,511,694
Buildings & Structures	32,647,026	33,945,863	160,015	174,596	32,807,041	34,120,459
Improvements Other than Buildings	498,874	561,786	6,431,891	6,770,905	6,930,765	7,332,691
Machinery & Equipment	10,218,978	10,530,771	773,571	532,918	10,992,549	11,063,689
Infrastructure	52,938,487	55,433,789	-	-	52,938,487	55,433,789
Total	\$ 104,984,970	\$ 108,421,324	\$ 9,387,253	\$ 8,199,987	\$ 114,372,223	\$ 116,621,311

Additional information on Lewis County's capital assets can be found in Note 5 within the Notes to the Financial Statements in this report.

Long-term debt. At the end of the current fiscal year, Lewis County's total long-term debt outstanding was \$11.51 million. Of this amount, \$941 thousand comprises debt other than General Obligation Bonds backed by the full faith and credit of the government. In 2018, the County issued new debt for the Vader Water System Utility fund in the amount of \$279 thousand. This debt was issued to provide funds necessary for the acquisition, construction, and installation of a new drinking water supply storage facility at the water treatment plant of the Vader Water System Utility of the County. Reductions to the debt of the County were regularly scheduled debt service payments. Overall, the County's total debt decreased by \$1.03 million.

Lewis County's Outstanding Debt

	Beginning Balance		Additions		Reductions		Ending Balance	
		01/01/2018						12/31/2018
General Obligation Bonds	\$	11,835,000	\$	-	\$	1,265,000	\$	10,570,000
Notes Payable		701,597		279,000		39,163		941,434
Total	\$	12,536,597	\$	279,000	\$	1,304,163	\$	11,511,434

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 \$181.50 million and \$104.63 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. This calculation does not include assets or liabilities related to GASB 68 pension or GASB 75 OPEB reporting requirements.

Additional information on Lewis County's long-term debt can be found in Note 11 within the Notes to the Financial Statements.

Economic Factors

The unemployment rate for Lewis County is currently 6.9 percent, a slight increase from the rate of 6.8 percent a year ago. This is higher than the current state's average unemployment rate of 4.8 percent and the national average rate of 3.9 percent. Inflationary trends in the region are comparable to national indices.

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 Position

December 31, 2018

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Cash & Cash Equivalents	\$ 10,306,528	\$ 1,836,819	\$ 12,143,347
Investments	44,549,278	2,612,324	47,161,602
Receivables	4,991,735	403,893	5,395,628
Interest Receivable	223,882	20	223,902
Internal Balances	77,665	-	77,665
Due from Other Governmental Units	5,445,176	378,144	5,823,320
Inventories	1,060,047	-	1,060,047
Prepayments	1,315,705	13,766	1,329,471
Capital Assets Not Being Depreciated:			
Land, Intangibles, (Nondepreciable)	6,757,377	214,182	6,971,559
Construction in Progress	1,924,228	1,807,594	3,731,822
Capital Assets Being Depreciated:			
Buildings & Structures	32,647,026	160,015	32,807,041
Improvements Other than Buildings	498,874	6,431,891	6,930,765
Machinery & Equipment	10,218,978	773,571	10,992,549
Infrastructure	52,938,487	-	52,938,487
Net Pension Asset	2,334,646	-	2,334,646
Total Assets	175,289,632	14,632,219	189,921,851
Deferred Outflow of Resources:			
Deferred Outflows Related to Refunding of Debt	229,696	-	229,696
Deferred Outflows Related to Pensions	2,572,921	81,519	2,654,440
Deferred Outflows Related to OPEB	173,140	-	173,140
Total Deferred Outflow of Resources	2,975,757	81,519	3,057,276
Liabilities			
Accounts Payable & Other Current Liabilities	2,212,831	454,554	2,667,385
Internal Balances	-	76,858	76,858
Due to Other Governmental Units	23,100	44,864	67,964
Accrued Interest Payable	25,530	2,796	28,326
Accrued Employee Benefits	2,976,331	98,811	3,075,142
Unearned Revenue	99,291	4,000	103,291
Custodial Accounts	1,119,835	31,692	1,151,527
Noncurrent Liabilities:			
Due Within One Year	1,800,193	48,445	1,848,638
General Obligation Debt	9,260,000	-	9,260,000
Other Credits	308,313	-	308,313
Notes, Contracts, Leases Payable	68,401	896,571	964,972
Compensated Absences	4,707,553	141,395	4,848,948
Total OPEB Liability	15,318,619	453,044	15,771,663
Incurred but Not Reported	1,684,823	-	1,684,823
Net Pension Liability	13,296,623	520,512	13,817,135
Landfill Closure and Postclosure Care Liability	-	628,848	628,848
Total Liabilities	52,901,443	3,402,390	56,303,833
Deferred Inflows of Resources:			
Related to Pensions	6,134,758	207,333	6,342,091
Related to Other Postemployment Benefits	1,002,070	61,679	1,063,749
Total Deferred Inflow of Resources	7,136,828	269,012	7,405,840
Net Position			
Net Investment in Capital Assets	94,508,219	8,445,818	102,954,037
Restricted: Special Revenue/Debt Service	22,343,676	4,502	22,348,178
Restricted: Pensions	2,334,646	-	2,334,646
Unrestricted (Deficit)	(959,423)	2,592,016	1,632,593
Total Net Position	\$ 118,227,118	\$ 11,042,336	\$ 129,269,454

See Accompanying Notes to Financial Statements

Statement of Activities

For Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary Government:							
General Government & Judicial Services	\$ 16,382,839	\$ 8,090,518	\$ 4,332,317	\$ -	\$ (3,960,004)	\$ -	\$ (3,960,004)
Public Safety	23,269,854.00	4,881,777	997,626	-	(17,390,451)	-	(17,390,451)
Utilities	124,560.00	-	-	-	(124,560)	-	(124,560)
Transportation	22,232,641.00	416,089	7,478,051	384,450	(13,954,051)	-	(13,954,051)
Natural & Economic Environment	3,126,012.00	960,398	668,799	-	(1,496,815)	-	(1,496,815)
Social Services & Physical Health	6,027,152.00	1,640,516	2,274,020	-	(2,112,616)	-	(2,112,616)
Culture & Recreation	1,762,131.00	935,805	126,720	-	(699,606)	-	(699,606)
Interest on Long-Term Debt	351,340	-	-	-	(351,340)	-	(351,340)
Total Government Activities	73,276,529	16,925,103	15,877,533	384,450	(40,089,443)	-	(40,089,443)
Business-type activities:							
Solid Waste	9,375,121	9,113,228	-	-	-	(261,893)	(261,893)
Airports	410,911	75,043	-	281,886	-	(53,982)	(53,982)
Water Sewer	435,585	335,720	-	802,107	-	702,242	702,242
Total business-type activities	10,221,617	9,523,991	-	1,083,993	-	386,367	386,367
Total primary government	\$ 83,498,146	\$ 26,449,094	\$ 15,877,533	\$ 1,468,443	\$ (40,089,443)	\$ 386,367	\$ (39,703,076)
General Revenues:							
Property Taxes					\$ 24,729,038	\$ -	\$ 24,729,038
Private Harvest Taxes					2,613,926	-	2,613,926
Sales Tax					13,634,669	-	13,634,669
Excise Tax					1,879,240	-	1,879,240
Interest & Investment Revenue (Expenses)					1,100,197	(9,227)	1,090,970
Miscellaneous					7,566	17,196	24,762
Gain (Loss) on Sale & Donation of Capital Assets					2,533,577	437	2,534,014
Insurance Proceeds					22,762	-	22,762
Transfers					(235,719)	235,719	-
Total General Revenues and Transfers					46,285,256	244,125	46,529,381
Change in Net Position					6,195,813	630,492	6,826,305
Net Position - Beginning					125,355,167	11,542,169	136,897,336
Prior Period Adjustment - Correction of errors					56,190	(654,808)	(598,618)
Cumulative effect of a change in accounting principle					(13,380,052)	(475,517)	(13,855,569)
Net Position - Restated					112,031,305	10,411,844	122,443,149
Net Position - Ending					\$ 118,227,118	\$ 11,042,336	\$ 129,269,454

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2018

	General	Roads	Distressed Counties
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 3,793,853	\$ 992,176	\$ 1,522,045
Investments	7,219,438	1,549,826	3,163,983
Receivables, Net	670,090	612,576	-
Interest Receivable	144,914	288	2,086
Interfund Loan Receivable	148,858	-	-
Due from Other Governmental Units	2,387,900	1,449,251	269,135
Inventories	1,610	82,597	-
Prepayments	66,171	19,573	-
Notes/Contracts Receivable	-	59,256	1,144,618
Total Assets	14,432,834	4,765,543	6,101,867
Liabilities			
Liabilities:			
Accounts/Vouchers Payable	363,614	350,515	113,519
Retainage Payable	6,079	120,568	-
Due to Other Funds	-	-	-
Interfund Loans payable	-	-	-
Due to Other Governmental Units	-	-	-
Accrued Employee Benefits	1,595,550	600,310	-
Advanced Revenue	-	5,532	-
Custodial Accounts	1,043,258	13,803	-
Total Liabilities	3,008,501	1,090,728	113,519
Deferred Inflows			
Unavailable Revenue (Property Taxes/Asmnts)	455,420	423,831	-
Total Deferred Inflows of Resources	455,420	423,831	-
Fund Balances			
Fund Balances:			
Nonspendable	216,639	161,426	1,144,618
Restricted: Special Revenue/Capital Projects	652,800	143,981	4,432,875
Restricted: Debt Service	-	-	-
Committed	-	-	-
Assigned	25,527	2,945,577	410,855
Unassigned	10,073,947	-	-
Total Fund Balances	10,968,913	3,250,984	5,988,348
Total Liabilities, Deferred Inflows, and Fund Balances			
	\$ 14,432,834	\$ 4,765,543	\$ 6,101,867

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2018

	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 39,971	\$ 1,378,149	\$ 7,726,194
Investments	10,389,535	8,738,677	31,061,459
Receivables, Net	-	425,507	1,708,173
Interest Receivable	21,843	14,323	183,454
Interfund Loan Receivable	49,396	-	198,254
Due from Other Governmental Units	296,481	1,027,930	5,430,697
Inventories	-	-	84,207
Prepayments	-	242,375	328,119
Notes/Contracts Receivable	-	-	1,203,874
Total Assets	10,797,226	11,826,961	47,924,431
Liabilities			
Liabilities:			
Accounts/Vouchers Payable	223,274	579,356	1,630,278
Retainage Payable	-	-	126,647
Due to Other Funds	-	-	-
Interfund Loans payable	-	72,000	72,000
Due to Other Governmental Units	-	23,100	23,100
Accrued Employee Benefits	-	471,620	2,667,480
Advanced Revenue	-	93,759	99,291
Custodial Accounts	563	61,165	1,118,789
Total Liabilities	223,837	1,301,000	5,737,585
Deferred Inflows			
Unavailable Revenue (Property Taxes/Asmnts)	-	100,253	979,504
Total Deferred Inflows of Resources	-	100,253	979,504
Fund Balances			
Fund Balances:			
Nonspendable	49,396	242,375	1,814,454
Restricted: Special Revenue/Capital Projects	9,455,959	5,519,245	20,204,860
Restricted: Debt Service	-	17,477	17,477
Committed	-	512,284	512,284
Assigned	1,068,034	4,187,573	8,637,566
Unassigned	-	(53,246)	10,020,701
Total Fund Balances	10,573,389	10,425,708	41,207,342
Total Liabilities, Deferred Inflows, and Fund Balances			
	\$ 10,797,226	\$ 11,826,961	\$ 47,924,431

See Accompanying Notes to Financial Statements

**Reconciliation of the Governmental Balance Sheets
To the Government-Wide Statement of Net Position - Governmental Funds**

December 31, 2018

Fund balances - total governmental funds	\$	41,207,342
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows related to refunding of debt, pensions, and other postemployment benefits are not financial resources and therefore not reported in the governmental funds		2,776,398
Capital and net pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		94,702,816
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.		2,052,798
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		(30,352,707)
Net pension obligation is reported as a liability in the governmental activities and is not considered to represent a financial liability, therefore, it is not reported in the governmental funds.		(11,895,246)
Internal service funds are used by management to charge the costs of certain activities such as insurance, fleet, facilities maintenance, radio, and information services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		25,271,572
Revenue, such as property taxes, are recorded as deferred inflows of resources in the governmental funds because they are not current financial resources are accrued under the economic resources basis of accounting and recorded on the statement of net position.		979,503
Deferred inflows related to pensions and other postemployment benefits not reported in the governmental funds are reported in the statement of net position.		(6,515,358)
Net Position of government activities	<u>\$</u>	<u>118,227,118</u>

See Accompanying Notes to Financial Statements

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

For The Year Ended December 31, 2018

	General	Roads	Distressed Counties
Revenues			
Taxes	\$ 22,138,316	\$ 12,545,687	\$ 1,479,836
Licenses & Permits	80,509	53,844	-
Intergovernmental	6,402,197	7,862,503	-
Charges for Services	3,862,491	457,275	-
Fines & Forfeits	1,770,437	-	-
Interest & Other Earnings	2,011,146	33,684	39,352
Miscellaneous	35,870	9,657	-
Total Revenues	36,300,966	20,962,650	1,519,188
Expenditures			
Current:			
General Government Services	15,314,000	-	-
Security of Persons & Property	18,488,162	-	-
Transportation	-	18,766,130	-
Natural & Economic Environment	682,328	93,123	689,032
Mental & Physical Health	596,507	-	-
Culture & Recreation	211,079	-	-
Debt Service:			
Principal	54,566	6,586	-
Interest & Other Debt Service	2,079	142	-
Capital Outlays	98,540	2,097,729	-
Total Expenditures	35,447,261	20,963,710	689,032
Excess of Revenues Over (Under) Expenditures	853,705	(1,060)	830,156
Other Financing Sources/(Uses)			
Lease Receipts - Capital	16,905	-	-
Proceeds from Sale of Capital Assets	1,175,749	1,629,909	-
Transfers-In	1,512,112	86,162	-
Transfers-Out	(2,492,203)	(1,484,300)	(24,391)
Total Other Financing Sources/(Uses)	212,563	231,771	(24,391)
Net Change in Fund Balance	1,066,268	230,711	805,765
Fund Balance - January 1	9,902,645	3,020,273	5,182,583
Fund Balance - December 31	\$ 10,968,913	\$ 3,250,984	\$ 5,988,348

See Accompanying Notes to Financial Statements

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

For The Year Ended December 31, 2018

	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 3,463,261	\$ 3,237,238	\$ 42,864,338
Licenses & Permits	-	1,421,756	1,556,109
Intergovernmental	-	3,061,577	17,326,277
Charges for Services	-	5,473,392	9,793,158
Fines & Forfeits	-	18,116	1,788,553
Interest & Other Earnings	191,521	1,037,457	3,313,160
Miscellaneous	169	15,704	61,400
Total Revenues	3,654,951	14,265,240	76,702,995
Expenditures			
Current:			
General Government Services	296,305	1,294,972	16,905,277
Security of Persons & Property	267,248	4,345,622	23,101,032
Transportation	-	-	18,766,130
Natural & Economic Environment	-	1,749,579	3,214,062
Mental & Physical Health	14,455	5,464,313	6,075,275
Culture & Recreation	3,691	1,427,140	1,641,910
Debt Service:			
Principal	-	1,277,105	1,338,257
Interest & Other Debt Service	-	358,837	361,058
Capital Outlays	21,093	225,424	2,442,786
Total Expenditures	602,792	16,142,992	73,845,787
Excess of Revenues Over (Under) Expenditures	3,052,159	(1,877,752)	2,857,208
Other Financing Sources/(Uses)			
Lease Receipts - Capital	-	7,803	24,708
Proceeds from Sale of Capital Assets	-	31,213	2,836,871
Transfers-In	-	3,422,287	5,020,561
Transfers-Out	(1,181,387)	(268,633)	(5,450,914)
Total Other Financing Sources/(Uses)	(1,181,387)	3,192,670	2,431,226
Net Change in Fund Balance	1,870,772	1,314,918	5,288,434
Fund Balance - January 1	8,702,617	9,110,790	35,918,908
Fund Balance - December 31	\$ 10,573,389	\$ 10,425,708	\$ 41,207,342

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, 2018

Net changes in fund balances - total governmental funds	\$	5,288,434
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		2,442,786
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net position.</p>		(342,401)
<p>Repayment of bond principal and accrued interest is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the governmental statement of net position. Issuance of debt in the governmental funds provides current financial resources to governmental funds, but is not included in the statement of activities.</p>		1,323,268
<p>Some revenues and 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.</p>		(2,571,784)
<p>Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.</p>		55,510
Change in net position of governmental activities.	<u>\$</u>	<u>6,195,813</u>

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement

For The Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance- Positive (Negative)
Commissioners - Legislative				
General Government	\$ 882,778	\$ 862,778	\$ 754,443	\$ 108,335
Principal	4,000	4,000	3,306	694
Interest & Other Debt Service	-	-	67	(67)
Total Commissioners - Legislative	886,778	866,778	757,816	108,962
Auditor				
General Government	1,347,165	1,347,165	1,289,374	57,791
Capital Outlay	-	-	-	-
Principal	365	365	1,580	(1,215)
Interest & Other Debt Service	55	55	52	3
Total Auditor	1,347,585	1,347,585	1,291,006	56,579
Auditor - Elections				
General Government	306,156	381,356	342,360	38,996
Principal	-	-	176	(176)
Interest & Other Debt Service	-	-	6	(6)
Total Auditor - Elections	306,156	381,356	342,542	38,814
Assessor				
General Government	1,845,811	1,845,811	1,772,324	73,487
Capital Outlay	-	-	-	-
Principal	2,625	2,625	2,735	(110)
Interest & Other Debt Service	250	250	121	129
Total Assessor	1,848,686	1,848,686	1,775,180	73,506
Board of Equalization				
General Government	11,636	11,636	9,703	1,933
Total Board of Equalization	11,636	11,636	9,703	1,933
Treasurer				
General Government	869,666	871,396	830,101	41,295
Principal	-	-	3,205	(3,205)
Interest & Other Debt Service	500	500	58	442
Total Treasurer	870,166	871,896	833,364	38,532
Clerk				
General Government	1,257,504	1,266,194	1,221,906	44,288
Principal	-	-	60	(60)
Interest & Other Debt Service	-	-	-	-
Total Clerk	1,257,504	1,266,194	1,221,966	44,228

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement

For The Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance- Positive (Negative)
Superior Court				
General Government	1,405,918	1,524,510	1,465,924	58,586
Principal	-	-	2,313	(2,313)
Interest & Other Debt Service	-	-	81	(81)
Total Superior Court	1,405,918	1,524,510	1,468,318	56,192
District Court				
General Government	1,925,707	1,930,807	1,842,179	88,628
Capital Outlay	-	-	-	-
Principal	6,600	6,600	6,426	174
Interest & Other Debt Service	-	-	170	(170)
Total District Court	1,932,307	1,937,407	1,848,775	88,632
Prosecuting Attorney				
General Government	3,036,058	3,211,976	3,139,103	72,873
Principal	19,200	19,200	14,713	4,487
Interest & Other Debt Service	-	-	715	(715)
Total Prosecuting Attorney	3,055,258	3,231,176	3,154,531	76,645
Self Insurance				
General Government	245,109	268,973	263,569	5,404
Principal	-	-	845	(845)
Interest & Other Debt Service	-	-	29	(29)
Total Self Insurance	245,109	268,973	264,443	4,530
Courts: Designated Accounts				
General Government	1,525,775	1,876,255	1,742,123	134,132
Total Courts: Designated Accounts	1,525,775	1,876,255	1,742,123	134,132
Civil Service				
Security of Persons and Property	20,200	20,200	11,637	8,563
Total Civil Service	20,200	20,200	11,637	8,563
Disability Board				
Security of Persons and Property	1,600	1,600	-	1,600
Total Disability Board	1,600	1,600	-	1,600
State Examiner				
General Government	45,000	55,000	45,241	9,759
Total State Examiner	45,000	55,000	45,241	9,759
Association Dues				
General Government	25,400	25,400	24,707	693
Total Association Dues	25,400	25,400	24,707	693

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement

For The Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance-Positive (Negative)
Labor Relations/Human Resources				
General Government	253,157	275,655	269,630	6,025
Security of Persons and Property	22,768	22,768	16,807	5,961
Principal	-	-	845	(845)
Interest & Other Debt Service	-	-	30	(30)
Total Labor Relations/Human Resources	275,925	298,423	287,312	11,111
County Administration				
General Government	-	127,740	97,641	30,099
Principal	-	-	-	-
Interest & Other Debt Service	-	-	-	-
Total County Administration	-	127,740	97,641	30,099
Boundary Review board				
Economic Environment	4,347	4,347	2,233	2,114
Total Boundary Review board	4,347	4,347	2,233	2,114
Central Services				
General Government	11,607	24,098	20,971	3,127
Total Central Services	11,607	24,098	20,971	3,127
Sheriff				
Security of Persons and Property	7,470,170	7,598,598	7,398,644	199,954
General Government	240,000	240,000	181,898	58,102
Capital Outlay	26,120	26,120	38,495	(12,375)
Principal	6,692	6,692	5,582	1,110
Interest & Other Debt Service	-	-	300	(300)
Total Sheriff	7,742,982	7,871,410	7,624,919	246,491
Jail				
Security of Persons and Property	7,646,104	7,909,675	7,726,673	183,002
Capital Outlay	24,720	24,720	43,140	(18,420)
Principal	6,406	6,406	6,274	132
Interest & Other Debt Service	-	-	144	(144)
Total Jail	7,677,230	7,940,801	7,776,231	164,570
Juvenile				
General Government	300	300	800	(500)
Security of Persons and Property	3,246,702	3,339,773	3,334,392	5,381
Capital Outlay	-	-	-	-
Principal	-	-	2,109	(2,109)
Interest & Other Debt Service	-	-	78	(78)
Total Juvenile	3,247,002	3,340,073	3,337,379	2,694
Noxious Weed Control				
Economic Environment	215,397	215,397	181,597	33,800
Total Noxious Weed Control	215,397	215,397	181,597	33,800

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance- Positive (Negative)
Air Pollution Control				
Economic Environment	19,600	19,600	19,590	10
Total Air Pollution Control	<u>19,600</u>	<u>19,600</u>	<u>19,590</u>	<u>10</u>
Animal Shelter				
Economic Environment	389,108	436,853	417,463	19,390
Total Animal Shelter	<u>389,108</u>	<u>436,853</u>	<u>417,463</u>	<u>19,390</u>
Senior Services				
Mental and Physical Health	235,000	235,000	100,000	135,000
Total Senior Services	<u>235,000</u>	<u>235,000</u>	<u>100,000</u>	<u>135,000</u>
Coroner				
Mental and Physical Health	473,910	508,116	500,781	7,335
Capital Outlay	-	-	-	-
Principal	-	-	1,646	(1,646)
Interest & Other Debt Service	-	-	120	(120)
Total Coroner	<u>473,910</u>	<u>508,116</u>	<u>502,547</u>	<u>5,569</u>
WSU Extension				
Culture and Recreation	228,197	240,590	211,079	29,511
Principal	2,668	2,668	2,750	(82)
Interest & Other Debt Service	183	183	106	77
Total WSU Extension	<u>231,048</u>	<u>243,441</u>	<u>213,935</u>	<u>29,506</u>
Current Expense Transfers				
Transfers-Out	2,273,669	2,908,669	2,492,169	416,500
Total Current Expense Transfers	<u>2,273,669</u>	<u>2,908,669</u>	<u>2,492,169</u>	<u>416,500</u>
Non-Budgetary Items				
Capital Outlay	-	-	16,905	(16,905)
Total Non-Budgetary Items	<u>-</u>	<u>-</u>	<u>16,905</u>	<u>(16,905)</u>
Total Expenditures	<u><u>37,581,903</u></u>	<u><u>39,708,620</u></u>	<u><u>37,882,243</u></u>	<u><u>1,826,377</u></u>

See Accompanying Notes to Financial Statements

Budget-To-Actual Comparison Statement
For The Year Ended December 31, 2018

General Fund Summary				
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 21,212,027	21,212,027	\$ 22,138,316	\$ 926,289
Licenses & Permits	34,500	74,500	80,509	6,009
Intergovernmental	5,307,204	6,327,827	6,402,197	74,370
Charges for Services	3,856,863	3,921,995	3,842,631	(79,364)
Fines & Forfeits	1,703,100	1,703,100	1,770,437	67,337
Interest & Other Earnings	1,915,155	1,875,155	2,011,146	135,991
Miscellaneous	60,460	60,460	35,870	(24,590)
Total Revenues	34,089,309	35,175,064	36,281,106	1,106,042
Expenditures				
General Government Services	15,234,747	16,147,050	15,314,000	833,050
Security of Persons & Property	18,407,544	18,892,614	18,488,162	404,452
Natural & Economic Environment	628,452	676,197	625,157	51,040
Mental & Physical Health	708,910	743,116	596,507	146,609
Culture & Recreation	228,197	240,590	211,079	29,511
Debt Service:				
Principal	48,556	48,556	54,566	(6,010)
Interest & Other Debt Service	988	988	2,079	(1,091)
Capital Outlays	50,840	50,840	98,540	(47,700)
Total Expenditures	35,308,234	36,799,951	35,390,090	1,409,861
Excess of Revenues Over (Under) Expenditures	(1,218,925)	(1,624,887)	891,016	2,515,903
Other Financing Sources/(Uses)				
Lease Receipts - Capital	-	-	16,905	16,905
Proceeds from Sale of Capital Assets	700,000	700,000	1,175,749	475,749
Transfers-In	1,470,985	1,470,985	1,467,112	(3,873)
Transfers-Out	(2,273,669)	(2,908,669)	(2,492,169)	416,500
Total Other Financing Sources/(Uses)	(102,684)	(737,684)	167,597	905,281
Net Change in Fund Balance	(1,321,609)	(2,362,571)	1,058,613	3,421,184
Fund Balance - January 1	9,884,773	9,884,773	9,884,773	-
Fund Balance - December 31	\$ 8,563,164	\$ 7,522,202	\$ 10,943,386	\$ 3,421,184

Perspective Difference Reconciliation:

Actual Fund Balance - Schedule of Revenues, Expenditures, And Changes in Fund Balance 10,943,386

The Following funds were budgeted as special revenue funds but do not meet the definition of such under GASB Statement No. 54 and; therefore, are accounted for within the General Fund:

Flood Control Zone #125	10,527
Cowlitz River Basin Subzone #126	15,000
Sheriff's Airplane #162	-
SWW Fair Entertainment Reserve #197	-
Eliminated Transfer In/Out	

Total Fund Balance - General Fund Balance Sheet for Governmental Funds 10,968,913

Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2018

	Special Revenue: Roads			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 12,618,000	\$ 12,618,000	\$ 12,545,687	\$ (72,313)
Licenses & Permits	43,000	43,000	53,844	10,844
Intergovernmental	7,508,270	9,910,325	7,862,503	(2,047,822)
Charges for Services	336,800	446,800	457,275	10,475
Interest & Other Earnings	21,450	21,450	31,169	9,719
Miscellaneous	300	300	9,657	9,357
Total Revenues	20,527,820	23,039,875	20,960,135	(2,079,740)
Expenditures				
Transportation	20,335,315	21,406,968	18,766,130	2,640,838
Economic Environment	115,540	115,540	93,123	22,417
Debt Service:				
Principal	-	-	6,586	(6,586)
Interest & Other Debt Service	-	-	142	(142)
Capital Outlays	2,413,589	4,089,311	2,097,729	1,991,582
Total Expenditures	22,864,444	25,611,819	20,963,710	4,648,109
Excess of Revenues Over (Under) Expenditures	(2,336,624)	(2,571,944)	(3,575)	2,568,369
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Assets	900,000	900,000	1,629,909	729,909
Transfers-In	208,000	208,000	68,631	(139,369)
Transfers-Out	(1,470,692)	(1,470,692)	(1,484,300)	(13,608)
Total Other Financing Sources/(Uses)	(362,692)	(362,692)	214,240	576,932
Net Change in Fund Balance	(2,699,316)	(2,934,636)	210,665	3,145,301
Fund Balance - January 1	2,882,316	2,882,316	2,882,316	-
Fund Balance - December 31	\$ 183,000	\$ (52,320)	\$ 3,092,981	\$ 3,145,301

Beginning Balance was Restated to reflect Actual Fund Balance without Rolled Funds.

Perspective Difference Reconciliation:

Actual Fund Balance - Schedule of Revenues, Expenditures, And Changes in Fund Balance	3,092,981
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The Following fund was budgeted as special revenue fund but does not meet the definition of such under GASB Statement No. 54 and; therefore, is accounted for within the Roads Fund:

Paths & Trails #128	143,981
Eliminated Transfer In/Out	14,022

Total Fund Balance - Roads Fund Balance Sheet 3,250,984

See Accompanying Notes to Financial Statements

Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2018

Special Revenue: Distressed Counties				
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,479,836	\$ 279,836
Interest & Other Earnings	30,000	30,000	39,352	9,352
Total Revenues	1,230,000	1,230,000	1,519,188	289,188
Expenditures				
Economic Environment	1,225,000	1,225,000	689,032	535,968
Total Expenditures	1,225,000	1,225,000	689,032	535,968
Excess of Revenues Over (Under) Expenditures	5,000	5,000	830,156	825,156
Other Financing Sources/(Uses)				
Transfers-Out	(58,000)	(58,000)	(24,391)	33,609
Total Other Financing Sources/(Uses)	(58,000)	(58,000)	(24,391)	33,609
Net Change in Fund Balance	(53,000)	(53,000)	805,765	858,765
Fund Balance - January 1	5,182,583	5,182,583	5,182,583	-
Fund Balance - December 31	\$ 5,129,583	\$ 5,129,583	\$ 5,988,348	\$ 858,765

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activity-Enterprise Funds			
	Solid Waste Utility	Solid Waste Disposal District	Vader Water System Utility	Packwood Airport
Assets				
Current Assets:				
Cash & Cash Equivalents	\$ 444,472	\$ 1,296,435	\$ 300	\$ 39,669
Investments	631,933	1,839,950	4,502	56,401
Receivables, Net	37	332,419	71,437	-
Interest Receivable	-	-	20	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Units	54,340	-	195,537	9,920
Inventories	-	-	-	-
Prepayments	3,815	113	2,627	2,217
Noncurrent Assets:				
Land	112,682	-	34,279	46,221
Buildings & Structures, Net	85,018	-	58,997	1,331
Other Improvements, Net	561,984	-	2,338,842	2,751,894
Machinery & Equipment, Net	752,006	-	4,696	-
Construction in Progress	-	-	1,224,852	5,255
Total Assets	2,646,287	3,468,917	3,936,089	2,912,908
Deferred Outflow of Resources:				
Related to Pensions	70,547	-	7,854	-
Total Deferred Outflow of Resources	70,547	-	7,854	-
Liabilities				
Current Liabilities:				
Accounts/Vouchers Payable	140,127	162,718	95,149	10,485
Claims & Judgments Payable	-	-	-	-
Retainage Payable	3,624	-	40,883	-
Interfund Loans Payable	-	-	7,858	-
Due to Other Governmental Units	-	-	44,864	-
Accrued Interest Payable	-	-	2,796	-
Accrued Employee Benefits	87,398	-	8,730	-
Unearned Revenue	-	-	-	-
Custodial Accounts	278	1,294	24,844	-
Due Within One Year	45,609	-	-	-
Total OPEB Liability	2,465	-	354	-
Noncurrent Liabilities:				
Compensated Absences	134,951	-	6,444	-
Notes, Contracts, Leases Payable	-	-	896,571	-
Incurred but Not Reported	-	-	-	-
Landfill Closure and Postclosure Care L	628,848	-	-	-
Net Pension Liability	437,672	-	63,511	-
Total OPEB Liability	393,862	-	56,434	-
Total Liabilities	1,874,834	164,012	1,248,438	10,485
Deferred Inflow of Resources				
Related to Pensions	175,990	-	23,320	-
Benefits	53,622	-	7,683	-
Total Deferred Inflow of Resources	229,612	-	31,003	-
Net Position				
Net Investment in Capital Assets	1,511,690	-	2,720,231	2,804,701
Restricted for Debt Service, Risk Management & County Insurance	-	-	4,502	-
Unrestricted	(899,302)	3,304,905	(60,231)	97,722
Total Net Position	\$ 612,388	\$ 3,304,905	\$ 2,664,502	\$ 2,902,423

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type		Governmental
	Other		Activities -
	Enterprise Funds	Totals	Internal Service Funds
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 55,943	\$ 1,836,819	\$ 2,580,335
Investments	79,538	2,612,324	13,487,818
Receivables, Net	-	403,893	26,890
Interest Receivable	-	20	40,428
Due from Other Funds	-	-	808
Due from Other Governmental Units	118,323	378,120	14,479
Inventories	-	-	975,840
Prepayments	4,994	13,766	965,183
Noncurrent Assets:			
Land	21,000	214,182	1,624,866
Buildings & Structures, Net	14,669	160,015	3,351,948
Other Improvements, Net	779,171	6,431,891	152,561
Machinery & Equipment, Net	16,869	773,571	7,487,425
Construction in Progress	577,487	1,807,594	-
Total Assets	1,667,994	14,632,195	30,708,581
Deferred Outflow of Resources:			
Related to Pensions	3,118	81,519	199,359
Total Deferred Outflow of Resources	3,118	81,519	199,359
Liabilities			
Current Liabilities:			
Accounts/Vouchers Payable	1,568	410,047	280,924
Claims & Judgments Payable	-	-	174,982
Retainage Payable	-	44,507	-
Interfund Loans Payable	69,000	76,858	49,396
Due to Other Governmental Units	(24)	44,840	-
Accrued Interest Payable	-	2,796	-
Accrued Employee Benefits	2,683	98,811	308,851
Unearned Revenue	4,000	4,000	-
Custodial Accounts	5,276	31,692	1,046
Due Within One Year	-	45,609	12,618
Total OPEB Liability	17	2,836	3,767
Noncurrent Liabilities:			
Compensated Absences	-	141,395	491,835
Notes, Contracts, Leases Payable	-	896,571	3,181
Incurred but Not Reported	-	-	1,684,823
Landfill Closure and Postclosure Care L	-	628,848	-
Net Pension Liability	19,329	520,512	1,401,377
Total OPEB Liability	2,748	453,044	602,098
Total Liabilities	104,597	3,402,366	5,014,898
Deferred Inflow of Resources			
Related to Pensions	8,023	207,333	539,499
Benefits	374	61,679	81,971
Total Deferred Inflow of Resources	8,397	269,012	621,470
Net Position			
Net Investment in Capital Assets	1,409,196	8,445,818	12,613,619
Restricted for Debt Service, Risk Management & County Insurance	-	4,502	449,102
Unrestricted	148,922	2,592,016	12,208,851
Total Net Position	\$ 1,558,118	\$ 11,042,336	\$ 25,271,572

See Accompanying Notes to Financial Statem

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended December 31, 2018

	Solid Waste Utility	Solid Waste Disposal Dist	Vader Water System Utility	Packwood Airport
Operating Revenues				
Charges for Services	\$ 2,332,225	\$ 6,699,896	\$ 335,720	\$ -
Equipment Rental		-	-	-
Insurance Premiums and Recoveries		-	-	-
Other Operating Revenue	1,730	79,377	-	-
Total Operating Revenues	2,333,955	6,779,273	335,720	-
Operating Expenses				
Personnel - Salaries, Wages, Benefits	1,195,610	-	216,379	-
Repairs and Maintenance	441,062	267	25,767	2,200
Supplies & Expenses	70,445	-	12,601	-
Services & Other Charges	973,019	6,580,494	63,621	25,583
Intergovernmental Services & Charges	6,202	3,083	6,282	7,608
Depreciation, Amortization, & Depletion	104,939	-	110,935	138,768
Risk Transfer payments		-	-	-
Insurance Claims and Expenses		-	-	-
Total Operating Expenses	2,791,277	6,583,844	435,585	174,159
Operating Income (Loss)	(457,322)	195,429	(99,865)	(174,159)
Non-Operating Revenues (Expenses)				
Interest and Investment Revenue (Expense)	-	-	(9,227)	-
Grants/Contributions		-	-	-
Other Non-Operating Revenue (Expenses)	78	721	16,346	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	-
Capital Asset Loss Insurance Recovery	-	-	-	-
Total Non-Operating Revenues (Expenses)	78	721	7,119	-
Income (Loss) Before Contributions and Transfers	(457,244)	196,150	(92,746)	(174,159)
Capital Contrib. - Private/Local/Governmental		-	-	437
Grants - Capital		-	802,107	54,091
Transfer In (Out)	147,600	-	-	-
Change in Net Position	(309,644)	196,150	709,361	(119,631)
Net Position-Beginning	1,990,238	3,108,755	2,014,374	3,022,054
Prior Period Adjustment - Correction of errors	(654,808)		-	
Cumulative effect of a change in accounting	(413,398)	-	(59,233)	-
Net Position-Ending	\$ 612,388	\$ 3,304,905	\$ 2,664,502	\$ 2,902,423

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended December 31, 2018

	Other Enterprise Funds	Enterprise-type Totals	Governmental Activities - Internal Service Funds
Operating Revenues			
Charges for Services	\$ 53,932	\$ 9,421,773	\$ 5,037,637
Equipment Rental	-	-	4,037,599
Insurance Premiums and Recoveries	-	-	1,703,828
Other Operating Revenue	21,111	102,218	-
Total Operating Revenues	<u>75,043</u>	<u>9,523,991</u>	<u>10,779,064</u>
Operating Expenses			
Personnel - Salaries, Wages, Benefits	47,628	1,459,617	3,984,901
Repairs and Maintenance	3,919	473,215	186,600
Supplies & Expenses	40,870	123,916	2,086,998
Services & Other Charges	27,725	7,670,442	1,870,851
Intergovernmental Services & Charges	219	23,394	20,024
Depreciation, Amortization, & Depletion	116,391	471,033	1,283,104
Risk Transfer payments	-	-	818,069
Insurance Claims and Expenses	-	-	945,854
Total Operating Expenses	<u>236,752</u>	<u>10,221,617</u>	<u>11,196,401</u>
Operating Income (Loss)	<u>(161,709)</u>	<u>(697,626)</u>	<u>(417,337)</u>
Non-Operating Revenues (Expenses)			
Interest and Investment Revenue (Expense)	-	(9,227)	208,777
Grants/Contributions	-	-	3,437
Other Non-Operating Revenue (Expenses)	51	17,196	4,129
Gain (Loss) on Disposal of Capital Assets	-	-	33,402
Capital Asset Loss Insurance Recovery	-	-	4,572
Total Non-Operating Revenues (Expenses)	<u>51</u>	<u>7,969</u>	<u>254,317</u>
Income (Loss) Before Contributions and Transfers	<u>(161,658)</u>	<u>(689,657)</u>	<u>(163,020)</u>
Capital Contrib. - Private/Local/Governmental	-	437	23,895
Grants - Capital	227,795	1,083,993	-
Transfer In (Out)	88,119	235,719	194,635
Change in Net Position	<u>154,256</u>	<u>630,492</u>	<u>55,510</u>
Net Position-Beginning	1,406,748	11,542,169	25,791,832
Prior Period Adjustment - Correction of errors	-	(654,808)	56,190
Cumulative effect of a change in accounting	(2,885)	(475,516)	(631,960)
Net Position-Ending	<u>\$ 1,558,119</u>	<u>\$ 11,042,337</u>	<u>\$ 25,271,572</u>

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2018

	Solid Waste Utility	Solid Waste Disposal Dist	Vader Water System Utility	Packwood Airport
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 2,417,988	\$ 7,124,898	\$ 377,992	\$ -
Cash Received from Premiums/Recoveries	-	-	-	-
Cash Paid to Employees	(1,331,145)	-	(199,761)	-
Cash Paid for Goods & Services	(1,432,288)	(6,791,694)	(83,676)	(55,130)
Cash Paid for Risk Transfer	-	-	-	-
Cash Paid for Claims	-	-	-	-
Other Non-Operating Revenues	78	721	16,346	-
Net Cash Provided (Used) by Operating Activities	(345,367)	333,925	110,901	(55,130)
Cash Flows from Non-Capital Financing Activities:				
Proceeds from Interfund Loan	-	-	7,858	-
Payments of Interfund Loan & Interest	-	-	-	-
Operating Grants/Contributions Received	121,607	-	-	-
Transfers-In	147,600	-	-	-
Cash Provided (Used) by Financing Activities	269,207	-	7,858	-
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Capital Debt	-	-	239,838	-
Payments of Interfund Loan & Interest	-	-	-	-
Principal Paid on Capital Debt	-	-	-	-
Interest Paid on Capital Debt	-	-	(8,913)	-
Proceeds from Sale/Disposal of Capital Assets	-	-	-	-
Acquisition/Construction of Capital Assets	(297,340)	-	(1,017,007)	(73,421)
Capital Grants Received	-	-	653,860	103,229
Insurance Proceeds	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(297,340)	-	(132,222)	29,808
Cash Flows from Investing Activities:				
Receipt of Interest	-	-	221	-
Sale of Investment Securities	938,894	1,813,258	12,999	78,608
Purchase of Investment Securities	(631,933)	(1,839,950)	(4,502)	(56,401)
Cash Provided by Investing Activities	306,961	(26,692)	8,718	22,207
Net Increase (Decrease) in Cash & Cash Equivalents	(66,539)	307,233	(4,745)	(3,115)
Cash & Cash Equivalents at Beginning of Year	511,011	989,202	5,045	42,784
Cash & Cash Equivalents at End of Year	\$ 444,472	\$ 1,296,435	\$ 300	\$ 39,669

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2018

	Solid Waste Utility	Solid Waste Disposal Dist	Vader Water System Utility	Packwood Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Net Operating Income (Loss)	\$ (457,322)	\$ 195,429	\$ (99,865)	\$ (174,159)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:				
Depreciation Expense	104,939	-	110,935	138,768
Operating Grants	(168,145)	-	-	-
Cumulative effect of a change in accounting principle (GASB 75)	(413,398)	-	(59,233)	-
Prior period adjustment	(654,808)	-	-	-
Other Non-Operating Revenue	78	721	16,346	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	252,178	345,582	(5,020)	-
(Increase) Decrease in Inventories	-	-	-	-
(Increase) Decrease in Prepays	(583)	41	(2,322)	-
Increase (Decrease) in Payables	864,923	(207,848)	131,062	(19,739)
Change in Deferred Inflows and Outflows:				
(Increase) Decrease in Deferred Outflows-Pensions	24,375	-	(2,021)	-
Increase (Decrease) in Deferred Inflows-Pensions	102,396	-	21,019	-
Total Adjustments	111,955	138,496	210,766	119,029
Net Cash Provided (Used) by Operating Activities	\$ (345,367)	\$ 333,925	\$ 110,901	\$ (55,130)
Noncash Investing, Capital, & Financing Activities:				
Contributions of Capital Assets	\$ -	\$ -	\$ -	\$ -
Contributions of Non-Capital Assets from Local Sources	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	-

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2018

	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 78,736	\$ 9,999,614	\$ 9,332,743
Cash Received from Premiums/Recoveries	-	-	1,682,349
Cash Paid to Employees	(77,279)	(1,608,185)	(4,323,489)
Cash Paid for Goods & Services	(72,245)	(8,435,033)	(4,637,888)
Cash Paid for Risk Transfer	-	-	(975,228)
Cash Paid for Claims	-	-	(973,087)
Other Non-Operating Revenues	51	17,196	4,129
Net Cash Provided (Used) by Operating Activities	(70,737)	(26,408)	109,529
Cash Flows from Non-Capital Financing Activities:			
Proceeds from Interfund Loan	-	7,858	-
Payments of Interfund Loan & Interest	69,000	69,000	-
Operating Grants/Contributions Received	-	121,607	3,437
Transfers-In	88,119	235,719	194,635
Cash Provided (Used) by Financing Activities	157,119	434,184	198,072
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Capital Debt	-	239,838	-
Payments of Interfund Loan & Interest	-	-	(49,636)
Principal Paid on Capital Debt	-	-	(12,453)
Interest Paid on Capital Debt	-	(8,913)	(313)
Proceeds from Sale/Disposal of Capital Assets	-	-	33,402
Acquisition/Construction of Capital Assets	(286,610)	(1,674,378)	(1,112,127)
Capital Grants Received	119,052	876,141	23,895
Insurance Proceeds	-	-	4,572
Net Cash Provided (Used) by Capital and Related Financing Activities	(167,558)	(567,312)	(1,112,660)
Cash Flows from Investing Activities:			
Receipt of Interest	-	221	197,548
Sale of Investment Securities	140,297	2,984,056	14,707,890
Purchase of Investment Securities	(79,538)	(2,612,324)	(13,487,818)
Cash Provided by Investing Activities	60,759	371,953	1,417,620
Net Increase (Decrease) in Cash & Cash Equivalents	(20,417)	212,417	612,561
Cash & Cash Equivalents at Beginning of Year	76,360	1,624,402	1,967,774
Cash & Cash Equivalents at End of Year	\$ 55,943	\$ 1,836,819	\$ 2,580,335

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2018

	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Net Operating Income (Loss)	\$ (161,709)	\$ (697,626)	\$ (417,337)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:			
Depreciation Expense	116,391	471,033	1,283,104
Operating Grants	-	(168,145)	-
Cumulative effect of a change in accounting principle (GASB 75)	(2,886)	(475,517)	(631,960)
Prior period adjustment		(654,808)	56,190
Other Non-Operating Revenue	51	17,196	4,129
Change in Assets and Liabilities:		-	
(Increase) Decrease in Receivables	568	593,308	236,028
(Increase) Decrease in Inventories	-	-	(5,099)
(Increase) Decrease in Prepaids	-	(2,864)	(204,672)
Increase (Decrease) in Payables	(25,586)	742,812	(527,923)
Change in Deferred Inflows and Outflows:			
(Increase) Decrease in Deferred Outflows-Pensions	2,432	24,786	71,076
Increase (Decrease) in Deferred Inflows-Pensions	2	123,417	245,993
Total Adjustments	90,972	671,218	526,866
Net Cash Provided (Used) by Operating Activities	\$ (70,737)	\$ (26,408)	\$ 109,529
Noncash Investing, Capital, & Financing Activities:			
Contributions of Capital Assets	\$ -	\$ -	\$ -
Contributions of Non-Capital Assets from Local Sources	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	33,402

See Accompanying Notes to Financial Statements

Statement of Net Position
Fiduciary Funds
December 31, 2018

	Agency Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 14,802,371
Investments	163,092,570
Taxes Receivable-Current	68,383
Interest Receivable	210,024
Total Assets	\$ 178,173,349
Liabilities	
Current Liabilities:	
Warrants Payable	\$ 3,971,957
Accounts/Vouchers Payable	691,317
Custodial Accounts	173,510,075
Total Liabilities	\$ 178,173,349

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Lewis County is governed by an elected board of three county commissioners. These financial statements include the financial position and results of operations for all fund types and its component unit. 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 for the closure, post-closure and remediation activities at the Centralia Landfill. 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 position 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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Separate financial statements are provided for governmental funds and proprietary funds. Fiduciary funds are reported in aggregate and 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 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 Distressed Counties Fund is used to account for .09% of the state sales tax for the purpose of financing public facilities and infrastructure related to economic development.

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. This fund is also used to account for the one-tenth of 1% sales and use tax to be used for the jail and juvenile detention facilities.

The county reports the following major proprietary funds:

The Solid Waste Utility Fund is used to account for the activities of the solid waste transfer station located in Centralia. Activities include waste disposal and transfer, code compliance, and recycling, including education.

The main source of revenue for the utility is from contractual services with the Solid Waste Disposal District No. 1.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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).

The Vader Water System Utility Fund is used to account for activity of the public water system serving 369 customers (commercial and residential). The 1,160-acre service area includes the City of Vader, their UGA, and surrounding county lands. The Utility is supported by water sales revenue. Effective May 1, 2015, the water system was transferred to Lewis County per Superior Court Order No. 10-2-01449-5.

The Packwood Airport Fund accounts for activity of the airport located in Packwood, WA. The main source of revenue for the airport is from capital grants.

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

The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for deposits that are temporarily held for other entities prior to disbursement. Disbursement is per instructions and approval by the respective agency's authoritative body.

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

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 appropriated budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. Annual budgets are adopted by the legislative authority, being the Board of County Commissioners (BOCC), at the fund level, except in the general fund, where expenditures may not exceed appropriations at the department level. The budget sets legal authority for expenditures at these levels. Funds that do not qualify as Special Purpose Funds per GASB Statement No. 54 are included in a reconciliation on the respective budget to actual statement. All annual appropriations lapse at fiscal year-end. The County does not employ encumbrance accounting.

2. Adoption of the Original Budget

The County's budget is adopted according to the procedures mandated by Washington State law in the Revised Code of Washington (RCW) title/chapter 36.40. After two public hearings, the 2018 budget was adopted by the BOCC on Monday, December 4, 2017.

NOTES TO FINANCIAL STATEMENTS

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3. Amending the Budget

The budget, as adopted, constitutes the legal authority for expenditures. Any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, or other conditions of employment must be approved by the BOCC.

When the county commission 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 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.

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

4. Excess of Expenditures Over Appropriations

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

5. Deficit Fund Balance/Net Position

During fiscal year 2018, two internal service funds, Facilities and Radio Services, incurred an ending deficit in net position.

The deficit net position in the amount of \$1,928 in the Radio Services fund can be attributed to the implementation of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The allocation of total OPEB liability for the Radio Services fund totaled \$2,914. In addition, there was a cumulative effect of a change in accounting principle allocated to the fund totaling \$3,039. The Facilities fund also ended with a deficit net position in the amount of \$749,996 due to the implementation of GASB 75 as well as the prior year's beginning deficit. The total OPEB liability allocated to the fund was \$20,555 and the cumulative effect of a change in accounting principle totaled \$21,441. These are non-cash entries, neither fund's actual expenditures exceeded their revenue.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the County's policy to invest all temporary cash surpluses. At December 31, 2018, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note 3. 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. 14-289. 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 2018 were \$8,567,088.

NOTES TO FINANCIAL STATEMENTS

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

2. Investments

Investments for the county are reported at amortized cost. The State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations (See Deposits and Investments Note No. 3).

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Property Taxes Note No. 4). 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, 2018, \$858 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 been prepared by not paid by the end of the fiscal year. Notes and contracts receivable consist of amounts owed on open accounts from private individuals, organizations, or other governmental entities for goods and services rendered or loans.

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 13 – Interfund Balances and Transfers.

5. Inventories and Prepaid Items

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

Inventories in the Equipment Rental and Revolving Fund 501 are valued at cost using the first-in/first-out (FIFO) method. All other proprietary funds are valued by the weighted average method which approximates the market value.

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

6. Restricted Net Position

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Restricted net position in the County Insurance fund contains 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	\$	-	\$ 449,102

7. Capital Assets

Capital assets, which include land, buildings, improvements to land and buildings, machinery and equipment, infrastructure, construction in progress, and intangible assets, 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 acquisition 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. All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs is capitalized regardless of cost or value. 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

Machinery and equipment purchased on capital leases are treated as capital assets, indicating a constructive or actual transfer of the benefits and risks of ownership to the county, and are valued at the present value of the minimum lease payments required by contract.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation pay, which may accumulate up to 240 or 360 hours depending on the collective bargaining agreement, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 1,320 hours. Fifty percent of outstanding sick leave to a maximum of 360 hours is payable upon resignation, retirement, or death.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

11. Unearned Revenues

This account includes amounts recognized as receivables, including amounts due from other governments, which cannot be classified as revenues and amounts collected prior to recognition criteria being met.

12. Pensions

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

13. Fund Balance Classification

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

14. Fund Balance Details

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

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

15. Fund Balances

NOTES TO FINANCIAL STATEMENTS
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	General Fund	Roads	Distressed Counties	Capital Projects	Special Revenue	Debt Service	Capital Facilities Plan	Total Funds
Fund Balances:								
Nonspendable:								
Loans Receivable	148,858	49,293	1,144,618	-	-	-	49,396	1,392,165
Inventory	1,610	82,597	-	-	-	-	-	84,207
Prepays	66,171	29,536	-	95,261	147,114	-	-	338,082
Total Nonspendable	216,639	161,426	1,144,618	95,261	147,114	-	49,396	1,814,454
Restricted:								
Debt Service	-	-	-	-	-	17,477	-	17,477
General Government & Judicial	329,377	-	-	-	566,009	-	9,455,959	10,351,345
Public Safety	279,490	-	-	-	273,273	-	-	552,763
Transportation	-	143,981	-	-	-	-	-	143,981
Natural & Economic Environment	43,933	-	4,432,875	100,000	692,493	-	-	5,269,301
Social Services & Physical Health	-	-	-	-	1,913,001	-	-	1,913,001
Public Services	-	-	-	-	1,974,469	-	-	1,974,469
Total Restricted	652,800	143,981	4,432,875	100,000	5,419,245	17,477	9,455,959	20,222,337
Committed:								
General Government Services	-	-	-	-	16,225	-	-	16,225
Security of Persons & Property	-	-	-	-	-	-	-	-
Utilities & Environment	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Natural & Economic Environment	-	-	-	496,059	-	-	-	496,059
Mental & Physical Health	-	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	-	-
Public Services	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Total Committed	-	-	-	496,059	16,225	-	-	512,284
Assigned:								
General Government & Judicial	-	-	-	-	54,141	-	-	54,141
Public Safety	-	-	-	-	885,306	-	-	885,306
Utilities	-	-	-	-	-	-	-	-
Transportation	-	2,945,577	-	-	-	-	-	2,945,577
Natural & Economic Environment	25,527	-	410,855	-	139	-	-	436,521
Social Services & Physical Health	-	-	-	-	238,415	-	-	238,415
Culture & Recreation	-	-	-	-	39,383	-	-	39,383
Public Services	-	-	-	-	561,859	-	-	561,859
Capital Projects	-	-	-	2,408,330	-	-	1,068,034	3,476,364
Total Assigned	25,527	2,945,577	410,855	2,408,330	1,779,243	-	1,068,034	8,637,566
Unassigned:	10,073,947	-	-	-	(53,246)	-	-	10,020,701
Total Fund Balances:	10,968,913	3,250,984	5,988,348	3,099,650	7,308,581	17,477	10,573,389	41,207,342

16. Accounting and Reporting Changes

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources,

NOTES TO FINANCIAL STATEMENTS

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and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The County has implemented this pronouncement during the 2018 fiscal year.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB)*, the County has a deficit unrestricted net position of \$959,423. This new accounting standard requires the County to recognize a significant total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 7.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Fund balances - total governmental funds	<u>\$ 41,207,342</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Deferred outflows related to refunding of debt, pensions, and other postemployment benefits are not financial resources and therefore not reported in the governmental funds</p>	2,776,398
<p>Capital and net pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	94,702,816
<p>The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.</p>	
<p>Some receivable balances are not yet available and are not reported as revenue in the governmental funds.</p>	2,052,798
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	(30,352,707)
<p>Net pension obligation is reported as a liability in the governmental activities and is not considered to represent a financial liability, therefore, it is not reported in the governmental funds.</p>	(11,895,246)
<p>Internal service funds are used by management to charge the costs of certain activities such as insurance, fleet, facilities maintenance, radio, and information services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>	25,271,572
<p>Revenue, such as property taxes, are recorded as deferred inflows of resources in the governmental funds because they are not current financial resources are accrued under the economic resources basis of accounting and recorded on the statement of net position.</p>	979,503
<p>Deferred inflows related to pensions and other postemployment benefits not reported in the governmental funds are reported in the statement of net position.</p>	(6,515,358)
Net Position of government activities	<u>\$ 118,227,118</u>

NOTES TO FINANCIAL STATEMENTS
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B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. The details of the difference between the net changes in fund balances and net position are as follows:

Net changes in fund balances - total governmental funds	\$	5,288,434
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.		2,442,786
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net position.		(342,401)
Repayment of bond principal and accrued interest is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the governmental statement of net position. Issuance of debt in the governmental funds provides current financial resources to governmental funds, but is not included in the statement of activities.		1,323,268
Some revenues and 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.		(2,571,784)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.		55,510
Change in net position of governmental activities.	\$	<u>6,195,813</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

A. 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).

B. 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018, the county had the following investments:

Investment Type:	Carrying Amount	Fair Value
U.S. Gov't Securities	\$ 26,693,065	\$ 26,392,513
Municipal Bonds	7,294,033	7,152,058
Subtotal - Investments Subject to Credit Risk Classification	33,987,098	33,544,571
State Treasurer's Investment Pool	97,306,240	97,306,240
Bank Deposits	97,521,597	97,521,597
Subtotal - Investments Not Subject To Credit Risk Classification	194,827,837	194,827,837
Total Investments	\$ 228,814,935	\$ 228,372,408

Of the investments listed above, \$47,161,602, are investments held by County funds. The remainder of the investments are held in fiduciary funds for outside agencies and invested in the Local Government Investment Pool along with County funds.

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.

The County is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

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.

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Credit Risk

Washington State statutes and county investment policy authorize the county to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, banker's 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.

The ratings of debt securities as of December 31, 2018 are:

Municipal Bonds	Rating
Columbus OH GO LTD TXBL SER C	AAA S&P
Connecticut State UNLTD TXBL GO	AA- S&P
Energy Northwest	AA- S&P
Energy Northwest	AA- S&P
Houston TX LTD GO Build America	AA S&P
New York City GO	AA S&P
Oregon St School Boards Assn	AA- S&P
Peters Township PA School Dist LTD TXBL GO	Aa2 Moody's
Snohomish County LTD TXBL GO	AA+ S&P
Spokane County LTD TXBL GO	AA S&P
Stratford CT ULTD TXBL GO	AA S&P

Investments Measured at Fair Value

The County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

Investments Subject to Credit Risk Classification (U.S. Gov't Securities and Municipal Bonds) are Level 1 inputs and are valued using quoted market prices. Investments Not Subject to Credit Risk Classification (State Treasurer's Investment Pool, Bank Deposits and Time Deposits) are not subject to fair value level disclosure.

NOTE 4 – 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.

NOTES TO FINANCIAL STATEMENTS

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Property Tax Calendar

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

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

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

The county is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general governmental services. The county road levy for 2018 was \$2.02728 per \$1,000 on an assessed valuation of \$5,461,634,228 or a total road tax of \$11,072,243.

The county's total regular levy for 2018 was \$1.76681 per \$1,000 on an assessed valuation of \$7,687,374,026 for a total regular tax of \$13,582,164. The components of the regular levy are:

	Levy	Tax
General Fund	1.7216792	13,235,192
Veterans' Relief	0.0200601	154,209
Social Services	0.0250753	192,763
Total	1.7668146	\$ 13,582,164

NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital Assets, not being depreciated:				
Land	\$ 5,893,493	\$ 78,364	\$ 287,593	\$ 5,684,264
Intangible assets - land use rights	179,858	21,800	-	201,658
Intangible assets - wetland mitigation credits	871,455	-	-	871,455
Construction in Progress	1,004,308	2,228,229	1,308,309	1,924,228
Total Capital Assets, not being depreciated	<u>7,949,114</u>	<u>2,328,393</u>	<u>1,595,902</u>	<u>8,681,605</u>
Capital Assets being depreciated:				
Buildings	65,157,327	-	57,000	65,100,327
Improvements other than buildings	3,649,281	-	-	3,649,281
Machinery & Equipment	27,445,147	1,288,765	408,210	28,325,702
Infrastructure	118,321,691	713,934	-	119,035,625
Total Capital Assets, being depreciated	<u>214,573,446</u>	<u>2,002,699</u>	<u>465,210</u>	<u>216,110,935</u>
Less Accumulated Depreciation for:				
Buildings	31,211,465	1,245,161	3,325	32,453,301
Improvements other than buildings	3,087,494	62,912	-	3,150,406
Machinery & Equipment	16,914,374	1,600,560	408,210	18,106,723
Infrastructure	62,887,901	3,209,237	-	66,097,138
Total Accumulated Depreciation	<u>114,101,234</u>	<u>6,117,870</u>	<u>411,535</u>	<u>119,807,569</u>
Total Capital Assets being depreciated, net	100,472,212	(4,115,171)	-	96,303,366
Governmental Type Activities Capital Assets, net	<u>\$ 108,421,326</u>	<u>\$ (1,786,778)</u>	<u>\$ 1,595,902</u>	<u>\$ 104,984,971</u>

Depreciation Expense was charged to functions as follows:

General Government	\$ 399,833
Public Safety	867,145
Utilities	124,560
Transportation	3,274,854
Natural and Economic Environment	13,008
Social Services	37,487
Culture and Recreation	117,879
	<u>\$ 4,834,766</u>

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

1,283,104

Total Governmental Activities Depreciation Expense \$ 6,117,870

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

BUSINESS TYPE ACTIVITIES	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital Assets, not being depreciated:				
Land	\$ 209,568	\$ -	\$ -	\$ 209,568
Land Use Rights (Intangible Assets)	4,614	-	-	4,614
Construction in Progress	507,386	1,300,209	-	1,807,595
Total Capital Assets, not being depreciated	721,568	1,300,209	-	2,021,777
Capital Assets being depreciated:				
Buildings	1,279,979	-	-	1,279,979
Improvements other than buildings	9,151,217	43,596	-	9,194,813
Machinery & Equipment	1,179,277	314,495	-	1,493,772
Total Capital Assets, being depreciated	11,610,473	358,091	-	11,968,564
Less Accumulated Depreciation for:				
Buildings	1,105,383	14,581	-	1,119,964
Improvements other than buildings	2,380,312	382,610	-	2,762,922
Machinery & Equipment	646,359	73,842	-	720,201
Total Accumulated Depreciation	4,132,054	471,033	-	4,603,087
Total Capital Assets being depreciated, net	7,478,419	(112,942)	-	7,365,477
Business Type Activities Capital Assets, net	\$ 8,199,987	\$ 1,187,267	\$ -	\$ 9,387,254

Depreciation Expense was charged to functions as follows:

Solid Waste	\$ 104,939
Water Utilities	110,935
Airport	255,159
Total	<u>\$ 471,033</u>

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2018:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (13,817,135)
Pension assets	\$ 2,334,646
Deferred outflows of resources	\$ 2,654,442
Deferred inflows of resources	\$ (6,342,089)
Pension expense/expenditures	\$ 205,307

NOTES TO FINANCIAL STATEMENTS

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State Sponsored Pension Plans

Substantially all Lewis County's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

NOTES TO FINANCIAL STATEMENTS

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The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The County's actual PERS plan contributions were \$1,292,471 to PERS Plan 1 and \$1,850,726 to PERS Plan 2/3 for the year ended December 31, 2018.

Public Safety Employees' Retirement System (PSERS)

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

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or

NOTES TO FINANCIAL STATEMENTS

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- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in [RCW 10.93.020](#); or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

NOTES TO FINANCIAL STATEMENTS

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2018 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – August 2018		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.95%	6.74%
September – December 2018		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%

The County’s actual plan contributions were \$234,187 to PSERS Plan 2 and \$173,053 to PERS Plan 1 for the year ended December 31, 2018.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The County's actual contributions to the plan were \$155,068 for the year ended December 31, 2018.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the

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recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$98,915.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

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Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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The table below presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

Pension Plan	1% Decrease 6.4%	Current Rate 7.4%	1% Increase 8.4%
PERS 1	\$ 12,004,342	\$ 9,768,065	\$ 7,830,998
PERS 2/3	18,472,686	4,038,608	(7,795,725)
PSERS 2	1,086,923	10,462	(834,206)
LEOFF 1	(434,421)	(546,085)	(642,221)
LEOFF 2	(237,845)	(1,788,561)	(3,053,350)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2018, the County reported a total pension liability of \$13,817,135 for its proportionate share of the net pension liabilities as follows:

Liability (Asset)	
PERS 1	\$ 9,768,065
PERS 2/3	4,038,608
PSERS 2	10,462
LEOFF 1	(546,085)
LEOFF 2	(1,788,561)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the County were as follows:

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	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (546,085)	\$ (1,788,561)
State's proportionate share of the net pension asset associated with the employer	(3,693,704)	(1,158,060)
TOTAL	(4,239,789)	(2,946,621)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.226965%	0.218719%	-0.008246%
PERS 2/3	0.246487%	0.236534%	-0.009953%
PSERS 2	0.873649%	0.844415%	-0.029234%
LEOFF 1	0.031882%	0.030079%	-0.001803%
LEOFF 2	0.085648%	0.088097%	0.002449%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the County recognized pension expense as follows:

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Pension Expense	
PERS 1	\$ 452,543
PERS 2/3	(312,003)
PSERS 2	179,525
LEOFF 1	(62,979)
LEOFF 2	(51,779)
TOTAL	\$ 205,307

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(388,177)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	739,704	-
TOTAL	\$ 739,704	\$ (388,177)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 495,027	\$ (707,086)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,478,277)
Changes of assumptions	47,245	(1,149,355)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(715,136)
Contributions subsequent to the measurement date	933,028	-
TOTAL	\$ 1,475,300	\$ (5,049,854)

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PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,595	\$ (10,734)
Net difference between projected and actual investment earnings on pension plan investments	-	(141,071)
Changes of assumptions	1,119	(64,744)
Changes in proportion and differences between contributions and proportionate share of contributions	15,622	(7,865)
Contributions subsequent to the measurement date	122,203	-
TOTAL	\$ 216,539	\$ (224,413)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(44,334)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ (44,334)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,810	\$ (41,531)
Net difference between projected and actual investment earnings on pension plan investments	-	(313,022)
Changes of assumptions	1,012	(256,691)
Changes in proportion and differences between contributions and proportionate share of contributions	48,640	(24,067)
Contributions subsequent to the measurement date	77,436	-
TOTAL	\$ 222,898	\$ (635,311)

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December 31, 2018

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 668,432	\$ (759,351)
Net difference between projected and actual investment earnings on pension plan investments	-	(3,364,881)
Changes of assumptions	49,377	(1,470,790)
Changes in proportion and differences between contributions and proportionate share of contributions	64,262	(747,068)
Contributions subsequent to the measurement date	1,872,371	-
TOTAL	\$ 2,654,442	\$ (6,342,089)

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2019	\$ 16,983
2020	(84,858)
2021	(254,634)
2022	(65,668)
2023	-
Thereafter	-
TOTAL	\$ (388,177)

Year ended December 31:	PERS 2/3
2019	\$ (590,843)
2020	(938,427)
2021	(1,616,915)
2022	(661,713)
2023	(307,898)
Thereafter	(391,785)
TOTAL	\$ (4,507,582)

NOTES TO FINANCIAL STATEMENTS
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Year ended December 31:	PSERS
2019	\$ (1,842)
2020	(16,932)
2021	(46,918)
2022	(23,823)
2023	(5,513)
Thereafter	(35,049)
TOTAL	\$ (130,077)

Year ended December 31:	LEOFF 1
2019	\$ 42
2020	(10,001)
2021	(27,240)
2022	(7,135)
2023	-
Thereafter	-
TOTAL	\$ (44,334)

Year ended December 31:	LEOFF 2
2019	\$ (25,054)
2020	(72,448)
2021	(177,466)
2022	(71,066)
2023	(26,688)
Thereafter	(117,127)
TOTAL	\$ (489,849)

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (HEALTH CARE)

The County provides other post-employment benefits (OPEB) in addition to the pension benefits described in Note 6. The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2018:

NOTES TO FINANCIAL STATEMENTS

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Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$ 16,166,841
Deferred outflows of resources related to OPEB	173,140
Deferred inflows of resources related to OPEB	1,063,749
OPEB expense/expenditures	770,709

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for fiscal year 2018 financial reporting. In addition to the pension benefits as described in Note 6, the County participates in two Other Postemployment Benefit (OPEB) plans. OPEB is provided through the Public Employees' Benefits Board (PEBB) and the Law Enforcement and Fire Fighters Retirement System Plan 1 (LEOFF 1).

Public Employees' Benefits Board

Plan Description

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the Washington State Health Care Authority (HCA), is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The PEBB OPEB plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan is a single-employer, defined benefit plan.

Employees covered by benefit terms

At December 31, 2018, the following employees were covered by the PEBB plan benefit terms:

Active employees	279
Inactive employees or beneficiaries currently receiving benefits	11
Total	290

Benefits Provided

Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through PEBB. The subsidies provided by PEBB include:

- Explicit medical subsidy for post-65 retirees and spouses
- Implicit medical subsidy
- Implicit dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$150 or 50% of the monthly premiums. As of January 1, 2019, the

NOTES TO FINANCIAL STATEMENTS

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subsidy will be increased to \$168 per month. The retirees and spouses currently pay the premium minus \$150 when the premium is over \$300 per month and pay half the premium when the premium is lower than \$300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Contribution Information

Administrative costs as well as implicit and explicit subsidies are funded by contributions required by RCW 41.05.050. The subsidies provide monetary assistance for medical benefits. Contribution rates are set each biennium by the State. The benefits are funded on a pay-as-you-go basis. The County's contributions were \$31,815 for the year ending December 31, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2018
Actuarial measurement date	12/31/2018
Actuarial cost method	Entry age
Amortization method	The recognition period for the experience and assumption changes is 10.5 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A – No assets

The total OPEB liability is also reported as of the beginning of the measurement period. As permitted by GASB 75, in this transition year, this calculation is based on a roll backward of the actuarial valuation results, with an adjustment made to the discount rate. There have been no significant changes between the valuation date and fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO FINANCIAL STATEMENTS

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Inflation rate	2.75%
Projected salary changes	3.50% plus service-based salary increases
Healthcare trend rates	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 6.80%, decreasing to rate of approximately 4.50% in 2095

Demographic assumptions regarding retirement, mortality, disability mortality, turnover, and marriage are based on assumptions used in the 2017 Actuarial Valuation for the Washington State retirement systems, and modified for the County.

The assumed rates of disability under PERS Plans 1, 2, and 3 from the 2017 actuarial valuation are less than 0.1% for ages 50 and below and continue to be low after that. A 0% disability rate for all ages for those plans.

For service retirement, the assumptions for PERS Plans 1, 2 and 3 from the 2017 Actuarial Valuation for Washington State retirement systems were used. The service requirements for these plans vary based on hire date and years of service.

For mortality, the assumptions from the 2017 actuarial valuation for Washington State retirement systems were used, adjusted for the County. For all healthy members, the RP-2000 base mortality table was used, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB. For disabled retirees across all plans, the RP-2000 Disabled Retiree mortality table was used, with generational mortality adjustments using projection scale BB.

For other termination of employment, the assumptions by plan from the 2017 actuarial valuation for Washington State retirement systems were used.

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.44% for the December 31, 2017 measurement date and 4.10% for the December 31, 2018 measurement date.

Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the county, calculated using the discount rate of 4.10%, as well as what the county's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate.

1% Decrease	Current Discount Rate	1% Increase
9,728,834	7,862,335	6,423,269

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the county, calculated using the current healthcare cost trend rates as well as what the county's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

NOTES TO FINANCIAL STATEMENTS
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1% Decrease	Current Trend Rates	1% Increase
6,186,280	7,862,335	10,137,033

Total OPEB Liability

As of December 31, 2018, the County reported a total OPEB liability of \$7,862,335.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of December 31, 2018:

PEBB OPEB Plan	
Total OPEB liability - Beginning	\$ 8,200,986
Changes for the year:	
Service cost	567,784
Interest	301,103
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,175,723)
Benefit payments	(31,815)
Net change in total OPEB liability	(338,651)
Total OPEB liability - Ending	\$ 7,862,335

OPEB Expense, Deferred Outflows of Resources, Deferred Inflows of Resources Related to OPEB

For the year ending December 31, 2018, the County recognized OPEB expense of \$756,913.

On December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Changes of assumptions	-	(1,063,749)
Transactions subsequent to the measurement date	-	-
Total	\$ -	\$ (1,063,749)

NOTES TO FINANCIAL STATEMENTS

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Contributions made subsequent to the measurement date are zero because the measurement date and the reporting date are the same. Per paragraph 159 of GASB 75, deferred outflows of resources should be reported for benefits that come due subsequent to the measurement date, but prior to the reporting date.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense below.

<u>Measurement period ending December 31:</u>	
2019	(111,974)
2020	(111,974)
2021	(111,974)
2022	(111,974)
2023	(111,974)
Thereafter	(503,879)

Law Enforcement and Fire Fighters Retirement System Plan 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. The LEOFF 1 plan is closed to new entrants. The LEOFF 1 OPEB plan is a single-employer, defined benefit plan.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the County as required by state law. The County's funding policy is based upon pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

The cost of retiree health care benefits are recognized as claims are paid. In 2018, the County's actual costs totaled \$297,858.

Employees covered by benefit terms

At December 31, 2018, the following employees were covered by the LEOFF 1 plan benefit terms:

Active employees	0
Inactive employees or beneficiaries currently receiving benefits	17
Total	17

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Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2018
Actuarial measurement date	6/30/2018
Actuarial cost method	Entry age
Amortization method	Recognized immediately
Asset valuation method	N/A – No assets

The total OPEB liability was determined using the following actuarial assumptions:

Inflation rate	2.75%
Discount rate	3.87%
Healthcare trend rates – medical costs	Initial rate is approximately 7%, decreasing to rate of approximately 5% in 2080
Healthcare trend rates – long-term care	4.50%
Healthcare trend rates – Medicare Part B Premiums	Approximately 5%, varies by year
Base mortality table*	RP-2000 mortality table
Age setback	+1 year healthy/-2 years disabled Blended 50%/50% healthy/disabled
Mortality improvements	100% Scale BB
Projection period	Generational
Medicare participation rate	100%

*Mortality rates assume a 100% male population.

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the county, calculated using the discount rate of 3.87%, as well as what the county's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

NOTES TO FINANCIAL STATEMENTS

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1% Decrease	Current Discount Rate	1% Increase
9,390,404	8,304,506	7,399,497

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the county, calculated using the current healthcare cost trend rates as well as what the county's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

1% Decrease	Current Trend Rates	1% Increase
7,432,015	8,304,506	9,327,222

Total OPEB Liability

For the year ending December 31, 2018, the County reported a total OPEB liability of \$8,304,506.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability for the year ending December 31, 2018:

<u>LEOFF 1 OPEB Plan</u>	
Total OPEB liability - Beginning	<u>\$ 8,610,431</u>
Changes for the year:	
Service cost	-
Interest	302,581
Changes in experience data and assumptions	(288,785)
Changes in benefit terms	-
Estimated benefit payments	<u>(319,721)</u>
Net change in total OPEB liability	<u>(305,925)</u>
Total OPEB liability - Ending	\$ 8,304,506

The County used the Office of the State Actuary (OSA) Alternative Measurement Method (AMM) online tool in place of an actuarial valuation. GASB 75 permits employers who cover fewer than 100 LEOFF 1 members and do not have a dedicated trust to use an AMM. The AMM tool relies upon the 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report issued by OSA and uses measurement date of June 30, 2018. The total OPEB liability is also reported as of the beginning of the measurement period. This calculation is based on a roll backward of the actuarial valuation results, with an adjustment made to the estimated assumed interest and expected benefit payments.

OPEB Expense, Deferred Outflows of Resources, Deferred Inflows of Resources Related to OPEB

NOTES TO FINANCIAL STATEMENTS
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For the year ending December 31, 2018, the County recognized OPEB expense of \$13,796.

On December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Payments subsequent to the measurement date	173,140	-
Total	\$ 173,140	\$ -

Deferred outflows of resources of \$173,140 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

NOTE 8 - LEASES

A. Operating Leases

The County leases office space and radio sites under operating leases. Lease terms of office space range from annual leases to a multi-year lease that extends to 2021. Lease terms of radio sites are multi-year with one extending to 2020. Operating lease expenditures for the year ended December 31, 2018 were \$65,128. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2019	\$ 46,840
2020	\$ 44,654
2021	\$ 34,611
2022	\$ 4,091
2023	-
Total	\$ 130,196

B. Capital Leases

The County has entered into the transactions that are recorded as capital lease purchases to account for copier and mailing system leases. These long-term contracts incorporate some or all of the benefits and risks of ownership. The leased assets and related obligations are accounted for in the statement of net position. The net capital lease amount shown below reflects the assets continuing to be financed through the capital lease. These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through capital lease are as follows:

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Asset	Governmental Activities	Business-Type Activities
Machinery & Equipment	\$ 423,619	\$ -
less: Accumulated Depreciation	\$ (294,695)	\$ -
Total	\$ 128,924	\$ -

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2018 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2019	\$ 67,344	\$ -
2020	36,200	-
2021	19,931	-
2022	9,002	-
2023	2,370	-
Total Minimum Lease Payments	\$ 134,847	\$ -
Less: Interest	\$ (3,531)	\$ -
Present Value of Minimum Lease Payments	\$ 131,316	\$ -

NOTE 9 - DEFERRED COMPENSATION PLAN

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

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

NOTE 10 - RISK MANAGEMENT

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2018, 26 counties participate in the WCRP.

NOTES TO FINANCIAL STATEMENTS

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The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2018, Lewis County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2017-18, the “corridor” increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2017-18, Lewis County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

During 2017-18, the WCRP's assets increased slightly to \$51.5 million while its liabilities increased slightly to \$31.5 million. The Pool's net position increased slightly from \$18.1 million to \$19.8 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2018 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Risk Management Funds: - 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, 2018, which includes estimates for Incurred But Not Reported claims (IBNR) were as follows:

	2018	2017
General Liability Claims	\$ 1,500,000	\$ 1,500,000
Unemployment Claims	184,823	184,823
Total	\$ 1,684,823	\$ 1,684,823

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

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	2018	2017
Unpaid Claims, Beginning of Fiscal Year	\$ 1,684,823	\$ 1,684,823
Incurred Claims	328,426	433,382
Changes In Estimates	-	-
Claim Payments	(328,426)	(433,382)
Unpaid Claims, End of Fiscal Year	\$ 1,684,823	\$ 1,684,823

As of December 31, 2018, cash and investments in the Risk Management funds were \$148,500 and \$7,898,188, respectively, this included \$6,092,076 for LEOFF 1 post-retirement benefits.

County Insurance Fund: - The County has elected to become self-insured for worker's compensation and maintains the County Insurance Fund which is used to pay related claims costs. A third party administrator processes these claims.

Based on the county's claims management firm, historical estimates, and Washington State Department of Labor & Industries data, the county's estimated reserve for probable losses at December 31, 2018 was \$174,982:

	2018	2017
Unpaid Claims, Beginning of Fiscal Year	\$ 174,982	\$ 174,982
Incurred Claims (Payments by Administrator)	147,840	282,316
Claim Payments	(119,885)	(258,098)
Other - Cash Pension Adjustment	(30,467)	(17,623)
Accrued/Timing (with IBNR estimate)	2,512	(6,595)
Claims Liability, End of Fiscal Year	\$ 174,982	\$ 174,982

The county has two fully funded pension obligations held by the State of Washington Department of Labor and Industries with a cash value of \$741,406 at December 31, 2018. The county has met the SIR payable under the excess coverage for the claims.

The county is required by Washington State Department of Labor and Industries to set aside, for protection to the Workers' Compensation Fund, a minimum of \$100,000 in cash reserves. Additionally, the county has purchased \$1 million of excess coverage insurance for workers' compensation claims. The policy has a \$600,000 SIR for individual claims. As of December 31, 2018, cash and investments were \$2,709,220 including \$449,102 restricted for minimum cash reserves. Total net position at December 31, 2018 was \$2,582,714.

Other Insurance: - The County has purchased coverage for property insurance (including computers), flood, and equipment physical damage, boiler, and liability for the Packwood and South County Airports. In addition, the County has purchased a cyber-liability policy through WCRP. For the past five 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.

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A. Disclosures About Each Significant Debt Incurred

<u>General Obligation Bonds</u>	<u>Outstanding 12/31/2018</u>
<p>\$3,780,000 – Issued August 2015, to defease, pay, redeem, and retire the 2005 General Obligation bonds. Interest is paid at 2.13% with annual principal installments of \$400,000 to \$450,000 through December 1, 2024.</p>	\$2,580,000
<p>\$8,680,000 – Issued May 2012, to defease, pay, redeem, and retire the 2003 General Obligation bonds. Interest is paid at 2.00% to 3.00% with annual principal installments of \$475,000 to \$720,000 through December 1, 2027.</p>	\$5,675,000
<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 principal installments of \$395,188 to \$442,000 through December 1, 2024.</p>	\$2,315,000
<u>Notes Payable</u>	
<p><i>Washington State, Drinking Water State Revolving Fund - Dept. of Community Development – \$467,143 – assumed June 2014</i>, for the purpose of financing the City of Vader Water Treatment Plan upgrade and raw water improvements; whereby, the County by court order became owner of the Vader Water System and also assumed loan responsibility. All principal and interest payments made by the Vader Water System Utility are paid by water revenue. Interest is paid at 1.50% on annual principal installments of \$29,196 through October 1, 2033.</p>	\$352,319
<p><i>Washington State, Drinking Water State Revolving Fund - Dept. of Community Development – \$357,337 – assumed October 2015</i>, for the purpose of financing the City of Vader Water Distribution Systems Improvement project, which consists of improvements to reduce the exposure to public health, to decrease lost and unaccounted water usage, and to improve system efficiency. The original terms of this loan stated a principal of \$721,822, however per the contract terms upon completion of the project 50% shall be forgiven. Interest is paid at 1.00% on annual principal installments of \$11,927 through October 1, 2044.</p>	\$310,116
<p><i>U.S. Department of Agriculture - \$199,000 – Issued September 2018</i>, provide funds necessary for the acquisition, construction, and installation of a new drinking water supply storage facility at the water treatment plant of the Vader Water System Utility of the County. The interest rate for each draw on Loan 16 bears interest at the rate of 2.750% per annum, computed on the basis of the actual number of days elapsed in a 365-day year. Principal and interest payments are due in semi-annual installments each May and November 15 for a scheduled repayment period of 30 years.</p>	\$199,000
<p><i>U.S. Department of Agriculture - \$80,000 – Issued September 2018</i>, to provide funds necessary for the acquisition, construction, and installation of a new drinking water supply storage facility at the water treatment plant of the Vader Water System Utility of the County. The interest rate for each draw on Loan 16 bears interest at the rate of 2.750% per annum, computed on the basis of the actual number of days</p>	

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

elapsed in a 365-day year. Principal and interest payments are due in semi-annual installments each May and November 15 for a scheduled repayment period of 30 years.

\$80,000

Total Outstanding Debt **\$11,511,435**
B. Debt Service Requirements to Maturity

Annual debt service requirements to maturity for governmental general obligation bonds and notes payable for business-type activities are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 1,310,000	\$ 318,679	\$ 44,864	\$ 16,761
2020	1,345,000	278,570	47,505	16,058
2021	1,385,000	238,182	47,687	15,314
2022	1,440,000	196,579	47,874	14,562
2023	1,480,000	153,214	48,069	13,805
2024-2028	3,610,000	235,234	243,466	57,466
2029-2033	-	-	160,581	38,916
2034-2038	-	-	108,203	27,851
2039-2043	-	-	116,051	17,022
2044-2048	-	-	77,135	5,636
Total	\$ 10,570,000	\$ 1,420,458	\$ 941,435	\$ 223,391

C. Changes in Government-wide Long-Term Liabilities

The following is a summary of the County's Long-Term Liabilities transactions for the year ended December 31, 2018:

	Beginning Balance 01/01/2018*		Additions	Reductions	Ending Balance 12/31/2018		Due Within One Year
Governmental Activities:							
General Obligation Bonds	\$	11,835,000	\$ -	\$ 1,265,000	\$	10,570,000	1,310,000
Capital Leases		192,318	24,707	85,709		131,316	62,913
OPEB Liability		16,335,901	-	624,940		15,710,961	392,342
Net Pension Liability		18,710,462	-	5,413,839		13,296,623	-
Compensated Absences		4,750,571	-	8,080		4,742,491	34,938
Total Governmental Activities		51,824,252	\$ 24,707	\$ 7,397,568	\$	44,451,391	\$ 1,800,193
Business-Type Activities:							
Notes Payable	\$	701,597	\$ 279,000	\$ 39,163	\$	941,434	\$ 44,864
Landfill Closure/Postclosure Care Liability		-	674,457	-		674,457	45,609
OPEB Liability		475,516	-	19,636		455,880	2,836
Net Pension Liability		794,623	-	274,111		520,512	-
Compensated Absences		163,124	-	21,729		141,395	-
Total Business-type Activities	\$	2,134,860	\$ 953,457	\$ 354,639	\$	2,733,678	\$ 93,309

*The beginning balances of the OPEB liability have been restated by \$14,004,887 as a result of implementing GASB Statement No. 75.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, \$491,835 of internal service funds compensated absences and \$15,799 of capital lease liability are included in the above amounts. Additionally, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the responsible fund.

D. Assets Available for Long-Term Debt

At December 31, 2018, the county had \$17,477 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. Prior Years' Debt Defeasance

In prior years, the county defeased four 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, 2018, the amount of defeased debt outstanding but removed for the Governmental Long Term Debt amounted to \$16,280,000.

F. 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.

G. 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, 2018, the Public Facilities District limited sales tax obligations bonds outstanding amounted to \$4,890,000.

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, 2018

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 - INTERFUND BALANCES AND TRANSFERS

A. 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 2018:

		Interfund Loans			
Borrowing Fund	Lending Fund	Balance 12/31/2017	New Loans	Payments	Balance 12/31/2018
Equipment Rental & Revolving	Capital Facilities	98,979	-	49,582	49,396
Flood Authority	General Fund	-	72,000	-	72,000
Communications	General Fund	130,000	-	130,000	-
Vader Water System Utility	General Fund	-	7,858	-	7,858
South County Airport	General Fund	-	69,000	-	69,000
Total		228,979	148,858	179,582	198,254

B. Interfund Transfers

On an annual basis interfund transfers are used to move resources between funds for authorized purposes. Transfers from the General Fund to other funds; such as Public Health, Social Services, Senior Services, and Community Development, are to subsidize program costs not otherwise funded by grants, taxes, or charges for services. Transfers from the General Fund to the South County and Packwood Airports, business type funds, are matching funds for FAA Grants and operational costs not funded by charges for services. Transfers from the General Fund to the Solid Waste Utility are for future capital costs. Transfers from the Distressed Counties Fund to the Roads fund are for the North County Industrial Access project authorized by Resolution 14-286. Transfers from the Capital Facilities Fund to the Debt Service Funds are to cover bond redemption payments. The following table displays interfund transfers during 2018:

Fund	Transfer In	Transfer Out
General Fund	\$ 1,467,112	\$ 2,492,169
Roads Fund	68,632	1,470,278
Distressed Counties Fund	-	24,391
Capital Facilities Fund	-	1,181,387
Nonmajor Governmental Funds	1,862,480	282,690
Internal Service Funds	194,635	-
Debt Service Funds	1,622,337	-
Business-Type Funds	235,719	-
Total	\$ 5,450,915	\$ 5,450,915

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 14 - CLOSURE AND POSTCLOSURE CARE COST

A. Governing Laws, Background and Funding

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, Centralia, Chehalis, Morton, Mossyrock, Pe Ell, Vader, and Lewis County entered into an interlocal agreement regarding closure of the Centralia Landfill. Under the agreement, the local governments formed the Centralia Landfill Closure Group (CLCG) and agreed to take all action reasonably necessary to comply with certain environmental laws governing remediation and closure of the Landfill, and to share the costs of such compliance, to the extent such costs are not covered by amounts in the Landfill Closure Trust Fund or recovery from insurance claims. The agreement allocated responsibility for those costs among the signing local governments. The City's allocation of liability is for 35.08% of the costs and fees associated with litigation related to landfill remediation and closure. Parties to the agreement could opt out once the shared costs reached \$13 million.

The City reached a settlement of \$2.7 million in its claim against its insurers regarding the insurers' duty to defend and indemnify the City for remediation of the Landfill under the City's property and comprehensive general liability insurance policies.

In addition to the members of the CLCG, the Washington Department of Ecology (DOE) has identified at least four other potentially liable parties (PLP) who are responsible for assisting in remediating the Landfill. The CLCG negotiated with one of the PLPs to obtain a contribution for cleanup costs.

As local government PLPs in an economically disadvantaged county, the City and other members of the CLCG are eligible to receive up to 75% grant funding for remedial action costs under the DOE remedial action grants program. The City obtained a \$1.94 million grant under this program to conduct an estimated \$2.66 million interim action at the Landfill. This interim action, which was undertaken pursuant to a consent decree entered into between the members of the CLCG and the DOE, was intended to separate storm water from leachate, limit public access to the Landfill, and provide temporary cover over closed portions of the Landfill.

In April 1992, the DOE negotiated with the CLCG members and two other PLPs to develop a scope of ecology work and consent decree for a remedial investigation and feasibility study (RI/FS) at the Landfill. The DOE issued a first phase grant award beginning in January 1993, for RI/FS work.

In April of 1994, the Landfill closed pursuant to agreements and a final cover was installed in the summer of 1994. In August, the CLCG received a Local Government grant of \$8.7 million from the Lewis County Sanitation District and a \$5 million grant from the DOE to fund the final cover and provide funds for remediation and closure.

The \$8.7 million grant from the Lewis County Sanitation District was returned to them in April 1997 because construction activities at the landfill did not require that support. Remedial investigation leading to feasibility reports have been delivered to the DOE for their review and issuance of a cleanup action plan. The DOE has reviewed the CLCG's feasibility study and issued a draft Cleanup Action Plan (CAP). The draft CAP was available for public review and comment in September 2000. A second public hearing on the proposed consent decree was held in March of 2001. The order entering the CAP Consent Decree was filed with the United States District Court Western District of Washington at Seattle and signed on May 22,

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

2001. The Consent Decree stipulated the draft monitoring plans for the landfill needed to be submitted to the DOE within 45 days of the effective date of the Consent Decree. The CLCG had submitted the draft monitoring plans to the DOE in May of 1999; however, changes to the draft monitoring plans were made in late summer of 1999. A letter was submitted to the DOE on June 12, 2001 requesting acceptance and review of the monitoring plans submitted in June of 1999 along with proposed amendments to the plans.

In July 2002, the CLCG received funding approval for a 75% grant through the DOE to purchase two parcels of land to the north of the landfill, construct a fence, and complete the wetland mitigation report. The CLCG completed all of the projects with the exception of the property purchase of one parcel of land known as the Christian School property. The Christian School board members chose not to accept the CLCG's offer to purchase a portion of their property where the old landfill, which was closed in 1958.

A multi-layer cover system was designed to eliminate infiltration of precipitation into the landfill and direct clean surface runoff into a wetland mitigation area south of the Landfill. In addition to the cover, a permanent gas collection system was installed beneath the cover and a permanent gas flare system was installed adjacent to the Landfill entrance facilities for gas treatment. Perimeter fencing was completed around the Landfill to enclose all of the Final Cover Area and much of the Closed Northend Landfill. Three environmental covenants were recorded for the site to prohibit activities that would result in the release of contaminants.

As required by WAC 173-340-420(2), DOE conducted a 5-year review of the site and held a public comment period for the Periodic Review Draft Report in October 2010. DOE reviews cleanups at least every five years to ensure they protect human health and the environment.

After reviewing this site, DOE has determined that the cleanup actions completed at the site are protective of human health and the environment. DOE will conduct another periodic review in 5 years.

The estimated remaining liability for post closure care costs is \$674,457 as of December 31, 2018.

NOTE 15 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Lewis County Board of County Commissioners (BOCC) has created a COVID Financial Impact Team that includes the Budget Administrator, County Manager, Auditor, Treasurer, Human Resources and Risk Director and the County Prosecutor. The Team will evaluate current and projected revenues, expenditures, cash flow, review county investments and evaluate financial sustainability strategies. At this time all offices and departments have been asked to identify savings to offset revenue losses, stop spending on all non-essential operating costs, hold on the hiring of personnel for vacant positions unless critical to operations and to begin looking for potential savings when planning for the 2021 Budget.

The COVID Financial Impact Team has reviewed county finances as well as possible reductions. A budget memo was sent to the Executive Steering Committee on April 29th to address initial guidance and recommendations. Further reductions would be based on the source of reduced revenue and implemented according to guidelines from the BOCC on allowable use of reserves. When reserve limits are met reductions would be made based on a tiered structure as needed. The actual decrease of sales and use tax for March over 2019 was not significant and the estimate from DOR for April

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

shows about the same, but as mentioned this is an estimate at this point. The County is anticipating there will be a further and possibly more significant decreases in the summer months due to canceled events and festivals, this will not only impact sales and use tax but our tourism promotion funding as well. Other decreases have been noted in the Roads Fund, the decrease for Motor Vehicle Fuel tax was significant for March and the same is expected for April. The Public Works Director and County Engineer are addressing shortfalls and managing projects as needed to maintain an appropriate cash balance.

The BOCC has directed that all 2021 interfund rates start with a 0% increase. Internal service rates impact all Funds, including the General Fund. Departments will analyze expenditures and identify reductions while looking for departmental efficiencies that would result in savings and/or better service to users.

The County is also utilizing Coronavirus Relief Funds for all COVID-19 response activities as allowable under the US Treasury guidelines. The COVID Financial Impact Team has developed a well thought out process and internal controls to capture all COVID-19 expenditures. These expenditures and grant funds have been segregated in a Special Revenue Fund established on April 13th 2020.

The County is researching the feasibility of refunding any eligible bonds for any potential savings.

NOTE 16 - OTHER DISCLOSURES

A. Changes to Funds

Funds created during fiscal year 2018:

Dispute Resolution Center Fund No. 1450
Dispute Resolution Center Court Facilitator Fund No. 1470
Risk Management General Liability Fund No. 5120
Risk Management Unemployment Fund No. 5140
Risk Management LEOFF 1 Fund No. 5160

Existing funds dissolved during fiscal year 2018:

Southwest Washington Fair Entertainment Fund No. 1970

B. Prior Period Adjustments

The County reported a prior period adjustment in the amount of \$56,190 related to a payable that was accrued in the Risk Management Fund in 2013. The payable was settled through a Workers Compensation claim in 2014.

The County reported a prior period adjustment in the amount of \$654,808 related to the Solid Waste Utility Fund. This fund recognized a liability for landfill closure and postclosure care in accordance with GASB Statement 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost.

Lewis County				
Schedule of Employer Contributions				
PERS 1				
As of December 31, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,464,442	\$ 1,423,425	\$ 1,228,795	\$ 1,238,861
Contributions in relation to the statutorily or contractually required contributions*	\$ (1,465,524)	\$ (1,420,802)	\$ (1,226,376)	\$ (1,239,579)
Contribution deficiency (excess)	<u>\$ (1,082)</u>	<u>\$ 2,623</u>	<u>\$ 2,419</u>	<u>\$ (718)</u>
Lewis County's covered payroll	\$ 28,435,229	\$ 28,344,911	\$ 24,809,092	\$ 24,584,887
Contributions as a percentage of covered payroll	5.15%	5.01%	4.94%	5.04%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Employer Contributions				
PERS 2/3				
As of December 31, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,848,794	\$ 1,692,422	\$ 1,500,205	\$ 1,333,973
Contributions in relation to the statutorily or contractually required contributions*	\$ (1,850,726)	\$ (1,690,801)	\$ (1,497,044)	\$ (1,334,914)
Contribution deficiency (excess)	<u>\$ (1,932)</u>	<u>\$ 1,621</u>	<u>\$ 3,161</u>	<u>\$ (941)</u>
Lewis County's covered payroll	\$ 24,676,113	\$ 24,639,751	\$ 24,080,345	\$ 23,645,796
Contributions as a percentage of covered payroll	7.50%	6.86%	6.22%	5.65%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Employer Contributions				
PSERS 2				
As of December 31, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 231,534	\$ 215,001	\$ 188,533	\$ 157,654
Contributions in relation to the statutorily or contractually required contributions*	\$ (234,187)	\$ (214,147)	\$ (191,740)	\$ (157,652)
Contribution deficiency (excess)	<u>\$ (2,653)</u>	<u>\$ 854</u>	<u>\$ (3,207)</u>	<u>\$ 2</u>
Lewis County's covered payroll	\$ 3,416,748	\$ 3,224,941	\$ 2,860,902	\$ 2,433,741
Contributions as a percentage of covered payroll	6.85%	6.64%	6.70%	6.48%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Employer Contributions				
LEOFF 2				
As of December 31, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 155,005	\$ 145,760	\$ 133,400	\$ 133,396
Contributions in relation to the statutorily or contractually required contributions*	\$ (155,068)	\$ (145,657)	\$ (133,400)	\$ (133,397)
Contribution deficiency (excess)	<u>\$ (62)</u>	<u>\$ 103</u>	<u>\$ (0)</u>	<u>\$ (1)</u>
Lewis County's covered payroll	\$ 2,953,751	\$ 2,828,577	\$ 2,641,585	\$ 2,641,514
Contributions as a percentage of covered payroll	5.25%	5.15%	5.05%	5.05%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Proportionate Share of the Net Pension Liability				
PERS 1				
As of June 30, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.21872%	0.22697%	0.23630%	0.24672%
Lewis County's proportionate share of the net pension liability	\$ 9,768,065	\$ 10,769,666	\$ 12,690,369	\$ 12,905,646
Lewis County's covered payroll	\$ 28,507,778	\$ 27,917,731	\$ 24,842,285	\$ 24,410,496
Lewis County's proportionate share of the net pension liability as a percentage of covered payroll	34.26%	38.58%	51.08%	52.87%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Proportionate Share of the Net Pension Liability				
PERS 2/3				
As of June 30, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.23653%	0.24649%	0.25492%	0.26111%
Lewis County's proportionate share of the net pension liability	\$ 4,038,608	\$ 8,564,245	\$ 12,834,920	\$ 9,329,573
Lewis County's covered payroll	\$ 24,723,689	\$ 24,268,589	\$ 24,003,729	\$ 23,226,185
Lewis County's proportionate share of the net pension liability as a percentage of covered payroll	16.33%	35.29%	53.47%	40.17%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Proportionate Share of the Net Pension Liability				
PSERS 2				
As of June 30, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.84442%	0.87365%	0.78234%	0.81239%
Lewis County's proportionate share of the net pension liability	\$ 10,462	\$ 171,174	\$ 332,480	\$ 148,277
Lewis County's covered payroll	\$ 3,331,384	\$ 3,090,914	\$ 2,539,649	\$ 2,387,152
Lewis County's proportionate share of the net pension liability as a percentage of covered payroll	0.31%	5.54%	13.09%	6.21%
Plan fiduciary net position as a percentage of the total pension liability	99.79%	96.26%	90.41%	95.08%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Proportionate Share of the Net Pension Liability				
LEOFF 1				
As of June 30, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.03008%	0.03188%	0.03245%	0.03387%
Lewis County's proportionate share of the net pension liability (asset)	\$ (546,085)	\$ (483,720)	\$ (334,276)	\$ (408,196)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (3,693,705)	\$ (3,271,871)	\$ (2,261,037)	\$ (2,761,030)
TOTAL	\$ (4,239,790)	\$ (3,755,591)	\$ (2,595,313)	\$ (3,169,226)
Lewis County's covered payroll	\$ -	\$ -	\$ -	\$ -
Lewis County's proportionate share of the net pension liability (asset) as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	144.42%	135.96%	123.74%	127.36%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County				
Schedule of Proportionate Share of the Net Pension Liability				
LEOFF 2				
As of June 30, 2018				
Last 10 Fiscal Years*				
	2018	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.08810%	0.08565%	0.08751%	0.09312%
Lewis County's proportionate share of the net pension liability (asset)	\$ (1,788,561)	\$ (1,188,517)	\$ (508,967)	\$ (957,077)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (1,158,060)	\$ (770,969)	\$ (331,809)	\$ (632,820)
TOTAL	\$ (2,946,621)	\$ (1,959,486)	\$ (840,776)	\$ (1,589,897)
Lewis County's covered payroll	\$ 2,936,991	\$ 2,687,659	\$ 2,650,937	\$ 2,691,937
Lewis County's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-60.90%	-44.22%	-19.20%	-35.55%
Plan fiduciary net position as a percentage of the total pension liability (asset)	118.50%	113.36%	106.04%	111.67%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>				

Lewis County
Schedule of Changes in Total OPEB Liability and Related Ratios - PEBB
For the year ended December 31
Last 10 Fiscal Years*

	2018
Total OPEB Liability - Beginning	\$ 8,200,986
Changes for the year:	
Service cost	567,784
Interest	301,103
Difference between expected and actual experience	-
Changes in benefit terms	-
Change in assumptions or inputs	(1,175,723)
Expected benefit payments	(31,815)
Net Changes in Total OPEB Liability	(338,651)
Total OPEB Liability - Ending	7,862,335
 Covered-employee payroll	 15,802,203
 Total OPEB liability as a % of covered payroll	 49.75%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB 75.

Lewis County
Schedule of Changes in Total OPEB Liability and Related Ratios - LEOFF 1
For the year ended December 31
Last 10 Fiscal Years*

	2018
Total OPEB Liability - Beginning	\$ 8,610,431
Changes for the year:	
Service cost	-
Interest cost	302,581
Changes in experience data and assumptions	(288,785)
Changes in benefit terms	-
Estimated benefit payments	(319,721)
Other	-
Net Changes in Total OPEB Liability	(305,925)
Total OPEB Liability - Ending	8,304,506
 Covered-employee payroll	 -
 Total OPEB liability as a % of covered payroll	 0%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB 75.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Agriculture)	National School Lunch Program	10.555	n/a	20,217	-	20,217	-	3
Total Child Nutrition Cluster:				20,217	-	20,217	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CLH18251	502,231	-	502,231	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CLH18251	25,175	-	25,175	-	
Total CFDA 10.557:				527,406	-	527,406	-	
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18251	44,364	-	44,364	-	
Total SNAP Cluster:				44,364	-	44,364	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	CLH18251	906	-	906	-	
Forest Service Schools and Roads Cluster								

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via)	Schools and Roads - Grants to States	10.665	PL 115-141	715,338	-	715,338	-	
Total Forest Service Schools and Roads Cluster:				715,338	-	715,338	-	
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF (via)	Water and Waste Disposal Systems for Rural Communities	10.760	N/A	316,545	-	316,545	-	3
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF (via)	Water and Waste Disposal Systems for Rural Communities	10.760	SUBSEQUENT	199,000	-	199,000	-	8
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF (via)	Water and Waste Disposal Systems for Rural Communities	10.760	WEP LOAN	80,000	-	80,000	-	8
Total CFDA 10.760:				595,545	-	595,545	-	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Washington State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	15-1087 PLAN	7,063	-	7,063	-	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Washington State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	16-1803 PLAN	27,936	-	27,936	-	9
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Washington State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	17-1157 R	169,176	-	169,176	-	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 11,438:	204,175	-	204,175		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15-622110-026	485,561	-	485,561	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via)	Continuum of Care Program	14.267	WA0091L0T011 609	49,968	-	49,968	48,467	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via)	Continuum of Care Program	14.267	WA0091L0T011 710	106,283	-	106,283	101,351	
			Total CFDA 14,267:	156,251	-	156,251	149,818	
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via)	Fish and Wildlife Management Assistance	15.608	F17AC00342	21,008	-	21,008	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Patrol)	National Criminal History Improvement Program (NGHIP)	16.554	K13373	45,756	-	45,756	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	19-31101-519	6,670	-	6,670	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	S18-31102-519	9,817	-	9,817	-	
			Total CFDA 16.575:	16,487	-	16,487	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F17-31103-053	10,717	-	10,717	2,731	
			Total CFDA 16.588:	5,887	-	5,887	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via)	State Criminal Alien Assistance Program	16.606	2019-AP-BX- 0116	3,062	-	3,062	-	
			Total CFDA 16.606:	197	-	197	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via)	Bulletproof Vest Partnership Program	16.607	2017BUBX1708 6792	439	-	439	-	
			Total CFDA 16.607:	636	-	636	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via)	Airport Improvement Program	20.106	3-53-0078-008- 2015 DOT- FA15NMM0046	22,940	-	22,940	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via)	Airport Improvement Program	20.106	3-53-0078-009- 2017 DOT- FA17NM-0071	209,999	-	209,999	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via)	Airport Improvement Program	20.106	3-53-0156-006- 2015 DOT- FA15NM-0078	57,716	-	57,716	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via)	Airport Improvement Program	20.106	3-53-0156-008- 2017 DOT- FA17NM-0048	4,730	-	4,730	-	
Total CFDA 20.106:				295,385	-	295,385	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8113	11,000	-	11,000	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8707	49,348	-	49,348	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8987	76,233	-	76,233	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9264	67,343	-	67,343	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9265	87,320	-	87,320	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9268	13,337	-	13,337	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9274	12,772	-	12,772	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9275	15,046	-	15,046	-	
Total Highway Planning and Construction Cluster:				332,399	-	332,399	-	

Highway Safety Cluster

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2018-HVE-2340 -LEWIS CO SHERIFF'S OFFICE	5,514	-	5,514	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	350	-	350	-	3
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	N/A	11,188	-	11,188	-	3
Total CFDA 20.600:				17,052	-	17,052	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-HVE-3195 -REGION 3 TZM	282	-	282	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-HVE- REGION 3 TARGET ZERO MANAGER	1,215	-	1,215	-	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-SUB- GRANTS-3336- LEL	233	-	233	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	6,949	-	6,949	-	3
Total CFDA 20.616:				8,679	-	8,679	-	
Total Highway Safety Cluster:				25,731	-	25,731	-	
IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via National Association of County and City Health Officials)	Medical Reserve Corps Small Grant Program	93.008	MRC 15-1760	1,017	-	1,017	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	CLH18251	60,293	-	60,293	-	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social & Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1763-94259	35,598	-	35,598	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18251	31,333	-	31,333	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	DONATED VACCINE	2,604	-	2,604	-	4
Total CFDA 93.268:				33,937	-	33,937	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social & Health Services)	Child Support Enforcement	93.563	2110-81382	349,823	-	349,823	-	5 & 9
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social & Health Services)	Child Support Enforcement	93.563	1663-67383	18,575	-	18,575	-	5

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 93.563:	368,398	-	368,398	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Thurston County)	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	N/A	5,300	-	5,300	-	3
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K1409	22,048	-	22,048	-	6
			Total Medicaid Cluster:	22,048	-	22,048	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social & Health Services)	Opioid STR	93.788	1763-94259	1,054	-	1,054	-	
IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via West Region EMS & Trauma Care Council)	National Bioterrorism Hospital Preparedness Program	93.889	FY18	2,000	-	2,000	-	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1763-94259	47,316	-	47,316	13,852	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18251	86,288	-	86,288	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3318FAS18015 3	16,067	-	16,067	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D16-706	905,169	-	905,169	-	7
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Hazard Mitigation Grant	97.039	D17-004	24,500	-	24,500	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-070	29,851	-	29,851	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E19-166	17,016	-	17,016	-	
Total CFDA 97.042:				46,867	-	46,867	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-066	23,895	-	23,895	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E18-155	-	-	-	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E19-101	-	-	-	-	
Total CFDA 97.067:				23,895	-	23,895	-	
Total Federal Awards Expended:				5,186,578	-	5,186,578	166,401	

The accompanying notes 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, 2018

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

NOTE 3 - NOT AVAILABLE (N/A)

The county was unable to obtain another identification number.

NOTE 4 - NONCASH AWARDS

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 5 - INDIRECT COST RATE

The county has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

The amount expended for "Child Support Enforcement" (CFDA 93.563) includes \$1,668 from Contract Number 1663-67383, and \$31,500 from Contract Number 2110-81382 claimed as an indirect cost recovery using the de minimis indirect cost rate.

NOTE 6 - MEDICAL ASSISTANCE PROGRAM

Reimbursement provided by contract # K1409 is determined by an in-depth billing process using data from the entire region. As a result, the billings are often delayed while the data is being compiled and reviewed. The amount reported on the 2018 Schedule of Expenditures of Federal Awards for contract #K1409 is based on data occurring from the fourth quarter of 2016 to the first quarter of 2017. Due to the length of time needed to prepare the billing information, the amount of expenditures associated with prior years was not determined in time to be included in the Financial Statements for each of those years.

NOTE 7 – FEMA PROJECTS

Some of the expenditures reported under CFDA #97.036 "Disaster Grants - Public Assistance (Presidentially Declared Disasters)" on the 2018 Schedule of Expenditures of Federal Awards were incurred in prior years. Due to the uncertainty of funding status in the prior years, the expenditures were not reported on the Schedule of Expenditures of Federal Awards in the years in which they were incurred. Contract Number D16-706 (4253-DR-WA) includes prior year expenditures that became eligible for reimbursement after the small project worksheets were approved in 2018.

LEWIS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2018

NOTE 8 – FEDERAL USDA LOAN

The County was approved by the United States Department of Agriculture Rural Utilities Service for two loans totaling \$80,000 and \$199,000 to construct a new water storage reservoir for the Vader Enchanted Valley Water System. The amounts listed for these loans include the proceeds used during the year. Current year loan balances are reported on the County's Schedule of Liabilities.

NOTE 9 – UNDER-REPORTED 2017 EXPENDITURES

The following 2017 expenditures were erroneously omitted from the 2017 Schedule of Expenditures of Federal Awards. These expenditures have been included in the expenditure amounts reported on the 2018 Schedule of Expenditures of Federal Awards.

- A) An amount of \$109 expended in 2017 under CFDA 93.563 "Child Support Enforcement" Contract Number 2110-81382.

- B) An amount of \$27,602 expended in 2017 under CFDA 11.438 "Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program" Contract Number 16-1803P.

Larry E. Grove, CPA
AUDITOR

SUZETTE SMITH, CPFO
CHIEF ACCOUNTANT

TOM STANTON
CHIEF DEPUTY



351 NW NORTH STREET

PO BOX 29

CHEHALIS, WA 98532-0029

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Lewis County

January 1, 2018 through December 31, 2018

This schedule presents the corrective action planned by the County for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2018-001	Finding caption: The County's internal controls over financial reporting were not adequate to ensure timely reporting.
Name, address, and telephone of County contact person: Suzette Smith, Chief Accountant 351 N.W. North Street, Chehalis, WA 98532 (360) 740-1339	
Corrective action the auditee plans to take in response to the finding: <i>The County thanks the SAO for the professionalism related to the audit of the 2018 Annual Financial Report and agrees with the finding, description, and cause of condition related to timely submission of the report.</i> <i>The County Auditor's Office has successfully recruited key staff with knowledge and experience in compiling the annual reports and implementing new GASB standards.</i> <i>The County Auditor's Office filed the 2019 Annual Financial Report with the SAO on time and is working with other departments in stressing the importance of submitting accurate and timely information related to this report in the future.</i>	
Anticipated date to complete the corrective action: Correction Action has been completed.	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov