

## 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, and notes to the financial statements to analyze the county's financial activities and condition.

### Financial Highlights

- The assets of Lewis County exceeded its liabilities at the close of the most recent fiscal year by \$143 million (*net position*). Of this amount, \$34.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2 million. This change is primarily attributable to the recognition of current year infrastructure, recognition of accrued revenues, recognition of depreciation expense, exclusion of capital outlay costs and exclusion of debt proceeds and debt principal payments.
- As of the close of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of \$34.6 million, a decrease of \$5.6 million in comparison with the prior year. Approximately 71.4 percent of this total amount, \$24.7 million, 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.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9.8 million, or 28.9 percent of general fund expenditures and operating transfers out.
- Lewis County's total debt decreased by \$897 thousand (5 percent) during the current fiscal year.

### Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of Lewis County's assets and liabilities, with the difference between the two reported as *net position*. Over time,

increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lewis County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net 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, county road system, mental and physical health, and culture and recreation. The business-type activities of Lewis County include a solid waste utility, a solid waste disposal district, a water sewer activity and two airports.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lewis County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Roads Fund, and Capital Facilities Fund, all are considered to be major funds. Pursuant to GASB Statement No. 54, 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 30 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A major fund is defined in the following manner:

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

Lewis County adopts an annual appropriated budget for all county funds 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, debt service, and capital project 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, Water Sewer Utility, Packwood Airport and South County Airport operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Lewis County's various functions. Lewis County uses internal service funds to account for its fleet of vehicles, insurance programs, county facilities and management information systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statements in this report.

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

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lewis County, assets exceeded liabilities by \$143 million at the close of the most recent fiscal year.

By far the largest portion of Lewis County's net assets (64.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Lewis County uses these capital assets to provide services to citizens; consequently, these assets are *not*

available for future spending. Although Lewis County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Lewis County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 65,768,713	\$ 73,183,876	\$ 4,982,068	\$ 4,755,045	\$ 70,750,781	\$ 77,938,921
Capital Assets	103,659,250	96,532,649	4,862,397	3,563,547	108,521,647	\$ 100,096,196
<b>Total Assets</b>	<b>\$ 169,427,963</b>	<b>\$ 169,716,525</b>	<b>\$ 9,844,465</b>	<b>\$ 8,318,592</b>	<b>\$ 179,272,428</b>	<b>\$ 178,035,117</b>
Payables	\$ 11,170,182	\$ 11,265,818	\$ 628,529	\$ 483,076	\$ 11,798,711	\$ 11,748,894
Long-Term	24,047,835	25,390,431	632,999	151,148	24,680,834	\$ 25,541,579
<b>Total Liabilities</b>	<b>35,218,017</b>	<b>36,656,249</b>	<b>1,261,528</b>	<b>634,224</b>	<b>36,479,545</b>	<b>37,290,473</b>
Net Position						
Net Investment in Capital Assets	88,254,250	80,017,649	4,424,451	3,563,547	92,678,701	83,581,196
Restricted	15,268,152	15,424,348	-	7,400	15,268,152	15,431,748
Unrestricted	30,687,544	37,618,279	4,158,486	4,113,421	34,846,030	41,731,700
<b>Total Net Position</b>	<b>\$ 134,209,946</b>	<b>\$ 133,060,276</b>	<b>\$ 8,582,937</b>	<b>\$ 7,684,368</b>	<b>\$ 142,792,883</b>	<b>\$ 140,744,644</b>

Internal Balances removed from Total Primary Government Column

An additional portion of Lewis County's net assets (10.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$34.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

There was a decrease of \$7 thousand in restricted net assets reported in connection with Lewis County's business-type activities. This resulted from a reduction of special assessments in the Water Sewer fund.

## Lewis County's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 16,418,614	\$ 17,861,539	\$ 7,526,352	\$ 6,856,835	\$ 23,944,966	\$ 24,718,374
Operating Grants and Contributions	10,990,264	11,738,426	162,853	383,894	11,153,117	12,122,320
Capital Grants and Contributions	3,374,872	3,065,490	150,833	-	3,525,705	3,065,490
<b>General Revenues:</b>						
Property Taxes	22,572,409	22,697,211	-	-	22,572,409	22,697,211
Private Harvest Taxes	2,805,887	-	-	-	2,805,887	-
Sales Tax	10,013,834	9,053,925	-	-	10,013,834	9,053,925
Excise Tax	1,093,299	3,697,996	-	-	1,093,299	3,697,996
Investment Earnings	550,538	608,543	(7,179)	18	543,359	608,561
Miscellaneous	-	-	1,592	9,736	1,592	9,736
Gain on Sale of Capital Assets	3,380,640	1,830,858	-	-	3,380,640	1,830,858
Fixed Asset Loss Recovery-Insurance Proceeds	-	461,576	-	-	-	461,576
<b>Total Revenues</b>	<b>\$ 71,200,357</b>	<b>\$ 71,015,564</b>	<b>\$ 7,834,451</b>	<b>\$ 7,250,483</b>	<b>\$ 79,034,808</b>	<b>\$ 78,266,047</b>
<b>Program Expenses Including Indirect Expenses:</b>						
General Government Services	\$ 15,286,877	\$ 15,005,460	\$ -	\$ -	\$ 15,286,877	\$ 15,005,460
Security of Persons & Property	20,418,142	20,087,873	-	-	20,418,142	20,087,873
Physical Environment	137,747	307,636	-	-	137,747	307,636
Transportation	19,630,553	20,321,264	-	-	19,630,553	20,321,264
Economic Environment	3,741,205	3,945,176	-	-	3,741,205	3,945,176
Mental & Physical Health	6,295,769	5,812,932	-	-	6,295,769	5,812,932
Culture & Recreation	2,151,990	1,822,503	-	-	2,151,990	1,822,503
Interest on Long-Term Debt	653,248	696,859	-	-	653,248	696,859
Solid Waste	-	-	7,602,860	7,460,604	7,602,860	7,460,604
Airport	-	-	452,038	400,490	452,038	400,490
Water Sewer	-	-	291,879	96,005	291,879	96,005
<b>Total Expenses</b>	<b>\$ 68,315,531</b>	<b>\$ 67,999,703</b>	<b>\$ 8,346,777</b>	<b>\$ 7,957,099</b>	<b>\$ 76,662,308</b>	<b>\$ 75,956,802</b>
Capital Contributions (Dispositions)	-	-	1,142,425	-	1,142,425	-
Transfers	(272,600)	(239,600)	268,470	239,600	(4,130)	-
<b>Change in Net Position</b>	<b>2,612,226</b>	<b>2,776,261</b>	<b>898,569</b>	<b>(467,016)</b>	<b>3,510,795</b>	<b>2,309,245</b>
<b>Net Position - Beginning of Year</b>	<b>133,060,276</b>	<b>130,284,021</b>	<b>7,684,368</b>	<b>8,151,384</b>	<b>140,744,644</b>	<b>138,435,405</b>
Prior Period Adjustment	(1,462,556)	(6)	-	-	(1,462,556)	(6)
<b>Net Position - End of Year</b>	<b>\$ 134,209,946</b>	<b>\$ 133,060,276</b>	<b>\$ 8,582,937</b>	<b>\$ 7,684,368</b>	<b>\$ 142,792,883</b>	<b>\$ 140,744,644</b>

The government's net assets increased by \$2.0 million during the current fiscal year. Most of this change is attributable to the recognition of current year infrastructure, accrued revenues, and depreciation expense, along with the exclusion of capital outlay costs, and debt principal payments.

**Governmental activities.** Governmental activities increased Lewis County's net position by \$1.1 million, thereby accounting for the majority of the increase in the net position of Lewis County. Key revenue elements of this change are as follows:

- Property taxes decreased by \$125 thousand (0.5 percent) over the prior year. Most of the increase is related to increase in assessed values and new construction, as well collection of delinquent taxes, rather than increases in underlying taxes, which are limited by current Washington state law.
- Sales tax increased by \$960 thousand (10.6 percent), which relates to a slight recovery in economic conditions, the change to the destination based sales tax collection and reclassification of revenue accounts due to changes in the BARS manual update by the State Auditor’s Office.
- Operating grants, intergovernmental revenues, and contributions for governmental activities decreased by \$748 thousand (6.4 percent), which relates to decrease in grants and intergovernmental revenue the county received in 2014 primarily in the Community Development fund.
- Gain on sale of capital assets increased by \$1.5 million (84.6 percent), which relates primarily to forest board yield (timber sales); this is considered the sale of county assets.

### Expenses and Program Revenues—Governmental Activities

	Net (Expense)		
	Expenses	Program Revenue	Revenue
General Government Services	\$ 15,286,877	\$ 11,178,055	\$ (4,108,822)
Security of Persons & Property	20,418,142	5,981,407	(14,436,735)
Physical Environment	137,747	50,094	(87,653)
Transportation	19,630,553	6,843,562	(12,786,991)
Economic Environment	3,741,205	1,441,331	(2,299,874)
Mental & Physical Health	6,295,769	4,281,531	(2,014,238)
Culture & Recreation	2,151,990	1,007,770	(1,144,220)
Interest on Long-Term Debt	653,248	-	(653,248)
<b>TOTAL</b>	<b>\$ 68,315,531</b>	<b>\$ 30,783,750</b>	<b>\$ (37,531,781)</b>

### Revenues by Source—Governmental Activities

	Revenue	
	Dollars	Percentage
Charges for Services	\$ 16,418,614	23.05%
Operating Grants and Contributions	10,990,264	15.44%
Capital Grants and Contributions	3,374,872	4.74%
Property Taxes	22,572,409	31.70%
Other Taxes	13,913,020	19.54%
Investment Earnings	550,538	0.77%
Gain on Sales of Capital Assets	3,380,640	4.75%
<b>Total</b>	<b>\$ 71,200,357</b>	<b>100%</b>

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 make cuts in various programs in most functions of the government, which has also been impacted by a decline in revenues in the prior few years.

**Business-type activities.** Business-type activities increased Lewis County’s net assets by \$899 thousand, accounting for 11.7 percent of the increase in the government’s business-type net assets. Key elements of this increase are as follows:

- A significant increase in net assets was due to a Superior Court order approving the transfer of title of the Vader Water System from the City of Vader to Lewis County. This transfer established a new proprietary enterprise fund within the County. The value of the transfer was determined by fair market value at the time of donation.
- Charges for services for business-type activities increased by 9.8 percent. The Solid Waste Disposal District No. 1 accounts for a significant portion of this revenue source, which resulted from tipping fees. Revenues also increased as a result of a slight increase in demand. Together, these factors account for the \$670 thousand increase in charges for services for the Solid Waste Disposal District No. 1.
- Expenses related to the Solid Waste activity also increased slightly by \$142 thousand (1.9 percent) over the prior year.

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

	Expenses	Program Revenue	Net (Expense) / Revenue
Solid Waste Utility	\$ 7,602,860	\$ 7,328,756	\$ (274,104)
Airports	452,038	253,910	(198,128)
Water-Sewer Utilities	291,879	257,372	(34,507)
<b>TOTAL</b>	<b>\$ 8,346,777</b>	<b>\$ 7,840,038</b>	<b>\$ (506,739)</b>

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

	Revenue	Percent
Charges for Services	\$ 7,526,352	96.06%
Operating Grants and Contributions	162,853	2.08%
Capital Grants and Contributions	150,833	1.93%
Investment Earnings	(7,179)	-0.09%
Miscellaneous	1,592	0.02%
<b>TOTAL</b>	<b>\$ 7,834,451</b>	<b>100%</b>



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of Lewis County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lewis County's financing requirements. In particular, *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 \$34.6 million, a decrease of \$5.6 million in comparison with the prior year. Approximately 71.4 percent of this total amount (\$24.7 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 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 \$9.8 million, while total fund balance reached \$10.2 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. Unassigned fund balance represents 31.3 percent of total general fund expenditures, while total fund balance represents 32.7 percent of that same amount.

The fund balance of Lewis County's general fund increased by \$170 thousand during the current fiscal year. There was a \$725 thousand increase in revenues, which were greater than expenditures by \$1.2 million, due in part to historically lower expenditures with only a slight annual increase of \$727 thousand. Coupled with a net negative other financing sources and uses of \$1.0 million. Additionally, the following other key factors continue to draw on the general fund's resources:

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

The debt service funds have a total fund balance of \$37 thousand, which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$15 thousand. There was a decrease in interest expenditures during the current period (\$137 thousand), which was due to the scheduled debt service payments during the period. Debt service payments are funded when due by transfers in from the General, Stadium, and Capital Facilities Plan funds. Real estate excise taxes represent the primary revenue source for the Capital Facilities Plan fund.

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

Unrestricted net position of the Solid Waste Disposal District No. 1 and the Solid Waste Utility at year end were \$2.5 million, and 2.7 million, respectively. Those for the non-major enterprise funds amounted to \$2.3 million. The change in net position for the Solid Waste Disposal District No. 1 and the Solid Waste Utility were a \$156 thousand decrease and \$31 thousand increase, respectively. During the year, net position for all enterprise funds increased by \$899 thousand. Other factors concerning the finances of these funds have already been addressed in the discussion of Lewis County's' business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were increases of \$475 thousand in departments, and an increase of \$393 thousand in other financing uses which were transfers out to other funds which fell short and required additional general fund dollars (\$82 thousand net increase in departmental and other financing uses appropriations) and can be briefly summarized as follows:

- \$262 thousand in increases in general government activities
- \$130 thousand in increases allocated to the various law and justice departments
- \$36 thousand in economic environment
- \$39 thousand in increases in mental and physical health
- \$8 thousand in increases in culture and recreation
- \$393 thousand in increases in operating transfers out to other funds

Of this change, \$31 thousand was funded out of miscellaneous increases in various revenue sources. As an additional offset to the budget changes, there was an \$82 thousand decrease in budgeted estimated ending fund balances. During the year actual revenues were less than original budgetary estimates, expenditures less than budgetary estimates, and the net effect after other financing uses lead to the increase of \$162 thousand of actual fund balance.

### **Capital Asset and Debt Administration**

**Capital Assets.** Lewis County's capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$108.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, county roads, and bridges. The total increase in Lewis County's investment in capital assets for the current fiscal year was 8.42 percent (a \$7.1 million increase for governmental activities and \$1.3 million increase for business-type activities).

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

- Increase in county land due to the purchase and donations of road right-of-way.

- Increase in Construction in Progress is due to completed infrastructure.
- Decrease in county buildings mainly due to annual depreciation.
- Increase in infrastructure primarily due to major improvements and rehabilitation projects of county roads.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,997,608	\$ 4,835,697	\$ 209,568	\$ 177,889	\$ 5,207,176	\$ 5,013,586
Land Use Rights (Intangible Assets)	94,807	93,956	4,614	2,014	99,421	95,970
Construction in Progress	7,541,550	2,605,761	45,501	-	7,587,051	2,605,761
Buildings	35,222,716	36,315,974	268,206	218,493	35,490,922	36,534,467
Improvements other than buildings	620,469	844,612	3,986,946	2,758,344	4,607,415	3,602,956
Machinery & Equipment	9,301,511	8,468,631	347,562	406,807	9,649,073	8,875,438
Infrastructure	45,880,589	43,368,018	-	-	45,880,589	43,368,018
<b>Total</b>	<b>\$103,659,250</b>	<b>\$ 96,532,649</b>	<b>\$4,862,397</b>	<b>\$3,563,547</b>	<b>\$108,521,647</b>	<b>\$100,096,196</b>

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

**Long-term debt.** At the end of the current fiscal year, Lewis County had total bonded - debt outstanding of \$17.9 million. Of this amount, \$467 thousand comprises debt other than General Obligation bonds backed by the full faith and credit of the government.

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

	Balance			Balance
	12/31/2013	Issues	Retirement	12/31/2014
General Obligation Bonds	18,744,070	-	1,307,985	17,436,085
<b>TOTAL</b>	<b>\$ 18,744,070</b>	<b>\$ -</b>	<b>\$ 1,307,985</b>	<b>\$ 17,436,085</b>

Lewis County's total debt decreased by \$1.4 million (7.3 percent) during the current fiscal year. The decrease was related to scheduled debt service during the year. Lewis County maintains an "Aaa" insured (underlying A3) rating from Moody's for the county's outstanding general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5 percent of its total assessed valuation. To reach the 2.5 percent maximum it would require a vote of the people for any debt issued over the 1.5 percent limit that does not require a vote. The current debt limitation for Lewis County is \$157 and \$88 million for the 2.5 percent and 1.5 percent maximums, respectively. Both are significantly in excess of Lewis County's outstanding general obligation debt.

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

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Lewis County is currently 9.7 percent, a slight decrease from the rate of 9.9 percent a year ago. This is higher than the current state's average unemployment rate of 6.3 percent compared to 6.6 percent a year ago and the national average rate of 6.2 percent.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing Lewis County's budget for the 2015 fiscal year.

During the fiscal year, 2014, unassigned fund balance in the general fund decreased to approximately \$9.8 million. For 2015, Lewis County has appropriated \$3.1 million of this amount for spending in the 2015 fiscal year budget for general operations. However, if needed, the use of available fund balance will avoid the need to raise taxes or charges during the 2015 fiscal year. It is uncertain if additional cuts in county departments may be required in the future.

### **Requests for Information**

This financial report is designed to provide a general overview of Lewis County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lewis County Auditor's Office, Financial Services, PO Box 29, Chehalis, WA 98532.