



Office of the Washington State Auditor
Pat McCarthy

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

For the period January 1, 2017 through December 31, 2017

Published September 27, 2018

Report No. 1022114





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

September 27, 2018

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 black ink that reads "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lewis County January 1, 2017 through December 31, 2017

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 basic financial statements of the governmental activities, 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 reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the County’s compliance with requirements applicable to 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>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Lewis County
January 1, 2017 through December 31, 2017**

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period: January 1, 2016 – December 31, 2016	Report Ref. No.: 1019925	Finding Ref. No.: 2016-002	CFDA Number(s): 20.106
Federal Program Name and Granting Agency: Airport Improvement Program; Department of Transportation Federal Aviation Administration (FAA)		Pass-Through Agency Name: NA	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.			
Background: The Davis-Bacon Act (Act) requires that all laborers and mechanics employed by contractors or subcontractors and working on construction contracts financed with more than \$2,000 of federal funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. The Act includes a requirement for the contractor or subcontractor to submit to the County weekly, for each week in which contract work is performed, a copy of its payroll and a statement of compliance (weekly certified payroll). The weekly certified payroll must be submitted within seven days after the regular payment date of the payroll period. The County did not have a process in place to ensure contractors and subcontractors working on federal grant-funded projects filed weekly certified payrolls within the required time period. During the audit period, weekly certified payrolls were not received promptly as federal regulations require. Our audit found 29 of the 35 weekly certified payrolls for 2016 were submitted to the contracted engineering firm between two weeks and four months after the			

payroll period. Without adequate internal controls in place to ensure weekly certified payrolls are received promptly, the County cannot ensure workers were paid prevailing wages before paying the contractor.

We consider this internal control deficiency to be a material weakness.

Status of Corrective Action: (check one)

- Fully Corrected
 Partially Corrected
 Not Corrected
 Finding is considered no longer valid

Corrective Action Taken:

The County now has procedures in place to ensure weekly certified payrolls are obtained from contractors and subcontractors during the construction phase of federally funded projects.

Per FAA regulations, the invitation for bids, which terms are agreed upon in the awarding contract, agree to adhere to the Davis-Bacon Act. The procedures will require all certified payrolls to be received by the County prior to any payment being issued to contractors, subcontractors and consultants, in addition to the requirement to have certified payrolls submitted within seven days of the payroll period. In times where no construction work is being done, certified payrolls indicating ‘no work’ will still be required.

The County has contracted with a new consultant beginning January 1, 2018. The new consultant has been made aware of the requirements and expectations of the County.

Since the time of audit, no federally funded construction has begun. The County has been able to obtain all certified payrolls from the construction project referenced in this summary schedule of prior audit findings.

<p>Audit Period: January 1, 2016 – December 31 2016</p>	<p>Report Ref. No.: 1019925</p>	<p>Finding Ref. No.: 2016-001</p>
<p>Finding Caption: The County lacks adequate internal controls over its calculation for determining major funds to be presented in its financial statements.</p>		
<p>Background: The focus of governmental and proprietary fund financial statements is on major funds. Under generally accepted accounting principles (GAAP), major funds are presented individually and non-major funds are reported in aggregate. Accounting standards provide a quantitative threshold for identifying which funds must be reported as major. Our audit noted the County prepared a calculation to determine its major funds; however, the formula in the calculation was incorrect. This caused the County to omit a major fund from the presentation of proprietary funds financial statements. We consider this deficiency to be a material weakness.</p>		

Status of Corrective Action: (check one)			
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken:			
<i>The county has implemented an additional review of the underlying formula for the calculation of Major Funds.</i>			

**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, 2017 through December 31, 2017**

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, business-type activities, each major fund and the aggregate remaining fund information of Lewis County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy
State Auditor
Olympia, WA

September 7, 2018

**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, 2017 through December 31, 2017**

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, 2017. 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, 2017.

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, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

September 7, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lewis County January 1, 2017 through December 31, 2017

Board of Commissioners
Lewis County
Chehalis, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Lewis County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 17.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Lewis County, as of December 31, 2017, 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.

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018 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.



Pat McCarthy
State Auditor
Olympia, WA

September 7, 2018

FINANCIAL SECTION

Lewis County January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Activities – 2017

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2017

General and Major Special Revenue Fund Budgetary Comparisons – 2017

Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2017

Statement of Cash Flows – Proprietary Funds – 2017

Statement of Net Position – Fiduciary Funds – 2017

Notes to the Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS 2, LEOFF 1 and LEOFF 2 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS 2 and LEOFF 2 – 2017

Schedule of Funding Progress – Retiree Medical Benefits – LEOFF 1 – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

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, 2017. 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 \$136.9 million (net position). Of this amount, \$12.3 million was reported as unrestricted net position, amounts which may be used to meet the County's ongoing obligations to citizens and creditors.
- In 2017, the County's net position increased by \$5.5 million. The main components of the change in net position are increased operating and capital grants, as well as the fluctuation of deferred inflows and outflows related to new pension reporting requirements that were implemented in 2015. Net position in the County's governmental activities increased by \$4.9 million, while business-type activities increased by \$638 thousand.
- Total fund balance in the governmental funds was \$35.9 million at year-end 2017, compared to \$40.4 million at year-end 2016, a decrease of 11 percent.
- Lewis County's long term debt decreased by \$2.8 million (18 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 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 37 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 five major funds. The General Fund, Roads Fund, Distressed Counties, 2007 Bond Redemption, 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 (76 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 \$137.6 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 2017 to year-end 2016.

Statement of Net Position

December 31, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 62,927,194	\$ 66,740,465	\$ 5,739,885	\$ 6,138,894	\$ 68,667,079	\$ 72,879,359
Capital Assets	108,421,324	105,216,861	8,199,987	7,972,307	\$ 116,621,311	\$ 113,189,168
Pension Assets	1,672,236	843,242	-	-	\$ 1,672,236	\$ 843,242
Total Assets	\$ 173,020,754	\$ 172,800,568	\$ 13,939,872	\$ 14,111,201	\$ 186,960,626	\$ 186,911,769
Deferred Outflows of Resources	\$ 3,211,645	\$ 4,968,664	\$ 106,305	\$ 168,544	\$ 3,317,950	\$ 5,137,208
Current and other liabilities	\$ 6,523,820	\$ 7,657,338	\$ 695,069	\$ 1,411,619	\$ 7,218,889	\$ 9,068,957
Long-term liabilities	21,789,963	24,081,725	864,721	891,855	\$ 22,654,684	\$ 24,973,580
Pension Liabilities	18,710,462	24,823,994	794,623	1,033,774	\$ 19,505,085	\$ 25,857,768
Total Liabilities	\$ 47,024,245	\$ 56,563,057	\$ 2,354,413	\$ 3,337,248	\$ 49,378,658	\$ 59,900,305
Deferred Inflows of Resources	\$ 3,852,987	\$ 752,169	\$ 149,595	\$ 39,055	\$ 4,002,582	\$ 791,224
Net Position:						
Net Investment in Capital Assets	\$ 96,650,773	\$ 92,186,435	\$ 7,498,390	\$ 7,229,586	\$ 104,149,163	\$ 99,416,021
Restricted	20,459,118	17,676,471	12,999	-	\$ 20,472,117	\$ 17,676,471
Unrestricted	8,245,276	10,591,100	4,030,780	3,673,856	\$ 12,276,056	\$ 14,264,956
Total Net Position	\$ 125,355,167	\$ 120,454,006	\$ 11,542,169	\$ 10,903,442	\$ 136,897,336	\$ 131,357,448

A portion of Lewis County's net position (15 percent) represents resources that are subject to external restrictions on how they may be used. The \$12.3 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 and pension reporting required by Governmental Accounting Standards Board Statement No. 68. Deferred Inflows represent amounts related to pension reporting requirements, as well as leases of capital equipment.

Lewis County's Change in Net Position

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 18,522,221	\$ 14,703,592	\$ 9,332,941	\$ 8,426,319	\$ 27,855,162	\$ 23,129,911
Operating Grants and Contributions	13,082,484	19,005,143	-	-	13,082,484	19,005,143
Capital Grants and Contributions	3,733,301	1,565,444	431,812	2,009,922	4,165,113	3,575,366
General Revenues:						
Property Taxes	23,755,872	23,370,811	-	-	23,755,872	23,370,811
Private Harvest Taxes	2,200,499	2,887,434	-	-	2,200,499	2,887,434
Sales Tax	12,327,244	11,216,232	-	-	12,327,244	11,216,232
Excise Tax	1,728,958	1,458,233	-	-	1,728,958	1,458,233
Investment Earnings	743,667	585,634	(15,699)	(12,187)	727,968	573,447
Other General Revenues	2,013,109	2,420,190	28,007	(82)	2,041,116	2,420,108
Total Revenues	\$ 78,107,355	\$ 77,212,713	\$ 9,777,061	\$ 10,423,972	\$ 87,884,416	\$ 87,636,685
Program Expenses:						
General Government & Judicial Services	\$ 16,179,808	\$ 15,862,159	\$ -	\$ -	\$ 16,179,808	\$ 15,862,159
Public Safety	22,768,155	21,822,096	-	-	22,768,155	21,822,096
Utilities	126,882	139,225	-	-	126,882	139,225
Transportation	23,748,555	20,763,845	-	-	23,748,555	20,763,845
Natural & Economic Environment	3,299,858	2,700,128	-	-	3,299,858	2,700,128
Social Services & Physical Health	6,325,307	6,114,600	-	-	6,325,307	6,114,600
Culture & Recreation	2,085,434	1,818,454	-	-	2,085,434	1,818,454
Interest on Long-Term Debt	411,463	487,465	-	-	411,463	487,465
Solid Waste	-	-	8,474,578	7,939,089	8,474,578	7,939,089
Airport	-	-	362,934	288,690	362,934	288,690
Water Sewer	-	-	398,422	347,615	398,422	347,615
Total Expenses	\$ 74,945,462	\$ 69,707,972	\$ 9,235,934	\$ 8,575,394	\$ 84,181,396	\$ 78,283,366
Increase/(Decrease) in net position before transfers	3,161,893	7,504,741	541,127	1,848,578	3,703,020	9,353,319
Transfers	(97,600)	(381,945)	97,600	381,945	-	-
Change in Net Position	3,064,293	7,122,796	638,727	2,230,523	3,703,020	9,353,319
Net Position - Beginning	120,454,006	111,879,381	10,903,442	8,647,204	131,357,448	120,526,585
Adjustments	1,836,868	1,451,829	-	25,715	1,836,868	1,477,544
Restated Net Position - Beginning	122,290,874	113,331,210	-	8,672,919	122,290,874	122,004,129
Net Position - End of Year	\$ 125,355,167	\$ 120,454,006	\$ 11,542,169	\$ 10,903,442	\$ 136,897,336	\$ 131,357,448

Lewis County's net position increased by \$5.5 million during the 2017 fiscal year. This increase in net position is attributable to a 4.1 percent increase in governmental activities and 5.9 percent increase in business-type activities.

Governmental Activities

In 2017, the three largest sources of revenue for governmental activities were taxes at \$40 million (51.2 percent of revenues), operating grants and contributions at \$13.1 million (16.7 percent of revenues), and charges for services at \$18.5 million (23.7 percent of revenues). The remaining 8.4 percent of governmental revenues include capital grants and contributions, interest and investment earnings, and other general revenues.

Other key elements of this change are as follows:

- Property taxes increased by \$385 thousand (1.6 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 \$1.1 million (9.9 percent), which relates to an increase in the County’s economic condition.
- Capital grants and contributions increased by \$2.2 million (138 percent). This relates to an increase in grant awards in the Roads fund. The Roads fund received significant grant awards relating to highway stabilization and road safety projects.
- Operating grants and contributions decreased by \$5.9 million (31.2 percent) which related to the Roads fund receiving mainly capital grants and contributions and fewer operating grants.

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	\$ 13,354,618	37.79%	\$ 16,179,808	21.59%	
Public Safety	5,497,095	15.56%	22,768,155	30.38%	
Utilities	-	0.00%	126,882	0.17%	
Transportation	9,736,055	27.55%	23,748,555	31.69%	
Natural & Economic Environment	1,680,075	4.75%	3,299,858	4.40%	
Social Services & Physical Health	3,993,446	11.30%	6,325,307	8.44%	
Culture & Recreation	1,076,717	3.05%	2,085,434	2.78%	
Interest on Long-Term Debt	-	-	411,463	0.55%	
Total	\$ 35,338,006	100.00%	\$ 74,945,462	100.00%	

Revenues by Source - Governmental Activities		
	Revenue	Percent of Total
Charges for Services	\$ 18,522,221	23.71%
Operating Grants and Contributions	13,082,484	16.75%
Capital Grants and Contributions	3,733,301	4.78%
Taxes	40,012,573	51.23%
Investment Earnings	743,667	0.95%
Gain on Sale of Capital Assets	1,933,738	2.48%
Miscellaneous Revenues	79,371	0.10%
Total	\$ 78,107,355	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 2017, the largest source of revenue for business-type activities was charges for services at \$9.3 million, or 95.5 percent of total business-type revenues. 96.1 percent of the charges for services resulted from Solid Waste Utility activities.

Key changes for fiscal year 2017 include:

- Charges for services for business-type activities increased by \$906 thousand (10.8 percent) over the prior year. A main component of these revenues are Solid Waste tipping fees. The revenues increased as a result of a slight increase in demand.
- Capital grant and contributions decreased by \$1.6 million (78.5 percent) compared to the prior year. A significant portion of the decrease relates to a \$1.5 million grant award to the Packwood Airport fund in 2016. In 2017, the Packwood Airport fund received \$115 thousand in capital grants and contributions.
- The Solid Waste Utility and the Airport funds had an increase of \$609 thousand in expenses over the prior year.

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	\$ 8,995,390	92.12%	\$ 8,474,578	91.76%
Airports	366,737	3.76%	362,934	3.93%
Water-Sewer Utilities	402,626	4.12%	398,422	4.31%
Total	\$ 9,764,753	100.00%	\$ 9,235,934	100.00%

Revenues by Source - Business-Type Activities

	Revenue	Percent of Total
Charges for Services	\$ 9,332,941	95.46%
Capital Grants and Contributions	431,812	4.42%
Investment Earnings (Expense)	(15,699)	-0.16%
Gain (Loss) on Sale of Capital Assets	(2,162)	-0.02%
Miscellaneous Revenues	30,169	0.31%
Total	\$ 9,777,061	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 \$35.9 million, a decrease of \$4.5 million in comparison with the prior year. Approximately 44.5 percent of this total amount (\$15.9 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 2017:

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 \$8.9 million, while total fund balance reached \$9.9 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 26.1 percent of total general fund expenditures, while total fund balance represents 28.8 percent of that same amount.

The total fund balance of Lewis County's general fund decreased by \$153 thousand during the current fiscal year. There was a \$588 thousand decrease in revenues, which were less than expenditures by \$571 thousand. Expenditures in the general fund increased by \$1.1 million over the prior year. Other financing sources and uses were a net increase of \$418 thousand, which includes \$1.9 million in transfers-out to other funds. Additionally, limitation on increases in property taxes and constant demand for levels of services in law and justice programs continue to draw on the general fund's resources.

The **Roads Fund** provides road maintenance and construction services to the citizens of Lewis County. The Roads fund ended 2017 with a total fund balance of \$3 million, a decrease of \$4.6 million over the previous year. This decrease is a result of a decrease in revenues and an increase in expenditures in 2017. Revenues decreased by \$533 thousand, while expenditures increased by \$6.4 million. Much of the increase in expenditures can be attributed to a highway stabilization project with costs well over the engineer's estimate. This difference was supplemented by local funding. In addition, the Roads fund is awaiting reimbursements from FEMA for flood repairs.

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 \$8.7 million, an increase of \$888 thousand over the prior year. Of this amount, \$7.7 million (88.8 percent) is classified as restricted fund balance, which is subject to externally enforceable legal restrictions.

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 2017 with a total fund balance of \$5.2 million, a \$388 thousand increase over the prior year. Revenue also increased slightly, by 9.2 percent.

The **2007 Bond Redemption Fund** accounts for loan payment from the City of Chehalis and the redemption of the bonds issued in 2007 for the benefit of the Chehalis-Centralia Airport. On December 31, 2013, pursuant to the agreement that transferred the County's one-half equity interest in the Airport to the City, the funds for the final balloon were deposited with the Lewis County Treasurer and are recognized as a liability in the fund. The final balloon payment was made during 2017.

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 2017.

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 \$1.9 million, an increase of 7.4 percent over the prior year. Revenues in the fund increased by 1.8 percent, ending 2017 with \$2.2 million in total revenues. Expenses in the fund increased by 2.1 percent, ending 2017 with \$2.2 million in expenses. The fund ended 2017 with an increase in net position of \$137 thousand, compared to an increase of \$112 thousand in 2016.

The Solid Waste Disposal District No. 1 ended 2017 with a total net position of \$3.1 million, an increase of \$447 thousand over 2016. Revenues in the SWDD fund increased by 14.7 percent in 2017, or \$867 thousand. Expenses in the fund also increased, by 8.4 percent.

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 \$2.0 million, a slight increase over the prior year. Revenues in 2017 increased slightly to \$286 thousand compared to \$280 thousand the prior year. Expenses increased by 16.1 percent, with a total of \$398 thousand in 2017.

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 \$3.0 million. The Packwood Airport Runway project was completed in 2017, moving \$2.3 million in construction in progress to land improvements.

During the year, net position for all enterprise funds increased by \$638 thousand over the prior year. 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

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 can be briefly summarized as follows:

- \$690 thousand decrease in total revenues
- \$641 thousand increase in total expenditures
- \$333 thousand increase in transfers-out
- \$602 thousand increase in intergovernmental revenue
- \$265 thousand increase general government expenditures

Significant differences between the final amended budget and actual amounts can be briefly summarized as follows:

- \$316 thousand increase in total revenues
- \$706 thousand decrease in total expenditures
- \$738 thousand increase in tax revenue
- \$545 thousand decrease in general government expenditures
- \$145 thousand decrease in security of persons & property expenditures

During the year actual revenues were more than original budgetary estimates, expenditures were less than budgetary estimates, and the net effect after other financing sources/uses lead to the decrease of \$145 thousand in 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, 2017, amounts to \$116.6 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 increase in Lewis County's investment in capital assets for the current fiscal year was \$3.4 million (a \$3.2 million increase for governmental activities and \$227 thousand 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 of road right-of-way.
- Increase in land improvements and decrease in construction in progress due to the completion of the Packwood Airport runway project.
- Increase in infrastructure due to the completion of the Highway 603 Stabilization project and other additions.
- Decrease in county buildings mainly due to annual depreciation.

Lewis County's Capital Assets
(net of depreciation)

Capital Assets at Year-end (Net of Depreciation)	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,893,494	\$ 5,857,351	\$ 209,568	\$ 209,568	\$ 6,103,062	\$ 6,066,919
Land Use Rights (Intangible Assets)	179,858	114,160	4,614	4,614	184,472	118,774
Construction in Progress	1,004,308	2,506,377	507,386	2,417,504	1,511,694	4,923,881
Buildings	33,945,863	34,884,734	174,596	191,339	34,120,459	35,076,073
Improvements other than buildings	561,786	624,700	6,770,905	4,791,270	7,332,691	5,415,970
Machinery & Equipment	10,530,771	9,860,112	532,918	358,012	11,063,689	10,218,124
Intangible Assets	871,455	853,550	-	-	871,455	853,550
Infrastructure	55,433,789	50,515,877	-	-	55,433,789	50,515,877
Total	\$ 108,421,324	\$ 105,216,861	\$ 8,199,987	\$ 7,972,307	\$ 116,621,311	\$ 113,189,168

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 \$12.5 million. Of this amount, \$701 thousand comprises debt other than General Obligation Bonds backed by the full faith and credit of the government.

Lewis County's Outstanding Debt

	Beginning Balance		Additions	Reductions	Ending Balance	
	12/31/2016				12/31/2017	
General Obligation Bonds	\$ 14,607,672	\$ -	\$ 2,772,672	\$ -	\$ 11,835,000	
Notes Payable	742,721	-	41,124	-	701,597	
Total	\$ 15,350,393	\$ -	\$ 2,813,796	\$ -	\$ 12,536,597	

Lewis County's total debt decreased by \$2.8 million (18.3 percent) during the current fiscal year. The decrease was related to scheduled debt service during the year. Lewis County maintains an "A1" 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 \$171.6 million and \$98.1 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 Governmental Accounting Standards Board Statement No. 68 pension 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 6.8 percent, a slight decrease from the rate of 7.4 percent a year ago. This is higher than the current state's average unemployment rate of 4.9 percent and the national average rate of 4.1 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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 7,125,795	\$ 1,624,402	\$ 8,750,197
Investments	42,690,093	2,984,056	45,674,149
Receivables	4,760,046	771,920	5,531,966
Interest Receivable	193,990	6	193,996
Internal Balances	5,748	225,281	231,029
Due from Other Governmental Units	5,908,001	123,318	6,031,319
Inventories	1,054,895	-	1,054,895
Prepayments	1,188,626	10,902	1,199,528
Capital Assets Not Being Depreciated:			
Land, Intangibles, (Nondepreciable)	6,944,807	214,182	7,158,989
Construction in Progress	1,004,308	507,386	1,511,694
Capital Assets Being Depreciated:			
Buildings & Structures	33,945,863	174,596	34,120,459
Improvements Other than Buildings	561,786	6,770,905	7,332,691
Machinery & Equipment	10,530,771	532,918	11,063,689
Infrastructure	55,433,789	-	55,433,789
Net Pension Asset	1,672,236	-	1,672,236
Total Assets	173,020,754	13,939,872	186,960,626
Deferred Outflow of Resources:			
Deferred Outflows Related to Refunding of Debt	256,767	-	256,767
Deferred Outflows Related to Pensions	2,954,878	106,305	3,061,183
Total Deferred Outflow of Resources	3,211,645	106,305	3,317,950
Liabilities			
Accounts Payable & Other Current Liabilities	2,593,245	338,327	2,931,572
Internal Balances	-	231,030	231,030
Due to Other Governmental Units	221,028	6,121	227,149
Accrued Interest Payable	28,626	2,247	30,873
Accrued Employee Benefits	2,803,890	96,507	2,900,397
Unearned Revenue	89,676	-	89,676
Custodial Accounts	787,355	20,837	808,192
Noncurrent Liabilities:			
Due Within One Year	1,455,637	50,138	1,505,775
General Obligation Debt	10,569,999	-	10,569,999
Other Credits	345,739	-	345,739
Contracts Payable - Leases	109,175	660,473	769,648
Compensated Absences	4,643,077	154,110	4,797,187
Net OPEB Obligation	2,806,530	-	2,806,530
Incurred but Not Reported	1,859,806	-	1,859,806
Net Pension Liability	18,710,462	794,623	19,505,085
Total Liabilities	47,024,245	2,354,413	49,378,658
Deferred Inflows of Resources:			
Related to Leases	-	5,000	5,000
Related to Pensions	3,852,987	144,595	3,997,582
Total Deferred Inflow of Resources	3,852,987	149,595	4,002,582
Net Position			
Net Investment in Capital Assets	96,650,773	7,498,390	104,149,163
Restricted: Special Revenue/Debt Service	18,786,882	12,999	18,799,881
Restricted: Pensions	1,672,236	-	1,672,236
Restricted for Special Assessments	-	-	-
Unrestricted (Deficit)	8,245,276	4,030,780	12,276,056
Total Net Position	\$ 125,355,167	\$ 11,542,169	\$ 136,897,336

See Accompanying Notes to Financial Statements

Statement of Activities

For Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
General Government & Judicial Services	\$ 16,179,808	\$ 9,900,395	\$ 3,454,223	\$ -	\$ (2,825,190)	-	\$ (2,825,190)
Public Safety	22,768,155.00	4,658,007	837,937	1,151	(17,271,060)	-	(17,271,060)
Utilities	126,882.00	-	-	-	(126,882)	-	(126,882)
Transportation	23,748,555.00	492,007	5,511,898	3,732,150	(14,012,500)	-	(14,012,500)
Natural & Economic Environment	3,299,858.00	949,095	730,980	-	(1,619,783)	-	(1,619,783)
Social Services & Physical Health	6,325,307.00	1,535,220	2,458,226	-	(2,331,861)	-	(2,331,861)
Culture & Recreation	2,085,434.00	987,497	89,220	-	(1,008,717)	-	(1,008,717)
Interest on Long-Term Debt	411,463	-	-	-	(411,463)	-	(411,463)
Total Government Activities	74,945,462	18,522,221	13,082,484	3,733,301	(39,607,456)	-	(39,607,456)
Business-type activities:							
Solid Waste	8,474,578	8,972,527	-	22,863	-	520,812	520,812
Airports	362,934	73,931	-	292,806	-	3,803	3,803
Water Sewer	398,422	286,483	-	116,143	-	4,204	4,204
Total business-type activities	9,235,934	9,332,941	-	431,812	-	528,819	528,819
Total primary government	\$ 84,181,396	\$ 27,855,162	\$ 13,082,484	\$ 4,165,113	\$ (39,607,456)	\$ 528,819	\$ (39,078,637)

General Revenues:			
Property Taxes	\$ 23,755,872	\$ -	\$ 23,755,872
Private Harvest Taxes	2,200,499	-	2,200,499
Sales Tax	12,327,244	-	12,327,244
Excise Tax	1,728,958	-	1,728,958
Interest & Investment Revenue (Expenses)	743,667	(15,699)	727,968
Miscellaneous	27,841	17,335	45,176
Gain (Loss) on Sale & Donation of Capital Assets	1,933,738	(2,162)	1,931,576
Insurance Proceeds	279	-	279
Grants/Contrib/Ins Proceeds not Program Specific	51,251	12,834	64,085
Transfers	(97,600)	97,600	-
Total General Revenues and Transfers	42,671,749	109,908	42,781,657
Change in Net Position	3,064,293	638,727	3,703,020
Net Position - Beginning	120,454,006	10,903,442	131,357,448
Prior Period Adjustment - Taxes	1,835,014	-	1,835,014
Prior Period Adjustment - Error	1,854	-	1,854
Net Position - Ending	\$ 125,355,167	\$ 11,542,169	\$ 136,897,336

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2017

	<u>General</u>	<u>Roads</u>	<u>Distressed Counties</u>
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 2,700,541	\$ 430,348	\$ 980,552
Investments	7,861,145	907,406	2,801,593
Receivables, Net	539,367	614,483	109,563
Interest Receivable	142,877	-	1,089
Due from Other Funds	116,788	78,818	-
Interfund Loan Receivable	130,000	-	-
Due from Other Governmental Units	1,921,772	2,531,180	236,873
Inventories	1,557	82,597	-
Prepayments	77,526	41,709	-
Notes/Contracts Receivable	-	70,933	1,127,565
Total Assets	13,491,573	4,757,474	5,257,235
Liabilities			
Liabilities:			
Accounts/Vouchers Payable	462,457	264,410	55,250
Retainage Payable	428,782	-	-
Due to Other Funds	3,693	318,118	-
Interfund Loans payable	-	-	-
Due to Other Governmental Units	7,583	120,159	17,179
Accrued Employee Benefits	1,525,721	553,516	-
Advanced Revenue	-	5,122	-
Custodial Accounts	714,832	10,096	2,223
Total Liabilities	3,143,068	1,271,421	74,652
Deferred Inflows			
Unavailable Revenue (Property Taxes/Assessm	445,860	465,780	-
Total Deferred Inflows of Resources	445,860	465,780	-
Fund Balances			
Fund Balances:			
Nonspendable	209,083	195,239	1,127,565
Restricted: Special Revenue/Capital Projects	688,787	137,957	3,649,198
Restricted: Debt Service	-	-	-
Committed	-	-	-
Assigned	17,872	2,687,077	405,820
Unassigned	8,986,903	-	-
Total Fund Balances	9,902,645	3,020,273	5,182,583
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,491,573	\$ 4,757,474	\$ 5,257,235

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2017

	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ -	\$ 1,046,581	\$ 5,158,022
Investments	8,382,828	8,029,230	27,982,202
Receivables, Net	41	385,251	1,648,705
Interest Receivable	12,219	8,973	165,158
Due from Other Funds	4,217	57,323	257,146
Interfund Loan Receivable	98,979	-	228,979
Due from Other Governmental Units	260,958	955,967	5,906,750
Inventories	-	-	84,154
Prepayments	-	282,745	401,980
Notes/Contracts Receivable	-	-	1,198,498
Total Assets	8,759,242	10,766,070	43,031,594
Liabilities			
Liabilities:			
Accounts/Vouchers Payable	47,145	633,856	1,463,118
Retainage Payable	-	-	428,782
Due to Other Funds	9,480	111,236	442,527
Interfund Loans payable	-	130,000	130,000
Due to Other Governmental Units	-	76,107	221,028
Accrued Employee Benefits	-	461,795	2,541,032
Advanced Revenue	-	84,554	89,676
Custodial Accounts	-	60,204	787,355
Total Liabilities	56,625	1,557,752	6,103,518
Deferred Inflows			
Unavailable Revenue (Property Taxes/Assessm	-	97,528	1,009,168
Total Deferred Inflows of Resources	-	97,528	1,009,168
Fund Balances			
Fund Balances:			
Nonspendable	98,978	282,745	1,913,610
Restricted: Special Revenue/Capital Projects	7,727,293	5,280,797	17,484,032
Restricted: Debt Service	-	17,477	17,477
Committed	-	505,094	505,094
Assigned	876,346	3,073,717	7,060,832
Unassigned	-	(49,040)	8,937,863
Total Fund Balances	8,702,617	9,110,790	35,918,908
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 8,759,242	\$ 10,766,070	\$ 43,031,594

See Accompanying Notes to Financial Statements

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

December 31, 2017

Fund balances - total governmental funds	\$	35,918,908
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows related to refunding of debt and pensions are not financial resources and therefore not reported in the governmental funds		2,941,210
Capital and net pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		97,305,784
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.		1,911,865
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		(19,506,827)
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.		(16,539,263)
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.		25,791,832
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.		1,009,168
Deferred inflows related to pensions not reported in the governmental funds are reported in the statement of net position.		(3,477,510)
Net Position of government activities.	<u>\$</u>	<u>125,355,167</u>

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended December 31, 2017

	General	Roads	Distressed Counties
Revenues			
Taxes	\$ 19,940,499	\$ 12,928,898	\$ 1,326,063
Licenses & Permits	74,610	47,573	-
Intergovernmental	5,618,525	9,241,440	-
Charges for Services	4,624,667	400,259	-
Fines & Forfeits	1,685,829	-	-
Interest & Other Earnings	1,842,795	31,073	29,243
Miscellaneous	60,474	165,277	-
Total Revenues	<u>33,847,399</u>	<u>22,814,520</u>	<u>1,355,306</u>
Expenditures			
Current:			
General Government Services	15,183,704	-	-
Security of Persons & Property	17,809,268	-	-
Utilities	-	-	-
Transportation	-	17,454,758	-
Natural & Economic Environment	614,364	114,399	800,013
Mental & Physical Health	465,692	-	-
Culture & Recreation	242,329	-	-
Debt Service:			
Principal	57,590	6,480	-
Interest & Other Debt Service	2,394	247	-
Capital Outlays	43,713	9,779,288	-
Total Expenditures	<u>34,419,054</u>	<u>27,355,172</u>	<u>800,013</u>
Excess of Revenues Over (Under) Expenditures	<u>(571,655)</u>	<u>(4,540,652)</u>	<u>555,293</u>
Other Financing Sources/(Uses)			
Lease Receipts - Capital	43,713	-	-
Insurance Recoveries	-	279	-
Proceeds from Sale of Capital Assets	817,219	1,108,507	-
Transfers-In	1,414,854	216,623	-
Transfers-Out	(1,857,624)	(1,358,758)	(166,794)
Total Other Financing Sources/(Uses)	<u>418,162</u>	<u>(33,349)</u>	<u>(166,794)</u>
Net Change in Fund Balance	(153,493)	(4,574,001)	388,499
Fund Balance - January 1 Restated	10,056,138	7,594,274	4,794,084
Fund Balance - December 31	<u>\$ 9,902,645</u>	<u>\$ 3,020,273</u>	<u>\$ 5,182,583</u>

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended December 31, 2017

	2007 Bond Redemption	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ -	\$ 3,141,711	\$ 2,991,711	\$ 40,328,882
Licenses & Permits	-	-	1,245,137	1,367,320
Intergovernmental	-	-	3,224,106	18,084,071
Charges for Services	-	-	4,973,269	9,998,195
Fines & Forfeits	-	-	21,733	1,707,562
Interest & Other Earnings	-	98,353	611,998	2,613,462
Miscellaneous	1,561,956	19	113,884	1,901,610
Total Revenues	1,561,956	3,240,083	13,181,838	76,001,102
Expenditures				
Current:				
General Government Services	-	298,536	864,203	16,346,443
Security of Persons & Property	-	135,042	4,057,925	22,002,235
Utilities	-	-	2,323	2,323
Transportation	-	-	-	17,454,758
Natural & Economic Environment	-	-	1,798,779	3,327,555
Mental & Physical Health	-	297,233	5,657,192	6,420,117
Culture & Recreation	-	74,234	1,677,953	1,994,516
Debt Service:				
Principal	1,532,672	-	1,252,720	2,849,462
Interest & Other Debt Service	33,106	-	390,192	425,939
Capital Outlays	-	381,623	1,194,060	11,398,684
Total Expenditures	1,565,778	1,186,668	16,895,347	82,222,032
Excess of Revenues Over (Under)				
Expenditures	(3,822)	2,053,415	(3,713,509)	(6,220,930)
Other Financing Sources/(Uses)				
Lease Receipts - Capital	-	-	-	43,713
Insurance Recoveries	-	-	-	279
Proceeds from Sale of Capital Assets	-	-	22,436	1,948,162
Transfers-In	-	-	2,926,039	4,557,516
Transfers-Out	-	(1,164,757)	(250,865)	(4,798,798)
Total Other Financing Sources/(Uses)	-	(1,164,757)	2,697,610	1,750,872
Net Change in Fund Balance	(3,822)	888,658	(1,015,899)	(4,470,058)
Fund Balance - January 1 Restated	3,822	7,813,959	10,126,689	40,388,966
Fund Balance - December 31	\$ -	\$ 8,702,617	\$ 9,110,790	\$ 35,918,908

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, 2017

Net changes in fund balances - total governmental funds	\$	(4,470,058)
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.		11,398,684
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net position.		(478,890)
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.		2,820,225
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.		(6,748,487)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.		542,819
Change in net position of governmental activities.	<u>\$</u>	<u>3,064,293</u>

See Accompanying Notes to Financial Statements

Budget-To-Actual Comparison Statement
For The Year Ended December 31, 2017

General Fund Summary				
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 20,511,965	19,202,111	\$ 19,940,499	\$ 738,388
Licenses & Permits	34,400	34,400	74,610	40,210
Intergovernmental	5,301,031	5,902,628	5,618,525	(284,103)
Charges for Services	4,528,317	4,540,312	4,612,667	72,355
Fines & Forfeits	1,817,617	1,817,617	1,685,829	(131,788)
Interest & Other Earnings	1,915,657	1,921,934	1,842,795	(79,139)
Miscellaneous	100,880	100,880	60,474	(40,406)
Total Revenues	34,209,867	33,519,882	33,835,399	315,517
Expenditures				
General Government Services	15,463,728	15,728,914	15,183,704	545,210
Security of Persons & Property	17,699,565	17,954,099	17,809,268	144,831
Natural & Economic Environment	556,862	645,744	557,285	88,459
Mental & Physical Health	459,778	491,716	465,692	26,024
Culture & Recreation	247,108	247,108	242,329	4,779
Debt Service:				
Principal	-	-	57,590	(57,590)
Interest & Other Debt Service	-	-	2,394	(2,394)
Capital Outlays	-	-	43,713	(43,713)
Total Expenditures	34,427,041	35,067,581	34,361,975	705,606
Excess of Revenues Over (Under) Expenditures	(217,174)	(1,547,699)	(526,576)	1,021,123
Other Financing Sources/(Uses)				
Lease Receipts - Capital	-	-	43,713	43,713
Proceeds from Sale of Capital Assets	700,000	803,640	817,219	13,579
Transfers-In	64,000	1,377,854	1,377,854	-
Transfers-Out	(2,504,656)	(2,837,771)	(1,857,624)	980,147
Total Other Financing Sources/(Uses)	(1,740,656)	(656,277)	381,162	1,037,439
Net Change in Fund Balance	(1,957,830)	(2,203,976)	(145,414)	2,058,562
Fund Balance - January 1 Restated	10,030,187	10,030,187	10,030,187	-
Fund Balance - December 31	\$ 8,072,357	\$ 7,826,211	\$ 9,884,773	\$ 2,058,562

Perspective Difference Reconciliation:

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

9,884,773

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	2,838
Cowlitz River Basin Subzone #126	15,000
SWW Fair Entertainment Reserve #197	34

**Total Fund Balance - General Fund Balance
Sheet for Governmental Funds**

9,902,645

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance-Positive (Negative)
Commissioners - Legislative				
General Government	\$ 862,944	\$ 877,304	\$ 864,304	\$ 13,000
Principal	-	-	3,251	(3,251)
Interest & Other Debt Service	-	-	120	(120)
Total Commissioners - Legislative	862,944	877,304	867,675	9,629
Auditor				
General Government	1,297,833	1,301,266	1,251,330	49,936
Capital Outlay	-	-	-	-
Principal	-	-	1,505	(1,505)
Interest & Other Debt Service	-	-	69	(69)
Total Auditor	1,297,833	1,301,266	1,252,904	48,362
Auditor - Elections				
General Government	316,769	316,769	295,302	21,467
Principal	-	-	376	(376)
Interest & Other Debt Service	-	-	17	(17)
Total Auditor - Elections	316,769	316,769	295,695	21,074
Assessor				
General Government	1,746,160	1,746,160	1,674,603	71,557
Capital Outlay	-	-	-	-
Principal	-	-	2,688	(2,688)
Interest & Other Debt Service	-	-	166	(166)
Total Assessor	1,746,160	1,746,160	1,677,457	68,703
Board of Equalization				
General Government	13,319	13,319	9,457	3,862
Total Board of Equalization	13,319	13,319	9,457	3,862
Treasurer				
General Government	825,801	825,801	811,479	14,322
Interest & Other Debt Service	-	-	78	(78)
Total Treasurer	825,801	825,801	811,557	14,244
Clerk				
General Government	1,184,808	1,184,808	1,157,525	27,283
Principal	-	-	718	(718)
Interest & Other Debt Service	-	-	4	(4)
Total Clerk	1,184,808	1,184,808	1,158,247	26,561

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance-Positive (Negative)
Superior Court				
General Government	1,353,973	1,403,973	1,301,929	102,044
Principal	-	-	2,234	(2,234)
Interest & Other Debt Service	-	-	112	(112)
Total Superior Court	<u>1,353,973</u>	<u>1,403,973</u>	<u>1,304,275</u>	<u>99,698</u>
District Court				
General Government	1,834,352	1,834,352	1,775,627	58,725
Capital Outlay	-	-	-	-
Principal	-	-	6,342	(6,342)
Interest & Other Debt Service	-	-	247	(247)
Total District Court	<u>1,834,352</u>	<u>1,834,352</u>	<u>1,782,216</u>	<u>52,136</u>
Prosecuting Attorney				
General Government	3,142,217	3,197,248	3,157,784	39,464
Principal	-	-	16,641	(16,641)
Interest & Other Debt Service	-	-	624	(624)
Total Prosecuting Attorney	<u>3,142,217</u>	<u>3,197,248</u>	<u>3,175,049</u>	<u>22,199</u>
Self Insurance				
General Government	224,163	229,163	222,840	6,323
Principal	-	-	833	(833)
Interest & Other Debt Service	-	-	42	(42)
Total Self Insurance	<u>224,163</u>	<u>229,163</u>	<u>223,715</u>	<u>5,448</u>
Courts: Designated Accounts				
General Government	1,545,775	1,679,675	1,582,083	97,592
Total Courts: Designated Accounts	<u>1,545,775</u>	<u>1,679,675</u>	<u>1,582,083</u>	<u>97,592</u>
Civil Service				
General Government	20,200	21,200	20,030	1,170
Total Civil Service	<u>20,200</u>	<u>21,200</u>	<u>20,030</u>	<u>1,170</u>
Disability Board				
Security of Persons and Property	1,600	1,600	225	1,375
Total Disability Board	<u>1,600</u>	<u>1,600</u>	<u>225</u>	<u>1,375</u>
State Examiner				
General Government	43,850	43,850	38,366	5,484
Total State Examiner	<u>43,850</u>	<u>43,850</u>	<u>38,366</u>	<u>5,484</u>
Association Dues				
General Government	27,000	27,000	24,468	2,532
Total Association Dues	<u>27,000</u>	<u>27,000</u>	<u>24,468</u>	<u>2,532</u>

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance-Positive (Negative)
Labor Relations/Human Resources				
General Government	239,168	241,630	234,638	6,992
Security of Persons and Property	23,111	23,111	16,764	6,347
Principal	-	-	833	(833)
Interest & Other Debt Service	-	-	42	(42)
Total Labor Relations/Human Resources	262,279	264,741	252,277	12,464
Budget Office				
General Government	770,796	770,796	754,872	15,924
Principal	-	-	3,158	(3,158)
Interest & Other Debt Service	-	-	80	(80)
Total Budget Office	770,796	770,796	758,110	12,686
Boundary Review board				
Economic Environment	4,996	4,996	1,472	3,524
Total Boundary Review board	4,996	4,996	1,472	3,524
Central Services				
General Government	14,300	14,300	7,067	7,233
Total Central Services	14,300	14,300	7,067	7,233
Sheriff				
Security of Persons and Property	7,273,962	7,296,616	7,221,687	74,929
Capital Outlay	-	-	-	-
Principal	-	-	6,435	(6,435)
Interest & Other Debt Service	-	-	154	(154)
Total Sheriff	7,273,962	7,296,616	7,228,276	68,340
Jail				
Security of Persons and Property	7,300,993	7,532,873	7,518,685	14,188
Principal	-	-	6,170	(6,170)
Interest & Other Debt Service	-	-	242	(242)
Total Jail	7,300,993	7,532,873	7,525,097	7,776
Juvenile				
General Government	300	300	-	300
Security of Persons and Property	3,099,899	3,099,899	3,051,907	47,992
Capital Outlay	-	-	-	-
Principal	-	-	2,083	(2,083)
Interest & Other Debt Service	-	-	102	(102)
Total Juvenile	3,100,199	3,100,199	3,054,092	46,107
Noxious Weed Control				
Economic Environment	175,212	252,094	168,924	83,170
Total Noxious Weed Control	175,212	252,094	168,924	83,170

See Accompanying Notes to Financial Statements

GENERAL FUND
Expenditures by Department Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance-Positive (Negative)
Air Pollution Control				
Economic Environment	15,500	15,500	14,507	993
Total Air Pollution Control	<u>15,500</u>	<u>15,500</u>	<u>14,507</u>	<u>993</u>
Animal Shelter				
Economic Environment	361,154	373,154	372,382	772
Total Animal Shelter	<u>361,154</u>	<u>373,154</u>	<u>372,382</u>	<u>772</u>
Coroner				
Mental and Physical Health	459,778	491,716	465,692	26,024
Capital Outlay	-	-	-	-
Principal	-	-	1,614	(1,614)
Interest & Other Debt Service	-	-	150	(150)
Total Coroner	<u>459,778</u>	<u>491,716</u>	<u>467,456</u>	<u>24,260</u>
WSU Extension				
Culture and Recreation	247,108	247,108	242,329	4,779
Principal	-	-	2,709	(2,709)
Interest & Other Debt Service	-	-	145	(145)
Total WSU Extension	<u>247,108</u>	<u>247,108</u>	<u>245,183</u>	<u>1,925</u>
Current Expense Transfers				
Transfers-Out	2,504,656	2,837,771	1,857,624	980,147
Total Current Expense Transfers	<u>2,504,656</u>	<u>2,837,771</u>	<u>1,857,624</u>	<u>980,147</u>
Non-Budgetary Items				
Capital Outlay	-	-	43,713	(43,713)
Total Non-Budgetary Items	<u>-</u>	<u>-</u>	<u>43,713</u>	<u>(43,713)</u>
Total Expenditures	<u><u>36,931,697</u></u>	<u><u>37,905,352</u></u>	<u><u>36,219,599</u></u>	<u><u>1,685,753</u></u>

See Accompanying Notes to Financial Statements

Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2017

	Special Revenue: Roads			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 12,008,410	\$ 13,318,264	\$ 12,928,898	\$ (389,366)
Licenses & Permits	27,000	27,000	47,573	20,573
Intergovernmental	10,250,383	10,650,383	9,241,440	(1,408,943)
Charges for Services	250,054	250,054	400,259	150,205
Fines & Forfeits	-	-	-	-
Interest & Other Earnings	11,000	11,000	29,995	18,995
Miscellaneous	500	500	165,277	164,777
Total Revenues	22,547,347	24,257,201	22,813,442	(1,443,759)
Expenditures				
Transportation	17,369,075	18,369,075	17,454,758	914,317
Economic Environment	114,864	114,864	114,399	465
Debt Service:				
Principal	-	-	6,480	(6,480)
Interest & Other Debt Service	-	-	247	(247)
Capital Outlays	9,566,001	9,566,001	9,779,288	(213,287)
Total Expenditures	27,049,940	28,049,940	27,355,172	694,768
Excess of Revenues Over (Under)				
Expenditures	(4,502,593)	(3,792,739)	(4,541,730)	(748,991)
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Assets	900,000	900,000	1,108,507	208,507
Transfers-In	200,000	200,000	196,794	(3,206)
Transfers-Out	(63,465)	(1,373,319)	(1,358,758)	14,561
Total Other Financing Sources/(Uses)	1,036,535	(273,319)	(53,457)	219,862
Net Change in Fund Balance	(3,466,058)	(4,066,058)	(4,595,187)	(529,129)
Fund Balance - January 1 Restated	7,477,224	7,477,224	7,477,224	-
Fund Balance - December 31	\$ 4,011,166	\$ 3,411,166	\$ 2,882,037	\$ (529,129)

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	2,882,037
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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	137,957
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Total Fund Balance - Roads Fund Balance Sheet

3,020,273

See Accompanying Notes to Financial Statements

Budget-to-Actual Comparison Statement
For The Year Ended December 31, 2017

	Special Revenue: Distressed Counties			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 1,150,000	\$ 1,150,000	\$ 1,326,063	\$ 176,063
Intergovernmental	-	-	-	-
Interest & Other Earnings	20,000	20,000	29,243	9,243
Miscellaneous	-	-	-	-
Total Revenues	1,170,000	1,170,000	1,355,306	185,306
Expenditures				
Economic Environment	1,125,000	1,125,000	800,013	324,987
Total Expenditures	1,125,000	1,125,000	800,013	324,987
Excess of Revenues Over (Under) Expenditures	45,000	45,000	555,293	510,293
Other Financing Sources/(Uses)				
Transfers-Out	(170,000)	(170,000)	(166,794)	3,206
Total Other Financing Sources/(Uses)	(170,000)	(170,000)	(166,794)	3,206
Net Change in Fund Balance	(125,000)	(125,000)	388,499	513,499
Fund Balance - January 1 Restated	4,794,084	4,794,084	4,794,084	-
Fund Balance - December 31	\$ 4,669,084	\$ 4,669,084	\$ 5,182,583	\$ 513,499

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activity-Enterprise Funds			
	Solid Waste Utility	Solid Waste Disposal District	Vader Water System Utility	Packwood Airport
Assets				
Current Assets:				
Cash & Cash Equivalents	\$ 511,011	\$ 989,202	\$ 5,045	\$ 42,784
Investments	938,894	1,813,258	12,999	78,608
Receivables, Net	26,934	678,001	66,417	-
Interest Receivable	-	-	6	-
Due from Other Funds	225,281	-	-	0
Due from Other Governmental Units	7,802	-	47,290	58,622
Inventories	-	-	-	-
Prepayments	3,232	154	305	2,217
Noncurrent Assets:				
Land	112,682	-	34,279	46,221
Buildings & Structures, Net	89,637	-	67,491	1,775
Other Improvements, Net	589,119	-	2,440,912	2,846,622
Machinery & Equipment, Net	527,851	-	5,067	-
Construction in Progress	-	-	188,719	-
Total Assets	3,032,443	3,480,615	2,868,530	3,076,849
Deferred Outflow of Resources:				
Related to Pensions	94,922	-	5,833	-
Total Deferred Outflow of Resources	94,922	-	5,833	-
Liabilities				
Current Liabilities:				
Accounts/Vouchers Payable	83,993	145,328	42,496	54,795
Due to Other Funds	1,013	225,281	4,736	-
Due to Other Governmental Units	-	-	6,121	-
Accrued Interest Payable	-	0	2,247	0
Accrued Employee Benefits	84,685	-	6,461	-
Custodial Accounts	-	1,251	18,435	-
Noncurrent Liabilities:				
Due Within One Year	-	-	41,124	-
Loans Payable, Interfund	-	-	-	-
Compensated Absences	146,133	-	7,977	-
Notes, Contracts, Leases Payable	-	-	660,473	-
Incurred but Not Reported	-	-	-	-
Net Pension	694,087	-	59,935	-
Total Liabilities	1,009,911	371,860	850,005	54,795
Deferred Inflow of Resources				
Related to Leases	-	-	-	-
Related to Pensions	127,216	-	9,984	-
Total Deferred Inflow of Resources	127,216	-	9,984	-
Net Position				
Net Investment in Capital Assets Restricted for Debt Service, Risk Management & County Insurance	1,319,289	-	2,034,871	2,894,618
Unrestricted	670,949	3,108,755	(33,496)	127,436
Total Net Position	\$ 1,990,238	\$ 3,108,755	\$ 2,014,374	\$ 3,022,054

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type		Governmental
	Other Enterprise Funds	Totals	Activities - Internal Service Funds
Assets			
Current Assets:			
Cash & Cash Equivalents	\$ 76,360	\$ 1,624,402	\$ 1,967,774
Investments	140,297	2,984,056	14,707,890
Receivables, Net	568	771,920	978
Interest Receivable	-	6	28,832
Due from Other Funds	-	225,281	275,976
Due from Other Governmental Units	9,604	123,318	1,251
Inventories	-	-	970,741
Prepayments	4,994	10,902	760,510
Noncurrent Assets:			
Land	21,000	214,182	1,624,866
Buildings & Structures, Net	15,693	174,596	3,467,589
Other Improvements, Net	894,252	6,770,905	170,247
Machinery & Equipment, Net	-	532,918	7,525,074
Construction in Progress	318,667	507,386	-
Total Assets	1,481,435	13,939,872	31,501,728
Deferred Outflow of Resources:			
Related to Pensions	5,550	106,305	270,435
Total Deferred Outflow of Resources	5,550	106,305	270,435
Liabilities			
Current Liabilities:			
Accounts/Vouchers Payable	11,715	338,327	713,798
Due to Other Funds	-	231,030	84,847
Due to Other Governmental Units	-	6,121	-
Accrued Interest Payable	0	2,247	-
Accrued Employee Benefits	5,361	96,507	262,858
Custodial Accounts	1,151	20,837	-
Noncurrent Liabilities:			
Due Within One Year	9,014	50,138	-
Loans Payable, Interfund	-	-	98,979
Compensated Absences	-	154,110	397,568
Notes, Contracts, Leases Payable	-	660,473	15,799
Incurred but Not Reported	-	-	1,859,806
Net Pension	40,601	794,623	2,171,199
Total Liabilities	67,842	2,354,413	5,604,854
Deferred Inflow of Resources			
Related to Leases	5,000	5,000	-
Related to Pensions	7,395	144,595	375,477
Total Deferred Inflow of Resources	12,395	149,595	375,477
Net Position			
Net Investment in Capital Assets Restricted for Debt Service, Risk Management & County Insurance	1,249,612	7,498,390	12,771,977
Unrestricted	-	12,999	442,130
	157,136	4,030,780	12,577,725
Total Net Position	\$ 1,406,748	\$ 11,542,169	\$ 25,791,832

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended December 31, 2017

	Solid Waste Utility	Solid Waste Disposal Dist	Vader Water System Utility	Packwood Airport
Operating Revenues				
Charges for Services	\$ 2,208,916	\$ 6,649,892	\$ 286,483	\$ -
Equipment Rental	-	-	-	-
Insurance Premiums and Recoveries	-	-	-	-
Other Operating Revenue	784	112,935	-	-
Total Operating Revenues	2,209,700	6,762,827	286,483	-
Operating Expenses				
Personnel - Salaries, Wages, Benefits	1,234,855	-	163,761	-
Repairs and Maintenance	-	297	10,233	3,916
Supplies & Expenses	74,817	-	7,977	-
Services & Other Charges	741,777	6,316,490	97,930	25,026
Intergovernmental Services & Charges	6,088	3,991	7,586	7,579
Depreciation, Amortization, & Depletion	96,263	-	110,935	78,958
Risk Transfer payments	-	-	-	-
Insurance Claims and Expenses	-	-	-	-
Total Operating Expenses	2,153,800	6,320,778	398,422	115,479
Operating Income (Loss)	55,900	442,049	(111,939)	(115,479)
Non-Operating Revenues (Expenses)				
Interest and Investment Revenue (Expense)	-	-	(11,843)	(3,856)
Grants/Contributions	12,834	-	-	-
Other Non-Operating Revenue (Expenses)	182	5,915	11,236	-
Gain (Loss) on Disposal of Capital Assets	(2,162)	-	-	-
Capital Asset Loss Insurance Recovery	-	-	-	-
Total Non-Operating Revenues (Expenses)	10,854	5,915	(607)	(3,856)
Income (Loss) Before Contributions and Transfers	66,754	447,964	(112,546)	(119,335)
Capital Contrib. - Private/Local/Governmental	22,863	-	-	-
Grants - Capital	-	-	116,143	115,854
Transfer In (Out)	47,600	-	-	-
Change in Net Position	137,217	447,964	3,597	(3,481)
Net Position-Beginning	1,853,021	2,660,791	2,010,777	3,025,535
Net Position-Ending	\$ 1,990,238	\$ 3,108,755	\$ 2,014,374	\$ 3,022,054

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended December 31, 2017

	Other Enterprise Funds	Enterprise-type Totals	Governmental Activities - Internal Service Funds
Operating Revenues			
Charges for Services	\$ 53,445	\$ 9,198,736	\$ 5,797,673
Equipment Rental	-	-	3,870,574
Insurance Premiums and Recoveries	-	-	1,716,667
Other Operating Revenue	20,486	134,205	-
Total Operating Revenues	73,931	9,332,941	11,384,914
Operating Expenses			
Personnel - Salaries, Wages, Benefits	61,285	1,459,901	3,984,364
Repairs and Maintenance	13,531	27,977	520,095
Supplies & Expenses	35,124	117,918	2,611,154
Services & Other Charges	21,189	7,202,412	1,691,957
Intergovernmental Services & Charges	221	25,465	21,129
Depreciation, Amortization, & Depletion	116,105	402,261	1,218,642
Risk Transfer payments	-	-	703,103
Insurance Claims and Expenses	-	-	911,649
Total Operating Expenses	247,455	9,235,934	11,662,093
Operating Income (Loss)	(173,524)	97,007	(277,179)
Non-Operating Revenues (Expenses)			
Interest and Investment Revenue (Expense)	-	(15,699)	132,757
Grants/Contributions	-	12,834	590
Other Non-Operating Revenue (Expenses)	2	17,335	27,251
Gain (Loss) on Disposal of Capital Assets	-	(2,162)	91,072
Capital Asset Loss Insurance Recovery	-	-	4,224
Total Non-Operating Revenues (Expenses)	2	12,308	255,894
Income (Loss) Before Contributions and Transfers	(173,522)	109,315	(21,285)
Capital Contrib. - Private/Local/Governmental	-	22,863	420,421
Grants - Capital	176,952	408,949	-
Transfer In (Out)	50,000	97,600	143,683
Change in Net Position	53,430	638,727	542,819
Net Position-Beginning	1,353,318	10,903,442	25,249,013
Net Position-Ending	\$ 1,406,748	\$ 11,542,169	\$ 25,791,832

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds

For The Year Ended December 31, 2017

	Solid Waste Utility	Solid Waste Disposal Dist	Vader Water System	Packwood Airport
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 2,083,451	\$ 6,409,952	\$ 292,657	\$ -
Cash Received from Premiums/Recoveries	-	-	-	-
Cash Paid to Employees	(1,282,141)	-	(156,502)	-
Cash Paid for Goods & Services	(814,965)	(6,585,352)	(122,892)	(16,166)
Cash Paid for Risk Transfer	-	-	-	-
Cash Paid for Claims	-	-	-	-
Other Non-Operating Revenues	182	5,915	11,236	-
Net Cash Provided (Used) by Operating Activities	(13,473)	(169,485)	24,499	(16,166)
Cash Flows from Non-Capital Financing Activities:				
Proceeds from Interfund Loan	-	-	(20,000)	-
Payments of Interfund Loan & Interest	-	-	-	(370,856)
Operating Grants/Contributions Received	99,748	-	-	-
Transfers-In	147,600	-	-	-
Transfers-Out	(100,000)	-	-	-
Cash Provided (Used) by Financing Activities	147,348	-	(20,000)	(370,856)
Cash Flows from Capital and Related Financing Activities:				
Payments of Interfund Loan & Interest	-	-	-	-
Principal Paid on Capital Debt	-	-	(41,124)	-
Interest Paid on Capital Debt	-	-	(9,708)	-
Proceeds from Sale/Disposal of Capital Assets	-	-	-	-
Acquisition/Construction of Capital Assets	(216,398)	-	(102,583)	(169,982)
Capital Grants Received	-	-	148,299	328,117
Insurance Proceeds	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(216,398)	-	(5,116)	158,135
Cash Flows from Investing Activities:				
Receipt of Interest	-	-	108	-
Sale of Investment Securities	735,021	1,424,374	10,926	168,009
Purchase of Investment Securities	(938,894)	(1,813,258)	(12,999)	(78,608)
Cash Provided by Investing Activities	(203,873)	(388,884)	(1,965)	89,401
Net Increase (Decrease) in Cash & Cash Equivalents	(286,396)	(558,369)	(2,582)	(139,486)
Cash & Cash Equivalents at Beginning of Year	797,407	1,547,571	7,627	182,270
Cash & Cash Equivalents at End of Year	\$ 511,011	\$ 989,202	\$ 5,045	\$ 42,784

Statement of Cash Flows
Proprietary Funds

For The Year Ended December 31, 2017

	Solid Waste Utility	Solid Waste Disposal Dist	Vader Water System	Packwood Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Net Operating Income (Loss)	\$ 55,900	\$ 442,049	\$ (111,939)	\$ (115,479)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:				
Depreciation Expense	96,263	-	110,935	78,958
Expense for Donation of Non-Capital Asset	12,834	-	-	-
Operating Grants	(84,681)	-	-	-
Other Non-Operating Revenue	182	5,915	11,236	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(41,568)	(349,739)	3,939	-
(Increase) Decrease in Inventories	-	-	-	-
(Increase) Decrease in Prepays	2,776	(10)	2,236	616
Increase (Decrease) in Payables	(207,341)	(267,700)	(5,047)	19,739
Change in Deferred Inflows and Outflows:				
(Increase) Decrease in Deferred Outflows-Pensions	54,365	-	4,694	-
Increase (Decrease) in Deferred Inflows-Pensions	97,797	-	8,445	-
Total Adjustments	(69,373)	(611,534)	136,438	99,313
Net Cash Provided (Used) by Operating Activities	\$ (13,473)	\$ (169,485)	\$ 24,499	\$ (16,166)
Noncash Investing, Capital, & Financing Activities:				
Contributions of Capital Assets	\$ 22,863	\$ -	\$ -	\$ -
Contributions of Non-Capital Assets from Local Sources	12,834	-	-	-
Gain (Loss) on Disposal of Capital Assets	(2,162)	-	-	-

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds

For The Year Ended December 31, 2017

	Other Enterprise Funds	Totals	Governmental Activities - Internal Service
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 71,646	\$ 8,857,706	\$ 10,024,885
Cash Received from Premiums/Recoveries	-	-	1,756,250
Cash Paid to Employees	(65,376)	(1,504,019)	(4,028,860)
Cash Paid for Goods & Services	(69,832)	(7,609,207)	(4,726,461)
Cash Paid for Risk Transfer	-	-	(767,373)
Cash Paid for Claims	-	-	(907,509)
Other Non-Operating Revenues	2	17,335	27,251
Net Cash Provided (Used) by Operating Activities	(63,560)	(238,185)	1,378,183
Cash Flows from Non-Capital Financing Activities:			
Proceeds from Interfund Loan	-	(20,000)	-
Payments of Interfund Loan & Interest	-	(370,856)	-
Operating Grants/Contributions Received	10,512	110,260	590
Transfers-In	50,000	197,600	143,683
Transfers-Out	-	(100,000)	-
Cash Provided (Used) by Financing Activities	60,512	(182,996)	144,273
Cash Flows from Capital and Related Financing Activities:			
Payments of Interfund Loan & Interest	-	-	(49,635)
Principal Paid on Capital Debt	-	(41,124)	(12,290)
Interest Paid on Capital Debt	-	(9,708)	(444)
Proceeds from Sale/Disposal of Capital Assets	-	-	99,667
Acquisition/Construction of Capital Assets	(203,062)	(692,025)	(1,267,051)
Capital Grants Received	195,104	671,520	10,251
Insurance Proceeds	-	-	4,224
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,958)	(71,337)	(1,215,278)
Cash Flows from Investing Activities:			
Receipt of Interest	-	108	132,002
Sale of Investment Securities	54,047	2,392,377	13,475,948
Purchase of Investment Securities	(140,297)	(2,984,056)	(14,707,890)
Cash Provided by Investing Activities	(86,250)	(591,571)	(1,099,940)
Net Increase (Decrease) in Cash & Cash Equivalents	(97,256)	(1,084,089)	(792,762)
Cash & Cash Equivalents at Beginning of Year	173,616	2,708,491	2,760,536
Cash & Cash Equivalents at End of Year	\$ 76,360	\$ 1,624,402	\$ 1,967,774

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2017

	Other Enterprise Funds	Totals	Governmental Activities - Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Net Operating Income (Loss)	\$ (173,524)	\$ 97,007	\$ (277,179)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:			
Depreciation Expense	116,105	402,261	1,218,642
Expense for Donation of Non-Capital Asset	-	12,834	-
Operating Grants	-	(84,681)	-
Other Non-Operating Revenue	2	17,335	27,251
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	203	(387,165)	396,221
(Increase) Decrease in Inventories	-	-	(239,007)
(Increase) Decrease in Prepaids	-	5,618	(70,619)
Increase (Decrease) in Payables	(13,824)	(474,173)	(144,908)
Change in Deferred Inflows and Outflows:			
(Increase) Decrease in Deferred Outflows-Pensions	3,180	62,239	160,926
Increase (Decrease) in Deferred Inflows-Pensions	4,298	110,540	306,856
Total Adjustments	109,964	(335,192)	1,655,362
Net Cash Provided (Used) by Operating Activities	\$ (63,560)	\$ (238,185)	\$ 1,378,183
Noncash Investing, Capital, & Financing Activities:			
Contributions of Capital Assets	\$ -	\$ 22,863	\$ 410,170
Contributions of Non-Capital Assets from Local Sources	-	12,834	-
Gain (Loss) on Disposal of Capital Assets	-	(2,162)	91,072

See Accompanying Notes to Financial Statements

Statement of Net Position
Fiduciary Funds
December 31, 2017

	Agency Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 4,441,428
Deposit with Fiscal Agent	-
Investments	197,472,170
Interest Receivable	203,226
Total Assets	\$ 202,116,824
 Liabilities	
Current Liabilities:	
Warrants Payable	5,176,792
Accounts/Vouchers Payable	702,015
Custodial Accounts	196,238,017
Total Liabilities	\$ 202,116,824

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 or 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, 2017

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 2007 Bond Redemption Fund accounts for loan payment from the City of Chehalis and the redemption of the bonds issued in 2007 for the benefit of the Chehalis-Centralia Airport. On December 31, 2013, pursuant to the agreement that transferred the County's one-half equity interest in the Airport to the City. The funds deposited by the City of Chehalis previously and recognized as a liability in the fund, were used for the final payment on the debt.

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.

NOTES TO FINANCIAL STATEMENTS

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

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

All annual appropriations lapse at fiscal year-end. The County does not employ encumbrance accounting.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 2017 budget was adopted by the BOCC on Monday, December 5, 2016.

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 current 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 2017, two internal service funds, Facilities and Radio Services, incurred an ending deficit in net position. One special revenue fund, the Southwest Washington Fair, incurred an ending deficit in fund balance.

The deficit net position in the amount of \$26,724 in the Radio Services fund can be attributed to the pension reporting requirements in GASB Statement No. 68. The allocation of pension liabilities and deferred inflows/outflows to the Radio Services fund had a large impact on net position, specifically pension liability in the amount of \$106,337. The Facilities fund also ended with a deficit net position in the amount of \$956,599. A large portion of this deficit can also be attributed to the pension reporting requirements in GASB Statement No. 68. A pension liability in the amount of \$748,222 was allocated to the Facilities fund. These are non-cash entries, neither fund's actual expenditures exceeded their revenue.

The Southwest Washington Fair fund incurred a deficit ending fund balance of \$24,065. This deficit is being resolved by an operating transfer from the general fund.

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, 2017, 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.

NOTES TO FINANCIAL STATEMENTS

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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 2017 were approximately \$9,871,898.

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, 2017, \$842 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.

NOTES TO FINANCIAL STATEMENTS
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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

This account 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	\$ -	\$ 442,130

7. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the county as assets with an initial, individual cost of more than \$5,000. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements for amounts greater than \$50,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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 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 hours, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 1,320 hours. Fifty percent of outstanding sick leave to a maximum of 360 hours is payable upon resignation, retirement, or death.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

15. Fund Balances

	General Fund	Roads	Distressed Counties	Capital Projects	Special Revenue	Debt Service	Capital Facilities Plan	Total Funds
Fund Balances:								
Nonspendable:								
Loans Receivable	130,000	70,933	1,127,565	-	-	-	98,978	1,427,476
Inventory	1,557	82,597	-	-	-	-	-	84,154
Prepays	77,526	41,709	-	91,137	191,308	300	-	401,980
Total Nonspendable	209,083	195,239	1,127,565	91,137	191,308	300	98,978	1,913,610
Restricted:								
Debt Service	-	-	-	-	-	17,477	-	17,477
General Government & Judicial	296,077	-	-	-	478,702	-	7,727,293	8,502,072
Public Safety	348,777	-	-	-	319,260	-	-	668,037
Transportation	-	137,957	-	-	-	-	-	137,957
Natural & Economic Environment	43,933	-	3,649,198	70,000	539,423	-	-	4,302,554
Social Services & Physical Health	-	-	-	-	1,642,867	-	-	1,642,867
Public Services	-	-	-	-	2,230,545	-	-	2,230,545
Total Restricted	688,787	137,957	3,649,198	70,000	5,210,797	17,477	7,727,293	17,501,509
Committed:								
General Government Services	-	-	-	-	9,035	-	-	9,035
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	9,035	-	-	505,094
Assigned:								
General Government & Judicial	-	-	-	-	37,950	-	-	37,950
Public Safety	-	-	-	-	619,126	-	-	619,126
Utilities	-	-	-	-	-	-	-	-
Transportation	-	2,687,077	-	-	-	-	-	2,687,077
Natural & Economic Environment	17,838	-	405,820	-	126	-	-	423,784
Social Services & Physical Health	-	-	-	-	164,498	-	-	164,498
Culture & Recreation	34	-	-	-	10,928	-	-	10,962
Public Services	-	-	-	-	122,892	-	-	122,892
Capital Projects	-	-	-	2,118,197	-	-	876,346	2,994,543
Total Assigned	17,872	2,687,077	405,820	2,118,197	955,520	-	876,346	7,060,832
Unassigned:								
	8,986,903	-	-	-	(49,040)	-	-	8,937,863
Total Fund Balances:	9,902,645	3,020,273	5,182,583	2,775,393	6,317,620	17,777	8,702,617	35,918,908

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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:

Fund balances - total governmental funds	<u>\$ 35,918,908</u>
Deferred outflows related to refunding of debt and pensions are not financial resources and therefore not reported in the governmental funds	2,941,210
Capital and net pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	97,305,784
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	1,911,865
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(19,506,827)
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.	(16,539,263)
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.	25,791,832
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.	1,009,168
Deferred inflows related to pensions not reported in the governmental funds are reported in the statement of net position.	(3,477,510)
Net Position of government activities	<u>\$ 125,355,167</u>

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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	<u>\$ (4,470,058)</u>
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.	11,398,684
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net	(478,890)
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.	2,820,225
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.	(6,748,487)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	542,819
Change in net position of governmental activities	<u>\$ 3,064,293</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 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

As of December 31, 2017, the county had the following investments:

Investment Type:	Carrying Amount	Fair Value
U.S. Gov't Securities	\$ 26,883,615	\$ 26,671,510
Municipal Bonds	7,880,685	7,750,406
Subtotal - Investments Subject to Credit Risk Classification	<u>34,764,300</u>	<u>34,421,916</u>
State Treasurer's Investment Pool	112,550,045	112,550,045
Bank Deposits	102,926,063	102,926,063
Time Deposits	438,327	438,327
Subtotal - Investments Not Subject To Credit Risk Classification	<u>215,914,435</u>	<u>215,914,435</u>
Total Investments	<u>\$ 250,678,735</u>	<u>\$ 250,336,351</u>

Of the investments listed above, \$45,674,149, 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 Washington State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations (RCW 43.250.020). The LGIP is comparable to a Rule 2a-7 money market fund, as currently recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost (which approximates fair value). Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. For bank deposits and repurchase agreements, this cost-based measure equals their carrying value amount. Fair value is determined monthly. The reported value of the County's investment in the LGIP is dollar for dollar equal to the fair value of pool shares.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m. at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Interest Rate Risk

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

Credit Risk

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017 are:

Municipal Bonds	Rating
Churchill County NV School Dist	AAA S&P
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
Richland WA Elect Rev Bond	A+ 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.

Property Tax Calendar

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 2017 was \$2.232 per \$1,000 on an assessed valuation of \$5,182,647,614 or a total road tax of \$11,566,724.

The diverted county road levy for 2017 was \$0.2527 per \$1,000 on an assessed valuation of \$5,182,647,614 for a total appropriation of \$1,309,854. At December 31, 2017 the actual diverted road levy was \$1,309,854.

The county's total regular levy for 2017 was \$1.68387 per \$1,000 on an assessed valuation of \$7,342,972,589 for a total regular tax of \$12,364,614. The components of the regular levy are:

	Levy	Tax
General Fund	1.63867213	12,032,725
Veterans' Relief	0.02008805	147,506
Social Services	0.02511013	184,383
Totals	1.68387031	\$ 12,364,614

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Capital Assets, not being depreciated:				
Land	\$ 5,857,351	\$ 62,643	\$ 26,500	\$ 5,893,494
Land Use Rights (Intangible Assets)	114,160	65,698	-	179,858
Intangible Assets	853,550	26,500	8,595	871,455
Construction in Progress	2,506,377	10,758,088	12,260,157	1,004,308
Total Capital Assets, not being depreciated	<u>9,331,438</u>	<u>10,912,929</u>	<u>12,295,252</u>	<u>7,949,115</u>
Capital Assets being depreciated:				
Buildings	64,889,906	410,170	142,748	65,157,328
Improvements other than buildings	3,649,280	-	-	3,649,280
Machinery & Equipment	26,083,219	2,157,375	795,449	27,445,145
Intangible Assets	-	-	-	-
Infrastructure	110,518,234	7,803,456	-	118,321,690
Total Capital Assets, being depreciated	<u>205,140,639</u>	<u>10,371,001</u>	<u>938,197</u>	<u>214,573,443</u>
Less Accumulated Depreciation for:				
Buildings	30,005,172	1,239,303	33,010	31,211,465
Improvements other than buildings	3,024,580	62,914	-	3,087,494
Machinery & Equipment	16,223,107	1,485,153	793,886	16,914,374
Intangible Assets	-	-	-	-
Infrastructure	60,002,357	2,885,544	-	62,887,901
Total Accumulated Depreciation	<u>109,255,216</u>	<u>5,672,914</u>	<u>826,896</u>	<u>114,101,234</u>
Total Capital Assets being depreciated, net	95,885,423	4,698,087	111,301	100,472,209
Governmental Type Activities Capital Assets, net	<u>\$ 105,216,861</u>	<u>\$ 15,611,016</u>	<u>\$ 12,406,553</u>	<u>\$ 108,421,324</u>

Depreciation Expense was charged to functions as follows:

General Government	\$ 399,475
Public Safety	806,793
Utilities	124,560
Transportation	2,955,079
Natural and Economic Environment	12,331
Social Services	38,982
Culture and Recreation	117,051
	<u>\$ 4,454,271</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.

1,218,643

Total Governmental Activities Depreciation Expense \$ 5,672,914

NOTES TO FINANCIAL STATEMENTS
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BUSINESS TYPE ACTIVITIES	Beginning			Ending
	Balance	Increases	Decreases	Balance
	1/1/2017			12/31/2017
Capital Assets, not being depreciated:				
Land	\$ 209,568	\$ -	\$ -	\$ 209,568
Land Use Rights (Intangible Assets)	4,614	-	-	4,614
Construction in Progress	2,417,504	392,841	2,302,959	507,386
Total Capital Assets, not being depreciated	<u>2,631,686</u>	<u>392,841</u>	<u>2,302,959</u>	<u>721,568</u>
Capital Assets being depreciated:				
Buildings	1,344,518	-	64,538	1,279,980
Improvements other than buildings	6,858,945	2,302,959	10,687	9,151,217
Machinery & Equipment	940,015	239,261	-	1,179,276
Intangible Assets	-	-	-	-
Total Capital Assets, being depreciated	<u>9,143,478</u>	<u>2,542,220</u>	<u>75,225</u>	<u>11,610,473</u>
Less Accumulated Depreciation for:				
Buildings	1,153,179	14,581	62,376	1,105,384
Improvements other than buildings	2,067,675	323,324	10,687	2,380,312
Machinery & Equipment	582,003	64,355	-	646,358
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	<u>3,802,857</u>	<u>402,260</u>	<u>73,063</u>	<u>4,132,054</u>
Total Capital Assets being depreciated, net	5,340,621	2,139,960	2,162	7,478,419
Business Type Activities Capital Assets, net	<u>\$ 7,972,307</u>	<u>\$ 2,532,801</u>	<u>\$ 2,305,121</u>	<u>\$ 8,199,987</u>

Depreciation Expense was charged to functions as follows:

Solid Waste	\$ 96,262
Water Utilities	110,935
Airport	195,063
Total	<u>\$ 402,260</u>

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (19,505,085)
Pension assets	\$ 1,672,236
Deferred outflows of resources	\$ 3,061,183
Deferred inflows of resources	\$ (3,997,582)
Pension expense/expenditures	\$ 1,382,465

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

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

NOTES TO FINANCIAL STATEMENTS
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contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	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.

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

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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 2017 were as follows:

PERS Plan 2/3			
Actual	Contribution	Employer 2/3	Employee 2*
Rates			
January – June 2017:			
PERS Plan 2/3		6.23%	6.12%
PERS Plan 1 UAAL		4.77%	
Administrative Fee		0.18%	
Employee PERS Plan 3			varies
Total		11.18%	6.12%
July – December 2017:			
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%

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The County’s actual PERS plan contributions were \$1,420,802.40 to PERS Plan 1 and \$1,690,801.31 to PERS Plan 2/3 for the year ended December 31, 2017.

Public Safety Employees’ Retirement System (PSERS)

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

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

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

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contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.54%	6.59%
July – August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.94%	6.73%
September – December 2017		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.95%	6.74%

The County’s actual plan contributions were \$214,147.42 to PSERS Plan 2 and \$1,420,802 to PERS Plan 1 for the year ended December 31, 2017.

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

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consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 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 included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

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LEOFF Plan 2				
Actual Rates	Contribution	Employer	Employee	
January – June 2017:				
State and local governments		5.05%	8.41%	
Administrative Fee		0.18%		
Total		5.23%	8.41%	
Ports and Universities		8.41%	8.41%	
Administrative Fee		0.18%		
Total		8.59%	8.41%	
July – December 2017:				
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 \$145,656.82 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$87,767.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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 *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation

NOTES TO FINANCIAL STATEMENTS

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

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. 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.

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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, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease -6.50%	Current Discount Rate -7.50%	1% Increase -8.50%
PERS 1	\$ 13,119,512.10	\$ 10,769,666.28	\$ 8,734,196.50
PERS 2/3	\$ 23,072,972.70	\$ 8,564,245.04	\$ (3,323,505.00)
PSERS 2	\$ 1,149,363.89	\$ 171,174.05	\$ (595,784.94)
LEOFF 1	\$ (358,806.72)	\$ (483,720.08)	\$ (590,992.17)
LEOFF 2	\$ 257,193.24	\$ (1,188,516.74)	\$ (2,366,420.84)

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, 2017, the County reported a total pension liability of \$19,505,085 for its proportionate share of the net pension liabilities as follows:

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	Liability (or Asset)
PERS 1	\$ 10,769,666
PERS 2/3	\$ 8,564,245
PSERS 2	\$ 171,174
LEOFF 1	\$ (483,720)
LEOFF 2	\$ (1,188,517)

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:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (483,720)	\$ (1,188,517)
State's proportionate share of the net pension asset associated with the employer	\$ (3,271,871)	\$ (770,969)
TOTAL	\$ (3,755,591)	\$ (1,959,485)

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.236299%	0.226965%	-0.009334%
PERS 2/3	0.254918%	0.246487%	-0.008431%
PSERS 2	0.782342%	0.873649%	0.091307%
LEOFF 1	0.032445%	0.031882%	-0.000563%
LEOFF 2	0.087507%	0.085648%	-0.001859%

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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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

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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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the County recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 167,168
PERS 2/3	\$ 991,528
PSERS 2	\$ 238,872
LEOFF 1	\$ (70,516)
LEOFF 2	\$ 55,414
TOTAL	\$ 1,382,465

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	\$ -	\$ (401,894)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 742,041	\$ -
TOTAL	\$ 742,041	\$ (401,894)

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PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 867,760	\$ (281,663)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (2,283,022)
Changes of assumptions	\$ 90,968	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ (539,795)
Contributions subsequent to the measurement date	\$ 934,107	\$ -
TOTAL	\$ 1,892,835	\$ (3,104,480)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,238	\$ (12,161)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (120,057)
Changes of assumptions	\$ 1,450	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 17,343	\$ (2,141)
Contributions subsequent to the measurement date	\$ 112,503	\$ -
TOTAL	\$ 232,534	\$ (134,359)

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	\$ -	\$ (44,949)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ -	\$ (44,949)

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LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,238	\$ (45,071)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (266,830)
Changes of assumptions	\$ 1,431	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 63,545	\$ -
Contributions subsequent to the measurement date	\$ 76,557	\$ -
TOTAL	\$ 193,771	\$ (311,901)

Total - All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,021,236	\$ (338,895)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (3,116,752)
Changes of assumptions	\$ 93,849	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 80,888	\$ (541,936)
Contributions subsequent to the measurement date	\$ 1,865,208	\$ -
TOTAL	\$ 3,061,181	\$ (3,997,583)

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
2018	\$ (271,654)
2019	\$ 85,766
2020	\$ (19,914)
2021	\$ (196,091)
2022	\$ -
Thereafter	\$ -
TOTAL	\$ (401,893)

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Year ended December 31:	PERS 2/3
2018	\$ (1,087,953)
2019	\$ 105,466
2020	\$ (259,944)
2021	\$ (967,494)
2022	\$ 27,902
Thereafter	\$ 36,272
TOTAL	\$ (2,145,751)

Year ended December 31:	PSERS
2018	\$ (24,070)
2019	\$ 23,099
2020	\$ 7,487
2021	\$ (23,537)
2022	\$ 365
Thereafter	\$ 2,329
TOTAL	\$ (14,327)

Year ended December 31:	LEOFF 1
2018	\$ (28,209)
2019	\$ 7,608
2020	\$ (3,038)
2021	\$ (21,310)
2022	\$ -
Thereafter	\$ -
TOTAL	\$ (44,949)

Year ended December 31:	LEOFF 2
2018	\$ (108,404)
2019	\$ 41,939
2020	\$ (4,136)
2021	\$ (106,363)
2022	\$ (3,165)
Thereafter	\$ (14,559)
TOTAL	\$ (194,688)

NOTES TO FINANCIAL STATEMENTS
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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.

A. LEOFF Plan 1

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

1. Plan Description

In accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26), the county provides certain lifetime health care benefits for retired full-time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. Substantially all of the county's law enforcement officers who established membership in the LEOFF 1 retirement system may become eligible for those benefits when they reach normal retirement age. The Lewis County Sheriff's Department, in conjunction with the Lewis County Disability Board, reimburses retired LEOFF 1 law enforcement officers for reasonable medical charges as described in the LEOFF act. In 2017, 18 retirees received benefits under this act. As of December 31, 2017, there were no active LEOFF 1 officers.

2. Funding Policy

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

3. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years as of January 1, 2014. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$2,806,530 is reported as a non-current liability on the Statement of Net Position.

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	Year Ending 12/31/2017	Year Ending 12/31/2016	Year Ending 12/31/2015
Determination of Annual Required Contribution:			
Normal Cost at Year End	\$ -	\$ -	\$ -
Amortization of UAAL *	746,301	817,333	850,394
Annual Required Contribution	<u>\$ 746,301</u>	<u>\$ 817,333</u>	<u>\$ 850,394</u>
Determination of Net OPEB Obligation:			
Annual Required Contribution	\$ 746,301	\$ 817,333	\$ 850,394
Interest on Prior Year Net OPEB Obligation	99,314	82,895	68,618
NOO Amortization **	(223,311)	(186,391)	(154,289)
Annual OPEB Cost	622,304	713,837	764,723
Contributions Made	(298,635)	(303,345)	(407,796)
Increase in Net OPEB Obligation	<u>\$ 323,669</u>	<u>\$ 410,492</u>	<u>\$ 356,927</u>
Net OPEB Obligation - End of Year:			
Net OPEB Obligation - Beginning of Year	\$ 2,482,860	\$ 2,072,369	\$ 1,715,442
Increase in Net OPEB Obligation	323,670	410,492	356,927
Net OPEB Obligation - End of Year	<u>\$ 2,806,530</u>	<u>\$ 2,482,861</u>	<u>\$ 2,072,369</u>
* Unfunded Actuarial Accrued Liability (UAAL)			
** Net OPEB Obligation			

4. Funded Status and Funding Progress

As of December 31, 2017 the plan was 0% funded. The accrued liability for benefits was \$8,297,667 and the actuarial value of the assets was \$0 resulting in a UAAL of \$8,297,667.

The cost of retiree health care benefits are recognized in the General Fund as claims are paid. For 2017, these costs totaled \$298,635 with a cost per retiree of \$16,591.

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

5. Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. The healthcare cost inflation trends, which vary by medical plan and age, start at approximately 6.2 percent in 2014 and gradually

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decrease to 4.6 in 2081 and beyond. The discount rate used in the assumption was 4 percent and the inflation rate used was 3 percent. These assumptions are individually and collectively reasonable for the purposes of this valuation.

During 1993 the county began setting aside funds for future post-retirement health care benefit payments for the county's LEOFF 1 retired officers. Investments reported in the Risk Management internal service fund for LEOFF 1 at December 31, 2017 were \$6,084,669. However, the current strategy does not constitute an advance-funded approach.

B. Other County Retirees

Lewis County makes available to eligible retirees' employer provided subsidies for post-employment medical insurance benefits provided through the Washington State Health Care Authority's Public Employees Benefits Board Program. Actual participation is extremely low due likely to the economic costs of the retiree premiums. As a consequence, out of the entire population of eligible retirees there were only five retirees under the age of 65 participating at the end of 2017. Due to the immaterial nature, a liability for the accumulated unfunded actuarially required contribution has not been reported in the entity-wide and proprietary statements of net position.

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, 2017 were \$68,371. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2017	\$ 57,507
2018	\$ 46,840
2019	\$ 44,654
2020	\$ 34,611
2021	\$ -
Total	\$ 183,612

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:

Asset	Governmental Activities	Business-Type Activities
Machinery & Equipment	\$ 426,783	\$ -
less: Accumulated Depreciation	\$ (237,561)	\$ -
Total	\$ 189,222	\$ -

NOTES TO FINANCIAL STATEMENTS
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The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2017 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2018	\$ 85,684	\$ -
2019	62,046	-
2020	30,903	-
2021	14,634	-
2022	3,704	-
Total Minimum Lease Payments	\$ 196,971	\$ -
Less: Interest	\$ (4,653)	\$ -
Present Value of Minimum Lease Payments	\$ 192,318	\$ -

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, 2017, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2017, 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

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December 31, 2017

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 2016-17, 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 2016-17, 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.

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 2016-17, the WCRP’s assets remained stable at \$46.8 million while its liabilities decreased slightly to \$28.6 million. The Pool’s net position increased slightly from \$17.9 million to \$18.1 million. The Pool more than satisfies the State Risk

NOTES TO FINANCIAL STATEMENTS

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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, 2017 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Risk Management Fund: - The County established its own Risk Management fund in 1991, which is used to pay deductibles on general liability claims and unemployment claims. The county has elected to become self-insured for unemployment claims. Based on Washington Counties Risk Pool and county management estimates, the county's estimated liability for probable losses at December 31, 2017, which includes estimates for Incurred But Not Reported claims (IBNR) were as follows:

	2017	2016
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:

	Year Ended: 12/31/2017	Year Ended: 12/31/2016
Unpaid Claims, Beginning of Fiscal Year	\$ 1,684,823	\$ 1,684,823
Incurring Claims	433,382	294,235
Changes In Estimates	-	-
Claim Payments	(433,382)	(294,235)
Unpaid Claims, End of Fiscal Year	\$ 1,684,823	\$ 1,684,823

As of December 31, 2017, cash and investments were \$1,120 and \$8,780,637, respectively, this included \$6,084,699 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, 2017 was \$174,982:

	Year Ended: 12/31/2017	Year Ended: 12/31/2016
Unpaid Claims, Beginning of Fiscal Year	\$ 174,982	\$ 174,982
Incurring Claims (Payments by Administrator)	282,316	292,566
Claim Payments	(258,098)	(272,998)
Other - Cash Pension Adjustment	(17,623)	(39,174)
Accrued/Timing (with IBNR estimate)	(6,595)	19,606
Claims Liability, End of Fiscal Year	\$ 174,982	\$ 174,982

NOTES TO FINANCIAL STATEMENTS

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The county has two fully funded pension obligations held by the State of Washington Department of Labor and Industries with a cash value of \$736,787 at December 31, 2017. 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, 2017, cash and investments were \$2,314,789 including \$442,130 restricted for minimum cash reserves. Total net position at December 31, 2017 was \$2,111,071.

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>	Outstanding 12/31/2017
\$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.	\$2,980,000
\$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.	\$6,205,000
\$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.	\$2,650,000
<u>Notes Payable</u>	
<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.	\$379,554
<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.	\$322,043
Total Outstanding Debt	<u>\$12,536,597</u>

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:

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Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,265,000	\$ 357,337	\$ 41,124	\$ 8,914
2019	1,310,000	318,678	41,124	8,356
2020	1,345,000	278,571	41,124	7,799
2021	1,385,000	238,182	41,124	7,242
2022	1,440,000	196,579	41,124	6,685
2023-2027	5,090,000	388,448	205,620	25,066
2028-2032	-	-	147,227	11,573
2033-2037	-	-	59,638	5,964
2038-2042	-	-	59,637	2,982
2043-2047	-	-	23,855	358
Total	\$ 11,835,000	\$ 1,777,795	\$ 701,597	\$ 84,939

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, 2017:

Activity:	Beginning Balance		Ending Balance		Due Within One Year
	01/01/2017	Additions	Reductions	12/31/2016	
Governmental Activities:					
General Obligation Bonds	\$ 14,607,672	\$ -	\$ 2,772,672	\$ 11,835,000	1,265,000
Capital Leases	239,264	43,714	90,660	192,318	83,143
Net OPEB Obligation	2,482,860	323,670	-	2,806,530	-
Net Pension Liability	24,823,994	-	6,113,532	18,710,462	-
Compensated Absences	4,508,958	241,613	-	4,750,571	107,494
Total Governmental Activities	\$ 46,662,748	\$ 608,997	\$ 8,976,864	\$ 38,294,881	\$ 1,455,637
Business-Type Activities:					
Notes Payable	\$ 742,721	\$ -	\$ 41,124	\$ 701,597	\$ 41,124
Net Pension Liability	1,033,774	-	239,151	794,623	-
Compensated Absences	149,134	13,990	-	163,124	9,014
Total Business-type Activities	\$ 1,925,629	\$ 13,990	\$ 280,275	\$ 1,659,344	\$ 50,138

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, \$397,568 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, 2017, the county had \$17,777 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.

NOTES TO FINANCIAL STATEMENTS
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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, 2017, the amount of defeased debt outstanding but removed for the Governmental Long Term Debt amounted to \$18,225,000.

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, 2017, the Public Facilities District limited sales tax obligations bonds outstanding amounted to \$5,075,000.

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.

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 Receivables and Payables

Activity between funds for goods or services occurs throughout the year. Due to the measurement focus, the variance was recognized as an expense for Government-wide reporting for the due to other funds and a receivable for the due from other funds. The following table depicts interfund receivable and payable balances as of December 31, 2017:

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Fund	Due to Other Funds	Due From Other Funds
General Fund	\$ 3,693	\$ 116,788
Roads Fund	318,118	78,818
Distressed Counties Fund	-	-
Capital Facilities Fund	9,480	4,217
Nonmajor Governmental Funds	111,236	57,323
Internal Service Funds	84,847	275,977
Solid Waste Utility	1,013	225,281
Solid Waste Disposal District	225,281	-
Vader Water System Utility	4,736	-
Nonmajor Business Type Funds	-	-
Total	\$ 758,404	\$ 758,404

B. Interfund Loans

Periodically, there is a business need to authorize loans between funds, usually for cash flow requirements for the smaller funds. The following table displays interfund loan activity during 2017:

Interfund Loans					
Borrowing Fund	Lending Fund	Balance 12/31/2016	New Loans	Payments	Balance 12/31/2017
Flood Authority	General Fund	\$ 150,000	\$ -	\$ 150,000	\$ -
Equipment Rental & Revolving	Capital Facilities	148,513	-	49,535	98,978
Communications	General Fund	330,000	-	200,000	130,000
Packwood Airport	General Fund	367,000	-	367,000	-
Vader Water System Utility	General Fund	20,000	-	20,000	-
Total		\$ 1,015,513	\$ -	\$ 786,535	\$ 228,978

C. 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 2017:

NOTES TO FINANCIAL STATEMENTS
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Fund	Transfer In	Transfer Out
General Fund	\$ 1,377,854	\$ 1,857,624
Roads Fund	196,794	1,358,759
Distressed Counties Fund	-	166,794
Capital Facilities Fund	-	1,164,757
Nonmajor Governmental Funds	1,353,710	250,865
Internal Service Funds	143,683	-
Debt Service Funds	1,629,158	-
Business Type Funds	197,600	100,000
Total	\$ 4,898,799	\$ 4,898,799

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 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.

B. Funding Status

The Landfill Closure Fund was originally reflected as a special revenue fund of the City and was established to account for the revenues and expenditures of the closure and post closure care. The special revenue fund of \$287,993 was transferred to the Lewis County Solid Waste Disposal District #1 on May 3, 2017, when the City of Centralia and Lewis County signed the, "Agreement Regarding Transfer Of Certain Assets and Responsibilities Concerning the Centralia Landfill Between City of Centralia and Lewis County, Washington." This agreement moved responsibilities to Lewis County, with funding coming from the Lewis County Solid Waste Disposal District #1. In 2017 Lewis County established an annual budget of \$41,000. 2017 actual operating costs were \$19,649. The 2018 estimated operating budget is \$40,593.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 15 - OTHER DISCLOSURES

A. Changes to Funds

There were no new funds created during fiscal year 2017.

Existing funds dissolved effective December 31, 2017:

2007 Debt Service Fund No. 210

B. Prior Period Adjustments:

The County reported a prior period adjustment in the amount of \$1,842,386 for sales tax revenue received in 2017 on sales that occurred in December 2016 and not accrued.

The County reported a prior period adjustment in the amount of \$7,372 for revenue received from the State of Washington for a portion of the Prosecuting Attorney's salary that was incorrectly accrued to December 2016 and an uncorrected deposit error in the 2016 fiscal year.

The County reported a prior period adjustment in the amount of \$1,854 is an immaterial unreconciled error.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability – By Plan

Lewis County Schedule of Proportionate Share of the Net Pension Liability PERS 1 As of June 30, 2017 Last 10 Fiscal Years*			
	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.22697%	0.23630%	0.24672%
Lewis County's proportionate share of the net pension liability	\$ 10,769,666	\$ 12,690,369	\$ 12,905,646
Lewis County's covered payroll	\$ 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	38.58%	51.08%	52.87%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017 Last 10 Fiscal Years*			
	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.24649%	0.25492%	0.26111%
Lewis County's proportionate share of the net pension liability	\$ 8,564,245	\$ 12,834,920	\$ 9,329,573
Lewis County's covered payroll	\$ 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	35.29%	53.47%	40.17%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017			
Last 10 Fiscal Years*			
	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.87365%	0.78234%	0.81239%
Lewis County's proportionate share of the net pension liability	\$ 171,174	\$ 332,480	\$ 148,277
Lewis County's covered payroll	\$ 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	5.54%	13.09%	6.21%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017			
Last 10 Fiscal Years*			
	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.03188%	0.03245%	0.03387%
Lewis County's proportionate share of the net pension liability (asset)	\$ (483,720)	\$ (334,276)	\$ (408,196)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (3,271,871)	\$ (2,261,037)	\$ (2,761,030)
TOTAL	\$ (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%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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, 2017			
Last 10 Fiscal Years*			
	2017	2016	2015
Lewis County's proportion of the net pension liability (asset)	0.08565%	0.08751%	0.09312%
Lewis County's proportionate share of the net pension liability (asset)	\$ (1,188,517)	\$ (508,967)	\$ (957,077)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (770,969)	\$ (331,809)	\$ (632,820)
TOTAL	\$ (1,959,486)	\$ (840,776)	\$ (1,589,897)
Lewis County's covered payroll	\$ 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	-44.22%	-19.20%	-35.55%
Plan fiduciary net position as a percentage of the total pension liability (asset)	113.36%	106.04%	111.67%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>			

Required Supplementary Information
Schedule of Employer Contributions – By Plan

Lewis County Schedule of Employer Contributions PERS 1 As of December 31, 2017 Last 10 Fiscal Years*			
	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,423,425	\$ 1,228,795	\$ 1,238,861
Contributions in relation to the statutorily or contractually required contributions*	\$ (1,420,802)	\$ (1,226,376)	\$ (1,239,579)
Contribution deficiency (excess)	<u>\$ 2,623</u>	<u>\$ 2,419</u>	<u>\$ (718)</u>
Lewis County's covered payroll	\$ 28,344,911	\$ 24,809,092	\$ 24,584,887
Contributions as a percentage of covered payroll	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, 2017 Last 10 Fiscal Years*			
	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,692,422	\$ 1,500,205	\$ 1,333,973
Contributions in relation to the statutorily or contractually required contributions*	\$ (1,690,801)	\$ (1,497,044)	\$ (1,334,914)
Contribution deficiency (excess)	<u>\$ 1,621</u>	<u>\$ 3,161</u>	<u>\$ (941)</u>
Lewis County's covered payroll	\$ 24,639,751	\$ 24,080,345	\$ 23,645,796
Contributions as a percentage of covered payroll	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, 2017			
Last 10 Fiscal Years*			
	2017	2016	2015
Statutorily or contractually required contributions	\$ 215,001	\$ 188,533	\$ 157,654
Contributions in relation to the statutorily or contractually required contributions*	\$ (214,147)	\$ (191,740)	\$ (157,652)
Contribution deficiency (excess)	<u>\$ 854</u>	<u>\$ (3,207)</u>	<u>\$ 2</u>
Lewis County's covered payroll	\$ 3,224,941	\$ 2,860,902	\$ 2,433,741
Contributions as a percentage of covered payroll	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, 2017			
Last 10 Fiscal Years*			
	2017	2016	2015
Statutorily or contractually required contributions	\$ 145,760	\$ 133,400	\$ 133,396
Contributions in relation to the statutorily or contractually required contributions*	\$ (145,657)	\$ (133,400)	\$ (133,397)
Contribution deficiency (excess)	<u>\$ 103</u>	<u>\$ (0)</u>	<u>\$ (1)</u>
Lewis County's covered payroll	\$ 2,828,577	\$ 2,641,585	\$ 2,641,514
Contributions as a percentage of covered payroll	5.15%	5.05%	5.05%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>			

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – RETIREE MEDICAL BENEFITS**

Law Enforcement Officers and Fire Fighters (LEOFF) Plan 1						
Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2015	-	9,455,009	9,455,009	0%	N/A	N/A
12/31/2016	-	9,087,422	9,087,422	0%	N/A	N/A
12/31/2017	-	8,297,667	8,297,667	0%	N/A	N/A

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Agriculture)	National School Lunch Program	10.555	N/A	23,785	-	23,785	-	3
Total Child Nutrition Cluster:				23,785	-	23,785	-	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C-17116	505,540	-	505,540	-	
SNAP Cluster								
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C-17116	75,452	-	75,452	-	
Total SNAP Cluster:				75,452	-	75,452	-	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C-17116	908	-	908	-	
Food And Nutrition Service, Department Of Agriculture (via Lewis-Mason-Thurston Area Agency on Aging)	Senior Farmers Market Nutrition Program	10.576	17-1168-0090- 05	1,414	-	1,414	-	
Food And Nutrition Service, Department Of Agriculture (via Lewis-Mason-Thurston Area Agency on Aging)	Senior Farmers Market Nutrition Program	10.576	17-1168-0090- 05 (SFMNP Checks)	18,800	-	18,800	-	4 (a)
Total CFDA 10.576:				20,214	-	20,214	-	
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, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	Expenditures		Passed through to Subrecipients	Note
					From Direct Awards	Total		
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	N/A	-	161,059	161,059	-	3
Total Forest Service Schools and Roads Cluster:					161,059	161,059	-	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	15-1087P	84,069	-	84,069	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15-62210-026	116,143	-	116,143	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0091L0T011 508	-	62,568	62,568	61,244	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0091L0T011 609	-	104,199	104,199	103,107	
Total CFDA 14.267:					166,767	166,767	164,351	
Fish And Wildlife Service, Department Of The Interior	Fish and Wildlife Management Assistance	15.608	F16AC00631	-	34,823	34,823	-	
Office For Victims Of Crime, Department Of Justice (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	S17-31102-519	17,468	-	17,468	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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 For Victims Of Crime, Department Of Justice (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	S18-31102-519	25,620	-	25,620	-	
		Total CFDA 16.575:			43,088	-	43,088	-
Violence Against Women Office, Department Of Justice (via City of Centralia)	Violence Against Women Formula Grants	16.588	F16-31103-051	2,519	-	2,519	-	
		Total CFDA 16.588:			7,517	-	7,517	2,147
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.607	2016BUBX1608 3301	-	2,033	2,033	-	
		Total CFDA 16.607:			-	3,808	3,808	-
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2017BUBX1708 6792	-	1,775	1,775	-	
		Total CFDA 16.607:			-	-	-	-
National Institute Of Justice, Department Of Justice (via Washington State Patrol)	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	K12670	10,739	-	10,739	-	
		Total CFDA 16.742:			-	-	-	-
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	DOT-FA15NM- 0046	-	168,116	168,116	-	
		Total CFDA 20.106:			-	277,873	277,873	-
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	DOT-FA15NM- 0078	-	109,757	109,757	-	
		Total CFDA 20.106:			-	277,873	277,873	-

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

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		
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8111	42,880	-	42,880	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8113	299,320	-	299,320	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8598	4,361	-	4,361	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8707	943,928	-	943,928	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8845	1,000,000	-	1,000,000	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8987	890,322	-	890,322	-	
Total Highway Planning and Construction Cluster:				3,180,811	-	3,180,811	-	
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, 2017**

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 (nhtsa), Department Of Transportation (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	N/A	12,139	-	12,139	-	3
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	PT17-04	500	-	500	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Section 402	9,990	-	9,990	-	
Total CFDA 20.600:				22,629	-	22,629	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	5,287	-	5,287	-	3
Total Highway Safety Cluster:				27,916	-	27,916	-	
Office Of The Secretary, Department Of Health And Human Services (via National Association of County and City Health Officials)	Medical Reserve Corps Small Grant Program	93.008	MRC 10-1760	853	-	853	-	
Aging Cluster								
Administration For Community Living, Department Of Health And Human Services (via Lewis-Mason-Thurston Area Agency on Aging)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	14-1130-0061-05	127,895	-	127,895	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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		
Administration For Community Living, Department Of Health And Human Services (via Lewis- Mason-Thurston Area Agency on Aging)	Nutrition Services Incentive Program	93.053	14-1130-0061- 05	36,282	-	36,282	-	
Total Aging Cluster:				164,177	-	164,177	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17116	42,206	-	42,206	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1563-42483	21,207	-	21,207	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1763-94259	20,496	-	20,496	-	
Total CFDA 93.243:				41,703	-	41,703	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17116	18,941	-	18,941	-	

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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		
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	Donated Vaccine	21,980	-	21,980	-	4 (b)
Total CFDA 93.268:				40,921	-	40,921	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C17116	5,619	-	5,619	-	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Child Support Enforcement	93.563	1663-67383	16,844	-	16,844	-	5
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Child Support Enforcement	93.563	2110-81382	470,007	-	470,007	-	5
Total CFDA 93.563:				486,851	-	486,851	-	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

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		
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C17116	1,000	-	1,000	-	
Medicaid Cluster								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	1166-35255	10,390	-	10,390	-	6
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K1409	35,587	-	35,587	-	6
Total Medicaid Cluster:				45,977	-	45,977	-	
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	N/A	2,956	-	2,956	-	3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42483	27,456	-	27,456	7,576	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

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, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1763-94259	18,558	-	18,558	5,709	
			Total CFDA 93.959:	46,014	-	46,014	13,285	
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17116	53,418	-	53,418	-	
United States Coast Guard (uscg), Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3317FAS17015 3	14,855	-	14,855	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Lewis County United Way)	Emergency Food and Shelter National Board Program	97.024	34-8902-00	933	-	933	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D16-603 (4249- DR-WA)	25,079	-	25,079	-	7
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D16-706 (4253- DR-WA)	104,351	-	104,351	-	7

The accompanying notes are an integral part of this schedule.

Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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 (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-150 (4309-DR-WA)	622,916	-	622,916	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-717 (1671-DR-WA)	293,928	-	293,928	-	
			Total CFDA 97.036:	1,046,274	-	1,046,274	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E17-161	31,293	-	31,293	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-070	11,765	-	11,765	-	
			Total CFDA 97.042:	43,058	-	43,058	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Thurston County Emergency Management)	Homeland Security Grant Program	97.067	E16-060	1,082	-	1,082	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-056	10,251	-	10,251	-	
			Total CFDA 97.067:	11,333	-	11,333	-	

The accompanying notes are an integral part of this schedule.

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

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 Federal Awards Expended:				6,146,849	644,330	6,791,179	179,783	

The accompanying notes are an integral part of this schedule.

LEWIS COUNTY, WASHINGTON **1 of 2**
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

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

- (a) The amount of Senior Farmers Market Nutrition Program checks reported on the schedule is the value received and distributed by the county during the year and priced as prescribed by the Lewis-Thurston-Mason Area Agency on Aging. This program is funded through both federal and state funding. Due to the comingled nature of the funding, the portion, if any, of the checks funded by state funds could not be determined. As a result, the full amount of the checks have been reported as federal.
- (b) 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 \$1,528 from Contract Number 1663-67383, and \$42,503 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 #1166-35255 & # 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 2017 Schedule of Expenditures of Federal Awards for contract #1166-35255 is based on a reconciliation of data occurring from the third quarter of 2012 to the first quarter of 2015. The amount reported on the 2017 Schedule of Expenditures of Federal Awards for contract #K1409 is based on data occurring from the second quarter of 2015 to the third quarter of 2016. 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.

LEWIS COUNTY, WASHINGTON **2 of 2**
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

NOTE 7 – FEMA PROJECTS

Some of the expenditures reported under CFDA #97.036 “Disaster Grants - Public Assistance (Presidentially Declared Disasters)” on the 2017 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 D16-603 (4249-DR-WA) and Contract Number D16-706 (4253-DR-WA) include prior year expenditures that became eligible for reimbursement after the small project worksheets were approved in 2017.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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