



Washington State Auditor's Office

Government that works for citizens

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

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017572





Washington State Auditor's Office

September 29, 2016

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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lewis County January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We 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 its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

The County qualified 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.

**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, 2015 through December 31, 2015**

Board of Commissioners
Lewis County
Chehalis, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis County, Washington, as of and for the year ended December 31, 2015, 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 19, 2016. As discussed in Note 15 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 19, 2016

**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, 2015 through December 31, 2015**

Board of Commissioners
Lewis County
Chehalis, Washington

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

We have audited the compliance of Lewis County, Lewis County, Washington, 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, 2015. 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, 2015.

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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 19, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lewis County January 1, 2015 through December 31, 2015

Board of Commissioners
Lewis County
Chehalis, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 16.

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, the business-type activities, each major fund and the aggregate remaining fund information of Lewis County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Roads, and Distressed Counties funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 15 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 30, information on postemployment benefits other than pensions on page 84 and pension plan information on pages 85 through 89 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.

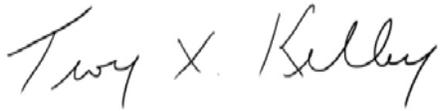
Supplementary and Other Information

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 19, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 19, 2016

FINANCIAL SECTION

Lewis County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental
Funds– 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – Governmental Funds – 2015

Budget to Actual Comparison Statement – General Fund – 2015

Expenditures Budget to Actual Comparison Statement – General Fund – 2015

Budget to Actual Comparison Statement- Special Revenue: Roads – 2015

Budget to Actual Comparison Statement- Special Revenue: Distressed Counties – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefit (OPEB) Plan Schedules – 2015

Schedules of Proportionate Share of the Net Pension Liability – By Plan – 2015

Schedules of Employer Contributions – By Plan – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, and notes to the financial statements to analyze the county's financial activities and condition.

Financial Highlights

- The assets of Lewis County exceeded its liabilities at the close of the most recent fiscal year by \$120 million (*net position*). Of this amount, \$8.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Lewis County implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for fiscal year 2015. The implementation resulted in a decrease of the government's total net position by \$22.3 million. This new accounting standard requires Lewis County to recognize the government's portion of the State of Washington's net pension liability for certain retirement plans. Additional information regarding GASB Statement No. 68 can be found in note 6 of the notes to the financial statements, which can be found following the fund financial statements.
- As of the close of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of \$32 million, a decrease of \$2.6 million in comparison with the prior year. Approximately 68.1 percent of this total amount, \$21.8 million, is *available for spending* at the government's discretion; however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9.1 million, or 26.5 percent of general fund expenditures and operating transfers out.
- Lewis County's total debt decreased by \$1 million (6 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. *Net position* is presented as assets plus deferred outflows, less liabilities, less deferred inflows of resources. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lewis County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of Lewis County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Lewis County include general government, public safety, physical environment, economic environment/development, transportation, mental and physical health, and culture and recreation. The business-type activities of Lewis County include a solid waste utility, a solid waste disposal district, a water sewer activity and two airports.

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the

fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Lewis County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the County's 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 30 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A major fund is defined in the following manner:

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

Lewis County adopts an annual appropriated budget for all county funds in accordance with state law, and are adopted at the fund level, except the General Fund, which is adopted at the department level. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund and special revenue 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 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, and Vader Water System Utility which are considered to be a major funds of Lewis County. Additionally, the following are non-major enterprise funds of the county: Water Sewer Utility, South County Airport, and Packwood Airport. Conversely, six internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found 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 assets may serve over time as a useful indicator of a government's financial position. In the case of Lewis County, assets exceeded liabilities by \$120.5 million at the close of the most recent fiscal year.

By far the largest portion of Lewis County's net assets (81.6 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lewis County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 60,023,695	\$ 65,768,713	\$ 4,980,480	\$ 4,982,068	\$ 65,004,175	\$ 70,750,781
Capital Assets	106,472,847	103,659,250	6,148,871	4,862,397	112,621,718	\$ 108,521,647
Pension Assets	1,365,272	-			1,365,272	
Total Assets	\$ 167,861,814	\$ 169,716,525	\$ 11,129,351	\$ 9,844,465	\$ 178,991,165	\$ 179,272,428
Deferred Outflows	\$ 2,450,814	\$ -	\$ 73,637	\$ -	2,524,451	\$ -
Payables	\$ 10,054,390	\$ 11,170,182	\$ 611,018	\$ 628,529	\$ 10,665,408	\$ 11,798,711
Long-Term	44,658,399	24,047,835	1,802,550	632,999	46,460,949	\$ 24,680,834
Total Liabilities	54,712,789	35,218,017	2,413,568	1,261,528	57,126,357	36,479,545
Deferred Inflows	\$ 3,720,458	\$ -	\$ 139,778	\$ -	\$ 3,860,236	\$ -
Net Position:						
Net Investment in Capital Assets	92,488,756	88,254,250	5,365,026	4,395,255	97,853,782	92,649,505
Restricted	13,917,369	15,118,152	-	-	13,917,369	15,118,152
Unrestricted	5,473,256	30,837,544	3,284,616	4,187,682	8,757,872	35,025,226
Total Net Position	\$ 111,879,381	\$ 134,209,946	\$ 8,649,642	\$ 8,582,937	\$ 120,529,023	\$ 142,792,883

Internal Balances removed from Total Primary Government Column

An additional portion of Lewis County's net position (11.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8.3 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Lewis County's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 13,995,081	\$ 16,418,614	\$ 8,014,957	\$ 7,526,352	\$ 22,010,038	\$ 23,944,966
Operating Grants and Contributions	16,984,920	10,990,264	199,277	162,853	17,184,197	11,153,117
Capital Grants and Contributions	527,105	3,374,872	267,366	150,833	794,471	3,525,705
General Revenues:						
Property Taxes	22,976,409	22,572,409	-	-	22,976,409	22,572,409
Private Harvest Taxes	2,674,885	2,805,887	-	-	2,674,885	2,805,887
Sales Tax	10,474,818	10,013,834	-	-	10,474,818	10,013,834
Excise Tax	2,014,583	1,093,299	-	-	2,014,583	1,093,299
Investment Earnings	488,064	550,538	(17,118)	(7,179)	470,946	543,359
Miscellaneous	-	-	1,867	1,592	1,867	1,592
Gain on Sale of Capital Assets	1,038,098	3,380,640	-	-	1,038,098	3,380,640
Capital Asset Loss Recovery-Insurance Proceeds	27,903	-	-	-	27,903	-
Total Revenues	\$ 71,201,866	\$ 71,200,357	\$ 8,466,349	\$ 7,834,451	\$ 79,668,215	\$ 79,034,808
Program Expenses Including Indirect Expenses:						
General Government & Judicial Services	\$ 15,070,986	\$ 15,286,877	\$ -	\$ -	\$ 15,070,986	\$ 15,286,877
Public Safety	21,243,551	20,418,142	-	-	21,243,551	20,418,142
Utilities	1,456,634	137,747	-	-	1,456,634	137,747
Transportation	20,101,241	19,630,553	-	-	20,101,241	19,630,553
Natural & Economic Environment	3,638,398	3,741,205	-	-	3,638,398	3,741,205
Social Services & Physical Health	6,408,274	6,295,769	-	-	6,408,274	6,295,769
Culture & Recreation	1,755,241	2,151,990	-	-	1,755,241	2,151,990
Interest on Long-Term Debt	652,879	653,248	-	-	652,879	653,248
Solid Waste	-	-	7,985,876	7,602,860	7,985,876	7,602,860
Airport	-	-	302,061	452,038	302,061	452,038
Water Sewer	-	-	330,471	291,879	330,471	291,879
Total Expenses	\$ 70,327,204	\$ 68,315,531	\$ 8,618,408	\$ 8,346,777	\$ 78,945,612	\$ 76,662,308
Capital Contributions (Dispositions)	-	-	966,019	1,142,425	966,019	1,142,425
Transfers	(270,497)	(272,600)	270,497	268,470	-	(4,130)
Rounding Adjustment	-	-	-	-	-	-
Change in Net Position	604,172	2,612,226	1,084,457	898,569	1,688,629	3,510,795
Net Position - Beginning of Year	134,209,946	133,060,276	8,582,937	7,684,368	142,792,883	140,744,644
Prior Period Adjustment-Change in Accounting Principle	(22,967,967)	(1,462,556)	(1,017,752)	-	(23,985,719)	(1,462,556)
Prior Period Adjustment	33,230	-	-	-	-	-
Net Position - End of Year	\$ 111,879,381	\$ 134,209,946	\$ 8,649,642	\$ 8,582,937	\$ 120,495,793	\$ 142,792,883

The government's net position decreased by \$22.3 million during the current fiscal year. This change is attributable to the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This new accounting standard requires Lewis County to recognize the government's portion of the State of Washington's net pension liability for certain retirement plans.

Governmental activities. Governmental activities decreased Lewis County's net position by \$22.3 million, thereby accounting for the majority of the decrease in the net position of Lewis County.

Aside from the implementation of GASB 68, key elements of this change are as follows:

- Property taxes increased by \$404 thousand (1.8 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 \$460 thousand (4.6 percent), which relates to a slight recovery in economic condition and the change to the destination based sales tax collection.
- Operating grants, intergovernmental revenues, and contributions for governmental activities increased by \$5.9 million (54.5 percent), which relates to an increase in grants and intergovernmental revenue received in the Roads fund.
- Gain on sale of capital assets decreased by \$2.3 million (69.3 percent), which relates primarily to forest board yield (timber sales); this is considered the sale of county assets.
- Expenses related to utilities increased by \$1.3 million over the prior year. This increase was due to completion of the improvements to the Vader Water System, during the receivership period.

Expenses and Program Revenues—Governmental Activities

	Expenses		Program Revenue		Net (Expense)
					Revenue
General Government & Judicial Services	\$	15,070,986	\$	11,128,289	\$ (3,942,697)
Public Safety		21,243,551	\$	5,211,908	(16,031,643)
Utilities		1,456,634	\$	22,949	(1,433,685)
Transportation		20,101,241	\$	8,410,991	(11,690,250)
Natural & Economic Environment		3,638,398	\$	1,381,925	(2,256,473)
Social Services & Physical Health		6,408,274	\$	4,316,976	(2,091,298)
Culture & Recreation		1,755,241	\$	1,034,068	(721,173)
Interest on Long-Term Debt		652,879	\$	-	(652,879)
TOTAL	\$	70,327,204	\$	31,507,106	\$ (38,820,098)

Revenues by Source—Governmental Activities

	Revenue	
	Dollars	Percentage
Charges for Services	\$ 13,995,081	19.65%
Operating Grants and Contributions	16,984,920	23.85%
Capital Grants and Contributions	527,105	0.74%
Property Taxes	22,976,409	32.27%
Other Taxes	15,164,286	21.30%
Investment Earnings	488,064	0.69%
Gain on Sales of Capital Assets	1,038,098	1.46%
Insurance Proceeds	27,903	0.04%
Total	\$ 71,201,866	100%

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. The total net position for business-type activities was \$8.6 million, accounting for 7.2 percent of Lewis County’s total net position. Net position for business-type activities increased slightly over the prior year by \$66 thousand, or 0.78 percent. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 6.5 percent. The Solid Waste Disposal District No. 1 accounts for a significant portion of this revenue source, which resulted from tipping fees. Revenues also increased as a result of a slight increase in demand. Together, these factors account for the \$488 thousand increase in charges for services for the Solid Waste Disposal District No. 1. Business-type activities also saw an increase in capital grants and contributions.
- Expenses related to the Solid Waste activity also increased slightly by \$383 thousand (5 percent) over the prior year.

Expenses and Program Revenues—Business-type Activities

	Expenses	Program Revenue	Net (Expense) / Revenue
Solid Waste Utility	\$ 7,985,876	\$ 7,825,992	\$ (159,884)
Airports	302,061	344,868	42,807
Water-Sewer Utilities	330,471	310,740	(19,731)
TOTAL	\$ 8,618,408	\$ 8,481,600	\$ (136,808)

Revenues by Source—Business-type Activities

	Revenue	Percent
Charges for Services	\$ 8,014,957	84.96%
Operating Grants and Contributions	199,277	2.11%
Capital Grants and Contributions	267,366	2.83%
Investment Earnings <Expense>	(17,118)	-0.18%
Miscellaneous	1,867	0.02%
Contributions	966,019	10.24%
TOTAL	\$ 9,432,368	100%

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 \$32.0 million, a decrease of \$2.6 million in comparison with the prior year. Approximately 68.1 percent of this total amount (\$21.8 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 2015:

The General Fund is the chief operating fund of Lewis County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9.1 million, while total fund balance reached \$9.7 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 28.6 percent of total general fund expenditures, while total fund balance represents 30.4 percent of that same amount.

The fund balance of Lewis County's general fund decreased by \$602 thousand during the current fiscal year. There was a \$341 thousand increase in revenues, which were greater than expenditures by \$1.2 million. Expenditures in the general fund increased by \$331 thousand over the prior year. Other financing sources and uses were a net negative of \$1.8 million, a loss of \$783 thousand over the prior year. Additionally, the following other key factors continue to draw on the general fund's resources:

- Limitation on increases in property taxes
- Constant demand for levels of services in law and justice programs
- Significant decreases in forest board yield on timber harvest managed by the WA State Department of Natural Resources.

The Roads Fund provides road maintenance and construction services to the citizens of Lewis County. In this fund, total assets decreased by \$3.2 million in 2015 compared to 2014. Liabilities decreased by \$355 thousand from 2014 to 2015. This was mainly the result of fewer accounts payable reported at year end. Compared to 2014, revenues in the Roads fund increased by \$1.2 million and expenditures decreased by \$2.7 million. The decrease in expenditures was due to a decrease in capital outlay activity.

The Capital Facilities Plan Fund accounts for financial resources used for the acquisition or construction of major capital facilities. In this fund, total assets decreased by \$1.7 million in 2015 compared to 2014. Liabilities decreased by \$58 thousand from 2014 to 2015. Compared to the prior year, revenues in the Capital Facilities fund increased by \$981 thousand and expenditures increased by \$918 thousand. The increase in expenditures was due to an increase in capital outlay activity.

The Debt Service funds have a total fund balance of \$18 thousand, which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$18 thousand, due to the debt related to the Vader Water

System being reclassified when the system was awarded by the court to Lewis County. Debt service payments are funded when due by transfers in from the General and Capital Facilities Plan funds. Real estate excise taxes represent the primary revenue source for the Capital Facilities Plan fund.

In 2015, an additional debt service fund was added to facilitate payment of debt service costs related to the County's Limited Tax General Obligation Refunding Bonds, Series 2015. These bonds were issued for the purpose of refunding the County's Limited Tax General Obligation and Refunding Bonds, Series 2005.

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 Disposal District No. 1 and the Solid Waste Utility Funds are the major proprietary funds for the County in 2015. These funds provide efficient disposal and recycling services to the residents and businesses of Lewis County.

The Solid Waste Disposal District No. 1 fund 415, ended 2015 with a total net position of \$2.5 million, an increase of \$65 thousand over 2014. Revenues in the SWDD fund increased by 8.7 percent in 2015, or \$455 thousand. The fund saw an increase in expenses as well, \$232 thousand (4.3 percent), over the prior year.

The Solid Waste Utility fund 401 ended the fiscal year with a net position of \$1.7 million. Expenses increased in 2015 from 2014 by \$151 thousand. The net position of the Solid Waste Utility 401 decreased by \$980 thousand during the current fiscal year. Revenue for the fund increased just slightly, by \$6 thousand in 2015.

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 million, an increase of \$889 thousand over the prior year. Revenues and expenses increased to \$311 thousand, and \$328 thousand, respectively.

Unrestricted net position of the Solid Waste Disposal District No. 1 and the Solid Waste Utility at year end were \$2.5 million, and \$1.7 million, respectively. Those for the non-major enterprise funds amounted to \$245 thousand.

During the year, net position for all enterprise funds increased by \$64 thousand. Other factors concerning the finances of these funds have already been addressed in the discussion of Lewis County's' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$662 thousand in revenues, \$558 thousand in expenditures, and an increase of \$366

thousand in transfers out to other funds. There was a net increase of \$281 thousand in other financing sources/uses that included transfers in and out of other funds as well as the net difference of revenues over expenditures. The differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$337 thousand in increases in general government activities
- \$86 thousand in increases allocated to the various law and justice departments
- \$80 thousand in increases in economic environment
- \$56 thousand in increases in mental and physical health
- \$366 thousand in increases in operating transfers out to other funds

Of this change, \$50 thousand was funded out of miscellaneous increases in various revenue sources. As an additional offset to the budget changes, there was a \$178 thousand decrease in budgeted estimated ending fund balances. During the year actual revenues were less than original budgetary estimates, expenditures less than budgetary estimates, and the net effect after other financing uses lead to the decrease of \$599 thousand of actual fund balance.

Capital Asset and Debt Administration

Capital Assets. Lewis County's capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$112.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, county roads, and bridges. The total increase in Lewis County's investment in capital assets for the current fiscal year was 3.78 percent (a \$2.8 million increase for governmental activities and \$1.3 million increase for business-type activities).

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

- Increase in county land due to the purchase and donations of road right-of-way.
- Increase in infrastructure due to the completion of a major road rehabilitation and the May Bridge project.
- Increase in buildings due to the completion of CIP projects such as the Public Works Area 7 building and the SWWF maintenance building.
- 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,530,551	\$ 4,997,607	\$ 209,568	\$ 209,568	\$ 5,740,119	\$ 5,207,175
Land Use Rights (Intangible Assets)	95,807	94,807	4,614	4,614	100,421	99,421
Construction in Progress	2,249,166	7,541,550	314,905	45,501	2,564,071	7,587,051
Buildings	35,940,038	35,222,716	216,453	268,206	36,156,491	35,490,922
Improvements other than buildings	537,510	620,470	5,057,019	3,986,946	5,594,529	4,607,416
Machinery & Equipment	9,922,828	9,301,511	346,309	347,562	10,269,137	9,649,073
Intangible Assets	884,000	-	-	-	884,000	-
Infrastructure	51,312,947	45,880,589	-	-	51,312,947	45,880,589
Total	\$ 106,472,847	\$ 103,659,250	\$ 6,148,868	\$ 4,862,397	\$ 112,621,715	\$ 108,521,647

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 had total bonded - debt outstanding of \$16.8 million. Of this amount, \$742 thousand comprises debt other than General Obligation bonds backed by the full faith and credit of the government.

Lewis County's Outstanding Debt General Obligation Bonds

	Balance		New Issues	Retirement	Balance	
	12/31/2014				12/31/2015	
General Obligation Bonds	17,411,785		3,780,000	5,121,991	16,069,794	
TOTAL	\$ 17,411,785	\$	\$ 3,780,000	\$ 5,121,991	\$ 16,069,794	

Lewis County's total debt decreased by \$1 million (5.7 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 \$157.6 and \$88 million for the 2.5 percent and 1.5 percent maximums, respectively. Both are significantly in excess of Lewis County's outstanding general obligation debt.

Additional information on Lewis County's long-term debt can be found in note 10 in the notes to the financial statement within this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lewis County is currently 8.4 percent, a slight decrease from the rate of 9.7 percent a year ago. This is higher than the current state's average unemployment rate of 5.8 percent compared to 6.3 percent a year ago and the national average rate of 5.3 percent.
- Inflationary trends in the region are comparable to national indices.

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

During the fiscal year, 2015, unassigned fund balance in the general fund decreased to approximately \$9.1 million. For 2016, Lewis County has appropriated \$2.5 million of this amount for spending in the 2016 fiscal year budget for general operations. The use of available fund balance will avoid the need to raise taxes or charges during the 2016 fiscal year. It is uncertain if additional cuts in county departments may be required in the future.

Requests for Information

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

Statement of Net Position

December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 8,559,705	\$ 1,981,005	\$ 10,540,710
Investments	40,835,341	2,360,670	43,196,011
Receivables	4,821,542	390,175	5,211,717
Internal Balances	6,158	137,181	143,339
Due from Other Governmental Units	4,069,730	98,028	4,167,758
Inventories	845,121	-	845,121
Prepayments	886,098	12,660	898,758
Special Assessments-Current	-	761	761
Capital Assets Not Being Depreciated:			-
Land, Intangibles, (Nondepreciable)	6,510,358	214,182	6,724,540
Construction in Progress	2,249,166	314,905	2,564,071
Capital Assets Being Depreciated:			-
Buildings & Structures	35,940,038	216,455	36,156,493
Improvements Other than Buildings	537,510	5,057,020	5,594,530
Machinery & Equipment	9,922,828	346,309	10,269,137
Infrastructure	51,312,947	-	51,312,947
Net Pension Asset	1,365,272	-	1,365,272
Total Assets	167,861,814	11,129,351	178,991,165
Deferred Outflows of Resources			
Deferred Outflows Related to Refunding of Debt	310,909	-	310,909
Deferred Outflows Related to Pensions	2,139,905	73,637	2,213,542
Total Deferred Outflows of Resources	2,450,814	73,637	2,524,451
Liabilities			
Accounts Payable & Other Current Liabilities	4,260,732	327,007	4,587,739
Internal Balances	30,352	112,987	143,339
Due to Other Governmental Units	248,409	8,854	257,263
Accrued Interest Payable	39,537	-	39,537
Accrued Employee Benefits	2,575,870	95,276	2,671,146
Unearned Revenue	585,520	7,000	592,520
Custodial Accounts	2,313,970	18,770	2,332,740
Due Within One Year	1,656,304	41,124	1,697,428
General Obligation Debt	14,607,671	-	14,607,671
Other Credits	420,591	-	420,591
Compensated Absences	4,424,671	153,125	4,577,796
Net OPEB Obligation	2,072,369	-	2,072,369
Other Liabilities	-	742,721	742,721
Net Pension Liability	21,476,793	906,704	22,383,497
Total Liabilities	54,712,789	2,413,568	57,126,357
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	3,720,458	139,778	3,860,236
Net Position			
Net Investment in Capital Assets	92,488,756	5,365,026	97,853,782
Restricted: Special Revenue/Debt Service	12,552,097	-	12,552,097
Restricted: Pensions	1,365,272	-	1,365,272
Unrestricted (Deficit)	5,473,256	3,284,616	8,757,872
Total Net Position	\$ 111,879,381	\$ 8,649,642	\$ 120,529,023

See Accompanying Notes to Financial Statements

Lewis County, Washington 2015

Statement of Activities

For Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 15,070,986	\$ 6,562,808	\$ 4,496,729	\$ 68,752	\$ (3,942,697)	\$ -	\$ (3,942,697)
Public Safety	21,243,551	4,173,907	1,038,001	-	(16,031,643)	-	(16,031,643)
Utilities	1,456,634	-	7,288	15,661	(1,433,685)	-	(1,433,685)
Transportation	20,101,241	320,616	7,647,683	442,692	(11,690,250)	-	(11,690,250)
Natural & Economic Environment	3,638,398	494,442	887,483	-	(2,256,473)	-	(2,256,473)
Social Services & Physical Health	6,408,274	1,521,334	2,795,642	-	(2,091,298)	-	(2,091,298)
Culture & Recreation	1,755,241	921,974	112,094	-	(721,173)	-	(721,173)
Interest on Long-Term Debt	652,879	-	-	-	(652,879)	-	(652,879)
Total Government Activities	70,327,204	13,995,081	16,984,920	527,105	(38,820,098)	-	(38,820,098)
Business-type activities:							
Solid Waste	7,985,876	7,626,715	199,277	-	-	(159,884)	(159,884)
Airports	302,061	77,502	-	267,366	-	42,807	42,807
Water Sewer	330,471	310,740	-	-	-	(19,731)	(19,731)
Total business-type activities	8,618,408	8,014,957	199,277	267,366	-	(136,808)	(136,808)
Total primary government	\$ 78,945,612	\$ 22,010,038	\$ 17,184,197	\$ 794,471	\$ (38,820,098)	\$ (136,808)	\$ (38,956,906)
General Revenues:							
Property Taxes					\$ 22,976,409	\$ -	\$ 22,976,409
Private Harvest Taxes					2,674,885	-	2,674,885
Sales Tax					10,474,818	-	10,474,818
Excise Tax					2,014,583	-	2,014,583
Investment Earnings <Expense>					488,064	(17,118)	470,946
Miscellaneous					-	1,867	1,867
Gain <Loss> on Sale & Donation of Capital Assets					1,038,098	-	1,038,098
Insurance Proceeds					27,903	-	27,903
Contributions					-	966,019	966,019
Transfers					(270,497)	270,497	-
Adjustment for Rounding					7	-	7
Total General Revenues and Transfers					39,424,270	1,221,265	40,645,535
Change in Net Position					604,172	1,084,457	1,688,629
Net Position - Beginning					134,209,946	8,582,937	142,792,883
Prior period Adjustment					33,230	-	33,230
Adjustment due to Change in Accounting Principle					(22,967,967)	(1,017,752)	(23,985,719)
Net Position - Ending					\$ 111,879,381	\$ 8,649,642	\$ 120,529,023

See Accompanying Notes to Financial Statements

Governmental Balance Sheet

December 31, 2015

	General	Roads	Distressed Counties	2007 Bond Redemption	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Assets							
Current Assets							
Cash & Cash Equivalents	\$ 3,149,262	\$ 1,141,663	\$ 813,897	\$ 7,869	\$ -	\$ 1,321,767	\$ 6,434,458
Investments	8,355,817	1,511,463	2,018,417	-	5,916,320	8,237,930	26,039,947
Receivables, Net	681,353	603,183	74,773	839	18,629	300,279	1,679,056
Interest Receivable	-	-	-	-	-	84	84
Due from Other Funds	121,802	38,389	-	-	251	16,822	177,264
Interfund Loan Receivable	185,920	-	-	-	198,000	-	383,920
Due from Other Governmental Units	1,058,480	2,138,920	115,354	-	95,798	661,178	4,069,730
Inventories	1,681	-	-	-	-	-	1,681
Prepayments	50,042	39,692	-	-	-	113,812	203,546
Notes/Contracts Receivable	-	110,050	916,074	-	-	-	1,026,124
Debt Service Investment	-	-	-	1,559,889	-	-	1,559,889
Total Assets	\$ 13,604,357	\$ 5,583,360	\$ 3,938,515	\$ 1,568,597	\$ 6,228,998	\$ 10,651,872	\$ 41,575,699
Liabilities and Fund Balances							
Liabilities							
Accounts/Vouchers Payable	\$ 410,576	\$ 625,878	\$ 1,232	\$ -	\$ 6,480	\$ 496,791	\$ 1,540,957
Retainage Payable	395,217	-	-	-	-	-	395,217
Due to Other Funds	17,755	554,051	22,206	-	-	15,686	609,698
Interfund Loans Payable	-	-	-	-	-	185,920	185,920
Due to Other Governmental Units	11,106	36,592	11,521	-	-	180,917	240,136
Accrued Employee Benefits	1,392,992	534,908	-	-	-	436,509	2,364,409
Unearned Revenue	1,024,948	665,813	-	-	-	223,795	1,914,556
Custodial Accounts	692,769	7,094	-	1,569,729	-	44,378	2,313,970
Total Liabilities	3,945,363	2,424,336	34,959	1,569,729	6,480	1,583,996	9,564,863
Fund Balances							
Nonspendable	237,643	149,742	916,074	-	198,000	113,812	1,615,271
Restricted: Special Revenue/Capital Projects	300,970	99,944	2,815,042	-	5,216,178	3,670,111	12,102,245
Restricted: Debt Service	-	-	-	-	-	18,652	18,652
Committed	-	-	-	-	-	509,026	509,026
Assigned	36,029	2,909,338	172,440	-	808,340	4,761,764	8,687,911
Unassigned	9,084,352	-	-	(1,132)	-	(5,489)	9,077,731
Total Fund Balances	9,658,994	3,159,024	3,903,556	(1,132)	6,222,518	9,067,876	32,010,836
Total Liabilities and Fund Balance	\$ 13,604,357	\$ 5,583,360	\$ 3,938,515	\$ 1,568,597	\$ 6,228,998	\$ 10,651,872	\$ 41,575,699

See Accompanying Notes to Financial Statements

**Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds**
December 31, 2015

Fund balances - total governmental funds	\$ 32,010,836
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	2,275,399
Capital and net pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	95,044,415
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,329,036
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	2,014,015
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the governmental funds.	(42,131,212)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	24,724,382
Revenues 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	(3,387,489)
Adjustment for Rounding	(1)
Net Position of government activities.	<u>\$ 111,879,381</u>

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended
December 31, 2015

	General	Roads	Distressed Counties	2007 Bond Redemption	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 19,894,186	\$ 11,426,481	\$ 1,138,063	\$ -	\$ 3,220,603	\$ 2,604,383	\$ 38,283,716
Licenses & Permits	33,293	49,458	-	-	-	887,709	970,460
Intergovernmental	5,234,260	8,072,288	28,505	-	-	3,428,229	16,763,282
Charges for Services	3,914,028	301,580	-	-	-	4,464,511	8,680,119
Fines & Forfeits	1,820,970	-	-	-	-	21,062	1,842,032
Miscellaneous	2,043,755	65,399	11,988	315,074	219,577	1,230,187	3,885,980
Total Revenues	32,940,492	19,915,206	1,178,556	315,074	3,440,180	12,636,081	70,425,589
Expenditures							
Current:							
General Government Services	14,108,431	-	-	-	-	883,528	14,991,959
Security of Persons & Property	16,260,893	-	-	-	7,437	4,186,872	20,455,202
Utilities	-	-	-	-	-	8,718	8,718
Transportation	-	15,447,461	-	-	-	-	15,447,461
Natural & Economic Environment	561,065	111,960	1,650,625	-	-	1,338,729	3,662,379
Mental & Physical Health	447,449	-	-	-	-	5,977,606	6,425,055
Culture & Recreation	219,044	-	-	-	-	1,433,521	1,652,565
Debt Service:							
Principal	-	-	-	231,991	-	1,140,000	1,371,991
Interest & Other Debt Service	-	-	-	84,215	-	560,581	644,796
Capital Outlays	151,438	8,007,425	-	-	1,136,975	191,784	9,487,622
Total Expenditures	31,748,320	23,566,846	1,650,625	316,206	1,144,412	15,721,339	74,147,748
Excess of Revenues Over (Under) Expenditures	1,192,172	(3,651,640)	(472,069)	(1,132)	2,295,768	(3,085,258)	(3,722,159)
Other Financing Sources/(Uses)							
Issuance of Refunding Bonds	-	-	-	-	-	3,780,000	3,780,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(3,750,000)	(3,750,000)
Proceeds from Sale of Capital Assets	575,932	779,137	-	-	-	43,354	1,398,423
Transfers-In	125,899	40,992	-	-	-	6,241,976	6,408,867
Transfers-Out	(2,496,369)	-	(40,993)	-	(4,138,952)	(253,024)	(6,929,338)
Total Other Financing Sources/(Uses)	(1,794,538)	820,129	(40,993)	-	(4,138,952)	6,062,306	907,952
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	(602,366)	(2,831,511)	(513,062)	(1,132)	(1,843,184)	2,977,048	(2,814,207)
Fund Balance - January 1, Restated	10,261,360	5,990,535	4,416,618	-	8,065,702	6,090,828	34,825,043
Fund Balance - December 31	\$ 9,658,994	\$ 3,159,024	\$ 3,903,556	\$ (1,132)	\$ 6,222,518	\$ 9,067,876	\$ 32,010,836

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

December 31, 2015

Net changes in fund balances - total governmental funds	\$ (2,814,207)
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.	9,487,622
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net position.	(322,822)
Repayment of bond principal and accrued interest is an expenditure in funds, but the repayment reduces long-term liabilities in the governmental statement of net position. Issuance of debt in the governmental funds provides current financial resources to governmental funds, but is not included in the statement of activities.	1,333,908
Some revenues or expenditures reported in the statement of activities are not yet available or expensed and therefore are not reported as revenue or expenses in governmental funds.	(7,366,248)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	285,920
Adjustment for Rounding	<u>(1)</u>
Change in net position of governmental activities.	<u>\$ 604,172</u>

The accompanying notes are an integral part of these statements

Budget-To-Actual Comparison Statement

For The Year Ended
December 31, 2015

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 18,595,492	\$ 18,962,492	\$ 19,894,186	\$ 931,694
Licenses & Permits	31,400	31,400	33,293	1,893
Intergovernmental	4,689,804	4,928,449	5,234,260	305,811
Charges for Services	3,872,824	3,877,824	3,902,028	24,204
Fines & Forfeits	2,058,331	2,058,331	1,820,970	(237,361)
Miscellaneous	2,071,027	2,121,970	2,043,755	(78,215)
Total Revenues	31,318,878	31,980,466	32,928,492	948,026
Expenditures				
General Government Services	14,642,401	14,979,362	14,108,431	870,931
Security of Persons & Property	16,903,571	16,989,140	16,260,893	728,247
Natural & Economic Environment	559,034	638,869	525,555	113,314
Mental & Physical Health	447,900	503,404	447,449	55,955
Culture & Recreation	234,384	234,384	219,044	15,340
Capital Outlays	-	-	151,438	(151,438)
Total Expenditures	32,787,290	33,345,159	31,712,810	1,632,349
Excess of Revenues Over (Under) Expenditures	(1,468,412)	(1,364,693)	1,215,682	2,580,375
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Assets	800,000	800,000	575,932	(224,068)
Transfers-In	34,000	119,000	105,899	(13,101)
Transfers-Out	(2,509,100)	(2,875,543)	(2,496,369)	379,174
Total Other Financing Sources/(Uses)	(1,675,100)	(1,956,543)	(1,814,538)	142,005
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	(3,143,512)	(3,321,236)	(598,856)	2,722,380
Fund Balance as of January 1	10,221,821	10,221,821	10,221,821	-
Fund Balance as of December 31	\$ 7,078,309	\$ 6,900,585	\$ 9,622,965	\$ 2,722,380

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

9,622,965

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	20,995
Cowlitz River Basin Subzone #126	15,000
SWW Fair Entertainment Reserve #197	34
Eliminated Transfer In/Out	
Total Fund Balance - General Fund Balance Sheet for Governmental Funds	9,658,994

See Accompanying Notes to Financial Statements

GENERAL FUND

Expenditures Budget-To-Actual Comparison Statement

For The Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
General Government				
Commissioners - Legislative	914,410	926,289	916,173	10,116
Auditor	1,234,310	1,275,214	1,229,054	46,160
Auditor - Elections	295,065	323,927	323,304	623
Assessor	1,721,949	1,741,103	1,590,730	150,373
Board of Equalization	16,277	16,277	7,031	9,246
Treasurer	795,520	801,820	786,606	15,214
Clerk	1,133,278	1,152,259	1,090,011	62,248
Superior Court	1,265,606	1,307,142	1,190,319	116,823
District Court	1,698,847	1,724,915	1,608,109	116,806
Prosecuting Attorney	2,971,395	3,008,242	2,898,177	110,065
Self Insurance	200,735	215,935	208,734	7,201
Courts: Designated Accounts	1,250,000	1,315,000	1,149,301	165,699
Civil Service	16,256	16,256	10,823	5,433
Disability Board	1,800	1,800	-	1,800
State Examiner	40,000	40,000	30,017	9,983
Association Dues	23,843	24,043	23,910	133
Labor Relations/Human Resources	224,336	248,366	234,500	13,866
Budget Office	688,621	690,621	664,905	25,716
Central Services	148,952	148,952	146,687	2,265
Juvenile: Indigent Defense	1,201	1,201	40	1,161
Total General Government	14,642,401	14,979,362	14,108,431	870,931
Security of Persons and Property				
Sheriff	7,070,905	7,112,739	6,856,368	256,371
Jail	6,839,401	6,861,960	6,434,632	427,328
Juvenile	2,993,265	3,014,441	2,969,893	44,548
Total Security of Persons and Property	16,903,571	16,989,140	16,260,893	728,247
Economic Environment				
Boundary Review Board	7,300	7,300	3,029	4,271
Noxious Weed Control	178,238	198,073	162,078	35,995
Air Pollution Control	15,100	15,100	14,539	561
Animal Shelter	358,396	418,396	345,909	72,487
Total Economic Environment	559,034	638,869	525,555	113,314
Mental and Physical Health				
Coroner	447,900	503,404	447,449	55,955
Total Mental and Physical Health	447,900	503,404	447,449	55,955
Culture and Recreation				
WSU Extension	234,384	234,384	219,044	15,340
Total Culture and Recreation	234,384	234,384	219,044	15,340
Capital Outlay	-	-	151,438	(151,438)
Total Expenditures	32,787,290	33,345,159	31,712,810	1,632,349

The accompanying notes are an integral part of these statements.

Budget-To-Actual Comparison Statement

For The Year Ended
December 31, 2015

	Special Revenue: Roads			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 11,400,410	\$ 11,400,410	\$ 11,426,481	\$ 26,071
Licenses & Permits	37,000	37,000	49,458	\$ 12,458
Intergovernmental	10,743,885	10,743,885	8,072,288	\$ (2,671,597)
Charges for Services	133,200	133,200	301,580	\$ 168,380
Miscellaneous	17,350	17,350	65,247	\$ 47,897
Total Revenues	22,331,845	22,331,845	19,915,054	(2,416,791)
Expenditures				
Transportation	16,864,933	16,918,930	15,447,461	1,471,469
Economic Environment	129,700	129,700	111,960	17,740
Capital Outlays	10,195,375	10,195,375	8,007,425	2,187,950
Total Expenditures	27,190,008	27,244,005	23,566,846	3,677,159
Excess of Revenues Over (Under) Expenditures	(4,858,163)	(4,912,160)	(3,651,792)	1,260,368
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Assets	1,200,000	1,200,000	779,137	(420,863)
Transfers-In	273,000	273,000	40,992	(232,008)
Transfers-Out	(13,203)	(13,203)	-	13,203
Total Other Financing Sources/(Uses)	1,459,797	1,459,797	820,129	(639,668)
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	(3,398,366)	(3,452,363)	(2,831,663)	620,700
Fund Balance as of January 1 Restated	5,906,872	5,906,872	5,906,872	-
Fund Balance as of December 31	\$ 2,508,506	\$ 2,454,509	\$ 3,075,209	\$ 620,700

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

3,075,209

The Following fund was budgeted as special revenue fund
but does not meet the definition of such under GASB
Statement No. 54 and; therefore, are accounted for within
the Roads Fund:

Paths & Trails #128	99,944
Eliminated Transfer In/Out	(16,129)
Total Fund Balance - General Fund Balance Sheet for Governmental Funds	3,159,024

See Accompanying Notes to Financial Statements

Budget-To-Actual Comparison Statement

For The Year Ended
December 31, 2015

	Special Revenue: Distressed Counties			
	Budget			Variance with Final
	Original	Final	Actual Amounts	Budget- Positive (Negative)
Revenues				
Taxes	\$ 985,000	\$ 985,000	\$ 1,138,063	\$ 153,063
Intergovernmental	-	-	28,505	\$ 28,505
Miscellaneous	13,500	13,500	11,988	\$ (1,512)
Total Revenues	998,500	998,500	1,178,556	180,056
Expenditures				
Economic Environment	1,075,000	2,287,929	1,650,625	637,304
Total Expenditures	1,075,000	2,287,929	1,650,625	637,304
Excess of Revenues Over (Under) Expenditures	(76,500)	(1,289,429)	(472,069)	817,360
Other Financing Sources/(Uses)				
Transfers-Out	-	-	(40,993)	(40,993)
Total Other Financing Sources/(Uses)	-	-	(40,993)	(40,993)
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	(76,500)	(1,289,429)	(513,062)	776,367
Fund Balance as of January 1	4,416,618	4,416,618	4,416,618	-
Fund Balance as of December 31	\$ 4,340,118	\$ 3,127,189	\$ 3,903,556	\$ 776,367

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activity-Enterprise Funds					Governmental Activities - Internal Service Funds
	Solid Waste Utility	Solid Waste Disposal District	Vader Water System Utility	Other Enterprise Funds	Total	
Assets						
Current Assets:						
Cash & Cash Equivalents	\$ 644,749	\$ 1,135,579	\$ 17,121	\$ 183,556	\$ 1,981,005	\$ 2,125,247
Investments	806,764	1,418,054	25,168	110,684	2,360,670	13,235,505
Receivables, Net	521	322,134	64,483	511	387,649	102,263
Due from Other Funds	137,181	-	-	-	137,181	423,444
Due from Other Governmental Units	49,458	-	-	48,570	98,028	-
Inventories	-	-	-	-	-	843,440
Prepayments	5,047	149	631	6,833	12,660	648,950
Special Assessments Current	-	-	-	761	761	-
Noncurrent Assets:						
Land	112,682	-	34,279	67,221	214,182	1,637,411
Buildings & Structures, Net	111,572	-	84,480	20,403	216,455	3,141,157
Other Improvements, Net	644,436	-	2,645,052	1,767,532	5,057,020	158,526
Machinery & Equipment, Net	346,309	-	-	-	346,309	7,834,638
Construction in Progress	-	-	-	314,905	314,905	21,972
Total Assets	2,858,719	2,875,916	2,871,214	2,520,976	11,126,825	30,172,553
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	65,394	-	4,434	3,809	73,637	175,415
Liabilities						
Current Liabilities:						
Accounts/Vouchers Payable	46,090	247,462	3,527	29,928	327,007	464,751
Claims & Judgements Payable	-	-	-	-	-	1,859,807
Due to Other Funds	3,556	106,829	2,511	91	112,987	15,204
Due to Other Governmental Units	1,725	-	7,129	-	8,854	8,273
Accrued Employee Benefits	84,654	-	5,417	5,205	95,276	211,461
Unearned Revenue	-	-	-	7,000	7,000	-
Custodial Accounts	-	4,254	13,500	1,016	18,770	-
Due Within One Year	-	-	41,124	-	41,124	-
Noncurrent Liabilities:						
Loans Payable, Interfund	-	-	-	-	-	198,000
Compensated Absences & Net Pensions	946,003	-	55,288	58,538	1,059,829	2,533,121
Other Liabilities	-	-	742,721	-	742,721	-
Total Liabilities	1,082,028	358,545	871,217	101,778	2,413,568	5,290,617
Deferred Inflows of Resources						
Deferred Inflows Related to Pensions	124,131	-	8,417	7,230	139,778	332,969
Net Position						
Net Investment in Capital Assets	1,214,999	-	1,979,966	2,170,061	5,365,026	12,793,704
Restricted for Risk Management/County Insurance	-	-	-	-	-	431,200
Unrestricted	502,955	2,517,459	16,048	245,716	3,282,178	11,499,478
Total Net Position	\$ 1,717,954	\$ 2,517,459	\$ 1,996,014	\$ 2,415,777	\$ 8,647,204	\$ 24,724,382

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Net Position

Proprietary Funds

For The Year Ended

December 31, 2015

	Business-type Activity-Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Solid Waste Utility	Solid Waste Disposal District	Vader Water System Utility	Other Enterprise Funds		
Operating Revenues						
Charges for Services	\$ 1,931,501	\$ 5,627,741	\$ 310,735	\$ 56,455	\$ 7,926,432	\$ 5,260,251
Equipment Rental	-	-	-	-	-	4,173,460
Insurance Premiums and Recoveries	-	-	-	-	-	1,577,078
Other Operating Revenue	-	65,035	5	21,047	86,087	8,782
Total Operating Revenues	1,931,501	5,692,776	310,740	77,502	8,012,519	11,019,571
Operating Expenses						
Personnel Services	1,212,039	-	142,846	60,033	1,414,918	3,386,277
Repairs and Maintenance	256,178	272	6,539	19,546	282,535	440,568
Other Supplies and Expenses	508,191	984,691	40,948	79,909	1,613,739	4,103,798
Contractual Services	249,442	4,500,364	49,490	-	4,799,296	394,381
Depreciation, Amortization, & Depletion	129,699	-	88,508	144,713	362,920	1,199,032
Risk Transfer Payments	-	-	-	-	-	615,511
Insurance Claims and Expenses	-	-	-	-	-	1,006,774
Other Operating Expenses	-	145,000	-	-	145,000	-
Total Operating Expenses	2,355,549	5,630,327	328,331	304,201	8,618,408	11,146,341
Operating Income (Loss)	(424,048)	62,449	(17,591)	(226,699)	(605,889)	(126,770)
Non-Operating Revenues (Expenses)						
Interest and Investment Revenue (Expense)	-	-	(17,164)	46	(17,118)	97,339
Miscellaneous Revenue	1,005	-	862	-	1,867	241
Gain (Loss) on Disposal of Capital Asset	-	-	-	-	-	58,763
Capital Asset Loss Insurance Recovery	-	-	-	-	-	6,374
Total Other Financing Sources/(Uses)	1,005	-	(16,302)	46	(15,251)	162,717
Income (Loss) Before Contributions and Transfers	(423,043)	62,449	(33,893)	(226,653)	(621,140)	35,947
Capital Contributions	-	-	966,019	-	966,019	-
Grants	199,277	-	-	267,366	466,643	-
Transfers In (Out)	147,600	-	17,897	105,000	270,497	249,973
Change in Net Position	(76,166)	62,449	950,023	145,713	1,082,019	285,920
Net Position-Beginning	2,697,942	2,455,010	1,107,279	2,322,706	8,582,937	27,060,887
Prior Period Adjustments Due to Change in Accounting Principle	(903,822)	-	(61,288)	(52,642)	(1,017,752)	(2,424,425)
Prior Period Adjustments	-	-	-	-	-	(198,000)
Net Position-Ending	\$ 1,717,954	\$ 2,517,459	\$ 1,996,014	\$ 2,415,777	\$ 8,647,204	\$ 24,724,382

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds

For The Year Ended December 31, 2015

	Business-type Activity-Enterprise Funds					Governmental Activities - Internal Service Funds
	Solid Waste Utility	Solid Waste Disposal District	Vader Water System Utility	Other Enterprise Funds	Total	
Cash Flows from Operating Activities:						
Cash Received from Charges for Services	\$ 1,954,444	\$ 5,637,320	\$ 291,996	\$ 56,677	\$ 7,940,437	\$ 6,067,022
Cash Received from Premiums/Recoveries	-	-	-	-	-	1,665,732
Cash Received from Rent Proceeds	-	-	-	18,251	18,251	-
Cash Received from Equipment Rental	-	-	-	-	-	4,173,460
Cash Received from Miscellaneous Activities	-	65,035	5	227	65,267	8,811
Payments for Wages & Benefits	(1,242,537)	-	(148,821)	(64,484)	(1,455,842)	(3,466,540)
Payments for Inventory & Supplies	(33,086)	-	(4,859)	(313)	(38,258)	(1,550,962)
Payments to Suppliers for Goods & Services	(990,080)	(5,678,865)	(91,503)	(103,844)	(6,864,292)	(3,143,320)
Payments for Risk Transfer	-	-	-	-	-	(671,911)
Payments for Claimants & Beneficiaries	-	-	-	-	-	(1,305,487)
Other Non-Operating Revenues	484	-	862	-	1,346	212
Net Cash Provided (Used) by Financing Activities	(310,775)	23,490	47,680	(93,486)	(333,091)	1,777,017
Cash Flows from Non-Capital Financing Activities:						
Operating Grants/Contributions Received	226,885	-	-	639	227,524	-
Transfers-In	147,600	-	17,897	105,000	270,497	249,973
Transfers-Out	-	-	-	-	-	-
Cash Provided (Used) by Financing Activities	374,485	-	17,897	105,639	498,021	249,973
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Capital Improvement Assessments	-	-	-	997	997	-
Principal Paid on Capital Debt	-	-	(40,635)	-	(40,635)	-
Interest Paid on Capital Debt	-	-	(17,167)	-	(17,167)	-
Proceeds from Sale/Disposal of Capital Assets	-	-	-	-	-	72,100
Acquisition/Construction of Capital Assets	(56,633)	-	-	(284,819)	(341,452)	(1,753,871)
Capital Grants Received	-	-	-	268,556	268,556	-
Insurance Proceeds	-	-	-	-	-	6,374
Net Cash Provided (Used) by Capital and Related Financing Activities	(56,633)	-	(57,802)	(15,266)	(129,701)	(1,675,397)
Cash Flows from Investing Activities:						
Receipt of Interest	-	-	3	46	49	101,540
Sale of Investment Securities	804,327	1,407,617	19,050	109,979	2,340,973	13,059,373
Purchase of Investment Securities	(806,764)	(1,418,054)	(25,168)	(110,684)	(2,360,670)	(13,235,505)
Cash Provided by Investing Activities	(2,437)	(10,437)	(6,115)	(659)	(19,648)	(74,592)
Net Increase (Decrease) in Cash and Cash Equivalents	4,640	13,053	1,660	(3,772)	15,581	277,001
Cash and Cash Equivalents at Beginning of Year	640,109	1,122,526	15,461	187,328	1,965,424	1,848,246
Cash and Cash Equivalents at End of Year	\$ 644,749	\$ 1,135,579	\$ 17,121	\$ 183,556	\$ 1,981,005	\$ 2,125,247

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Net Operating Income (Loss)	(424,048)	62,449	(17,591)	(226,699)	(605,889)	(126,770)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:						
Depreciation Expense	129,699	-	88,508	144,713	362,920	1,199,032
Prior Period Adjustment to Net Position (GASB 68)	(903,822)	-	(61,288)	(52,642)	(1,017,752)	(2,424,425)
Other Non-Operating Revenue	1,005	-	862	-	1,867	241
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	22,422	9,617	(21,735)	(49)	10,255	895,425
(Increase) Decrease in Inventories	-	-	-	-	-	(19,590)
(Increase) Decrease in Prepaids	(639)	(26)	(631)	-	(1,296)	(16,204)
Increase (Decrease) in Payables	805,871	(48,550)	55,572	37,770	850,663	2,111,754
Change in Deferred Inflows and Outflows:						
Change in Deferred Outflows - Pensions	(65,394)	-	(4,434)	(3,809)	(73,637)	(175,415)
Change in Deferred Inflows - Pensions	124,131	-	8,417	7,230	139,778	332,969
Total Adjustments	113,273	(38,959)	65,271	133,213	272,798	1,903,787
Net Cash Provided (Used) by Operating Activities	(310,775)	23,490	47,680	(93,486)	(333,091)	1,777,017
Noncash Investing, Capital, and Financing Activities:						
Contributions of Capital Assets	\$ -	\$ -	\$ 966,019	\$ -	\$ 966,019	\$ -
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	58,763

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 5,406,544
Investments	84,068,766
Total Assets	<u>\$ 89,475,310</u>
Liabilities	
Current Liabilities:	
Warrants Payable	1,525,168
Accounts/Vouchers Payable	317,067
Custodial Accounts	87,633,075
Total Liabilities	<u>\$ 89,475,310</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Unit

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function of segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 for the final balloon were deposited with the Lewis County Treasurer and are recognized as a liability in the fund.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

The county reports the following major proprietary funds:

The Solid Waste Utility Fund is used to account for the activities of the solid waste transfer station located in Centralia. Activities include waste disposal and transfer, code compliance, and recycling, including education. The main source of revenue for the utility is from contractual services with the Solid Waste Disposal District No. 1.

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.

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, and information technology services.

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

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

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

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

D. Budgetary Information

1. Scope of Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

legislative authority, being the Board of County Commissioners (BOCC), at the fund level, except in the general fund, where expenditures may not exceed appropriations at the department level. The budget sets legal authority for expenditures at these levels.

All annual appropriations lapse at fiscal year-end.

The County does not employ encumbrance accounting.

2. Adoption of the Original Budget

The County's budget is adopted according to the procedures mandated by Washington State law in the Revised Code of Washington (RCW) title/chapter 36.40. After two public hearings, the 2015 budget was adopted by the BOCC on Monday, December 1 2014.

3. Amending the Budget

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

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 Net fund Balance

During fiscal year 2015, the 2007 Bond Redemption Fund incurred an ending deficit net fund balance of \$1,132. This deficit was due to an earned interest calculation error by the Treasurer's office. This was applied to the payment from the City of Chehalis and will be corrected in fiscal year 2016.

The Vader Water System Improvement fund also incurred an ending deficit net fund balance in the amount of \$5,255. This project is mainly funded by grants, however some expenditures at the end of 2015 were not grant eligible. The deficit will be paid by the Utility in fiscal year 2016.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, 2015, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note 3. This amount is classified on the balance sheet as cash and cash equivalents in various funds. Income on pooled investments is allocated pursuant to county Resolution No. 14-289. Prior to Resolution No. 14-289, the county commission followed Resolution No. 2002-460. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and summarized by fund type in the combined balance sheet.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2015 were approximately \$11,465,288.

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

2. Investments

Investments for the county are reported at fair value. The State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares (See Deposits and Investments Note No. 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, 2015, \$1,750 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 account 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, the cost is recorded as expenditure at the time individual inventory items are purchased. These items in the general fund are valued at cost using the first-in/first-out (FIFO) method, which approximates the market value. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in 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	-	431,200

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 estimated fair market value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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.

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

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 but not revenues in governmental funds because the revenue recognition criteria have not been 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

14. Fund Balance Details

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

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

15. Fund Balances

	General Fund	Roads	Distressed Counties	Capital Projects	Special Revenue	Debt Service	Capital Facilities Plan	Total Funds
Fund Balances:								
Nonspendable:								
LT Portion Loans Receivable	185,920	-	916,074	-	-	-	198,000	1,299,994
Inventory	1,681	-	-	-	-	-	-	1,681
Prepays	50,042	149,742	-	234	113,578	-	-	313,596
Total Nonspendable	237,643	149,742	916,074	234	113,578	-	198,000	1,615,271
Restricted:								
Debt Service	-	-	-	-	-	17,520	-	17,520
General Government & Judicial	300,970	-	-	-	438,625	-	5,216,178	5,955,773
Public Safety	-	-	-	-	274,575	-	-	274,575
Transportation	-	99,945	-	-	-	-	-	99,945
Natural & Economic Environment	-	-	2,815,042	-	218,606	-	-	3,033,648
Social Services & Physical Health	-	-	-	-	1,062,861	-	-	1,062,861
Public Services	-	-	-	-	1,675,444	-	-	1,675,444
Total Restricted	300,970	99,945	2,815,042	-	3,670,111	17,520	5,216,178	12,119,766
Committed:								
General Government Services	-	-	-	-	50,268	-	-	50,268
Security of Persons & Property	-	-	-	-	-	-	-	-
Utilities & Environment	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Natural & Economic Environment	-	-	-	458,758	-	-	-	458,758
Mental & Physical Health	-	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	-	-
Public Services	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Total Committed	-	-	-	458,758	50,268	-	-	509,026
Assigned:								
General Government & Judicial	-	-	-	-	22,750	-	-	22,750
Public Safety	-	-	-	-	580,414	-	-	580,414
Utilities	-	-	-	-	-	-	-	-
Transportation	-	2,909,337	-	-	-	-	-	2,909,337
Natural & Economic Environment	35,995	-	172,440	-	-	-	-	208,435
Social Services & Physical Health	-	-	-	-	611,472	-	-	611,472
Culture & Recreation	34	-	-	-	134,086	-	-	134,120
Public Services	-	-	-	-	179,639	-	-	179,639
Capital Projects	-	-	-	3,227,914	-	-	808,340	4,036,254
Total Assigned	36,029	2,909,337	172,440	3,227,914	1,528,361	-	808,340	8,682,421
Unassigned:	9,084,352	-	-	-	-	-	-	9,084,352
Total Fund Balances:	9,658,994	3,159,024	3,903,556	3,686,906	5,362,318	17,520	6,222,518	32,010,836

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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	\$ 32,010,836
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	2,275,399
Capital and net pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	95,044,415
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,329,036
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	2,014,015
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the governmental funds.	(42,131,212)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	24,724,382
Revenues 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.	(3,387,489)
Adjustment for Rounding	(1)
Net Position of government activities.	<u>\$ 111,879,381</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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	\$ (2,814,207)
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.	9,487,622
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase/decrease net position.	(322,822)
Repayment of bond principal and accrued interest is an expenditure in funds, but the repayment reduces long-term liabilities in the governmental statement of net position. Issuance of debt in the governmental funds provides current financial resources to governmental funds, but is not included in the statement of activities.	1,333,908
Some revenues or expenditures reported in the statement of activities are not yet available or expensed and therefore are not reported as revenue or expenses in governmental funds.	(7,366,248)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	285,920
Adjustment for Rounding	(1)
Change in net position of governmental activities.	<u>\$ 604,172</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Investments

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

As of December 31, 2015, the county had the following investments:

Investment Type:	Carrying Amount	Market Value
U.S. Gov't Securities	\$ 25,318,344	\$ 25,267,469
Municipal Bonds	8,297,998	8,270,085
Subtotal - Investments Subject to Credit Risk Classification	33,616,342	33,537,554
State Treasurer's Investment Pool	50,791,870	50,791,870
Bank Deposits	41,134,285	41,134,285
Time Deposits	742,056	742,056
Subtotal - Investments Not Subject To Credit Risk Classification	92,668,211	92,668,211
Total Investments	\$ 126,284,553	\$ 126,205,765

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

Interest Rate Risk

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

Credit Risk

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

NOTE 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, 2015

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 2015 was \$2.25 per \$1,000 on an assessed valuation of \$4,940,345,062 or a total road tax of \$11,115,776.

The diverted county road levy for 2015 was \$0.265081 per \$1,000 on an assessed valuation of \$4,940,345,062 for a total diverted road levy of \$1,301,460.

The county's total regular levy for 2015 was \$1.7045 per \$1,000 on an assessed valuation of \$6,957,732,368 for a total regular tax of \$11,859,408. The components of the regular levy are:

	Levy	Tax
General Fund	1.659599026	11,547,046
Veterans' Relief	0.019953053	138,828
Social Services	0.024941172	173,534
Totals	1.704493251	11,859,408

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital Assets, not being depreciated:				
Land	\$ 4,997,608	\$ 532,943	\$ -	\$ 5,530,551
Land Use Rights (Intangible Assets)	94,807	1,000	-	95,807
Intangible Assets	-	884,000	-	884,000
Construction in Progress	7,541,550	8,562,217	13,854,601	2,249,166
Total Capital Assets, not being depreciated	<u>12,633,965</u>	<u>9,980,160</u>	<u>13,854,601</u>	<u>8,759,524</u>
Capital Assets being depreciated:				
Buildings	62,868,669	2,282,040	444,057	64,706,652
Improvements other than buildings	3,522,975	-	9,000	3,513,975
Machinery & Equipment	23,880,577	1,943,428	611,801	25,212,204
Intangible Assets	-	-	-	-
Infrastructure	100,182,097	8,245,227	-	108,427,324
Total Capital Assets, being depreciated	<u>190,454,318</u>	<u>12,470,695</u>	<u>1,064,858</u>	<u>201,860,155</u>
Less Accumulated Depreciation for:				
Buildings	27,645,953	1,220,574	99,913	28,766,614
Improvements other than buildings	2,902,506	73,959	-	2,976,465
Machinery & Equipment	14,579,066	1,320,496	610,186	15,289,376
Intangible Assets	-	-	-	-
Infrastructure	54,301,508	2,812,869	-	57,114,377
Total Accumulated Depreciation	<u>99,429,033</u>	<u>5,427,898</u>	<u>710,099</u>	<u>104,146,832</u>
Total Capital Assets being depreciated, net	91,025,285	7,042,797	354,759	97,713,323
Governmental Type Activities Capital Assets, net	<u>\$103,659,250</u>	<u>\$17,022,957</u>	<u>\$14,209,360</u>	<u>\$106,472,847</u>

Depreciation Expense was charged to functions as follows:

General Government	\$ 407,665
Public Safety	682,435
Utilities	124,560
Transportation	2,868,990
Natural and Economic Environment	4,156
Social Services	32,832
Culture and Recreation	108,228
	<u>\$ 4,228,866</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.

1,199,032

Total Governmental Activities Depreciation Expense \$ 5,427,898

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

BUSINESS TYPE ACTIVITIES	Beginning			Ending
	Balance	Increases	Decreases	Balance
	1/1/2015			12/31/2015
Capital Assets, not being depreciated:				
Land	\$ 209,568	\$ -	\$ -	\$ 209,568
Land Use Rights (Intangible Assets)	4,614	-	-	4,614
Construction in Progress	45,501	269,404	-	314,905
Total Capital Assets, not being depreciated	259,683	269,404	-	529,087
Capital Assets being depreciated:				
Buildings	1,344,518	-	-	1,344,518
Improvements other than buildings	5,535,588	1,323,357	-	6,858,945
Machinery & Equipment	823,573	56,633	-	880,206
Intangible Assets	-	-	-	-
Total Capital Assets, being depreciated	7,703,679	1,379,990	-	9,083,669
Less Accumulated Depreciation for:				
Buildings	1,076,312	51,751	-	1,128,063
Improvements other than buildings	1,548,642	253,283	-	1,801,925
Machinery & Equipment	476,011	57,886	-	533,897
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	3,100,965	362,920	-	3,463,885
Total Capital Assets being depreciated, net	4,602,714	1,017,070	-	5,619,784
Business Type Activities Capital Assets, net	\$ 4,862,397	\$ 1,286,474	\$ -	\$ 6,148,871

Depreciation Expense was charged to functions as follows:

Solid Waste	\$ 129,699
Water Utilities	88,508
Airport	144,713
Total	<u>\$ 362,920</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 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 22,383,497
Pension assets	1,365,273
Deferred outflows of resources	2,213,542
Deferred inflows of resources	3,860,237
Pension expense/expenditures	(1,230,557)

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

State Sponsored Pension Plans

Substantially all of 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 contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The County’s actual contributions to the plan were \$94,988 for the year ended December 31, 2015.

NOTES TO FINANCIAL STATEMENTS
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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 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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

The County's actual contributions to the plan were \$2,416,846 for the year ended December 31, 2015.

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
- 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The County’s actual contributions to the plan were \$268,976 for the year ended December 31, 2015.

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

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

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

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

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

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 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

NOTES TO FINANCIAL STATEMENTS
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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 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The County’s actual contributions to the plan were \$138,151 for the year ended December 31, 2015.

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, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. 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*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **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%

NOTES TO FINANCIAL STATEMENTS

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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 minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

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. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, 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%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

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.

Retirement Plan	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
PERS 1	\$ 15,712,658	\$ 12,905,646	\$ 10,491,873
PERS 2/3	27,280,157	9,329,573	(4,414,515)
PSERS 2	1,126,704	148,277	(547,721)
LEOFF 1	(261,145)	(408,196)	(533,530)
LEOFF 2	958,451	(957,077)	(2,398,584)

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.

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

At June 30, 2015, the County reported a total pension liability of \$21,018,223 for its proportionate share of the net pension liabilities as follows:

Retirement Plan	Liability (or Asset)
PERS 1	\$ 12,905,646
PERS 2/3	9,329,573
PSERS 2	148,277
LEOFF 1	(408,196)
LEOFF 2	(957,077)

The amount of the liability/(asset) reported above for LEOFF Plan 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 liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the County were as follows:

Retirement Plan	Liability (or Asset)
LEOFF 2 – Lewis County's proportionate share	\$ (957,077)
LEOFF 2 – Washington State's proportionate share of the net pension liability/(asset) associated with Lewis County	(90,244)
TOTAL	\$ (1,047,321)

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

Retirement Plan	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion current year less prior year
PERS 1	0.2546%	0.2467%	-0.0079%
PERS 2/3	0.2683%	0.2611%	-0.0072%
PSERS 2	0.7803%	0.8124%	0.0321%
LEOFF 1	0.0346%	0.0339%	-0.0008%
LEOFF 2	0.0989%	0.0931%	-0.0058%

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 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent

NOTES TO FINANCIAL STATEMENTS

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of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability/(asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability/(asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the County recognized pension expense as follows:

Retirement Plan	Pension Expense	
PERS 1	\$	(805,466)
PERS 2/3		(295,826)
PSERS		18,559
LEOFF 1		(74,905)
LEOFF 2		(72,920)
TOTAL	\$	(1,230,558)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, 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	-	706,080
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of	-	-
Contributions subsequent to the measurement date	47,451	-
TOTAL	\$ 47,451	\$ 706,080

NOTES TO FINANCIAL STATEMENTS
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PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 991,736	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	2,490,554
Changes of assumptions	15,032	-
Changes in proportion and differences between contributions and proportionate share of	-	231,156
Contributions subsequent to the measurement date	751,601	-
TOTAL	\$ 1,758,370	\$ 2,721,710

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,919	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	73,546
Changes of assumptions	918	-
Changes in proportion and differences between contributions and proportionate share of	1,958	-
Contributions subsequent to the measurement date	82,186	-
TOTAL	\$ 223,981	\$ 73,546

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	-	68,912
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 68,912

NOTES TO FINANCIAL STATEMENTS
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LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,808	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	289,989
Changes of assumptions	2,524	-
Changes in proportion and differences between contributions and proportionate share of	30,199	-
Contributions subsequent to the measurement date	67,209	-
TOTAL	\$ 183,740	\$ 289,989

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, 2016. 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
2016	\$ (273,652)
2017	(273,652)
2018	(273,652)
2019	114,877

Year Ended December 31:	PERS 2/3
2016	\$ (744,184)
2017	(744,184)
2018	(744,186)
2019	517,612

Year Ended December 31:	PSERS 2
2016	\$ (5,718)
2017	(5,718)
2018	(5,726)
2019	38,151
2020	23,634
Thereafter	23,626

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Year Ended December 31:	LEOFF 1	
2016	\$	(26,740)
2017		(26,740)
2018		(26,740)
2019		11,309

Year Ended December 31:	LEOFF 2	
2016	\$	(90,951)
2017		(90,951)
2018		(90,951)
2019		72,505
2020		22,411
Thereafter		4,482

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 2015, 20 retirees received benefits under this act. As of December 31, 2015, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, 2015. 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 \$2,072,369 is reported as a non-current liability on the Statement of Net Position.

	Year Ending 12/31/2013	Year Ending 12/31/2014	Year Ending 12/31/2015
Determination of Annual Required Contribution:			
Normal Cost at Year End	\$ -	\$ -	\$ -
Amortization of UAAL *	802,906	752,072	850,394
Annual Required Contribution	<u>\$ 802,906</u>	<u>\$ 752,072</u>	<u>\$ 850,394</u>
Determination of Net OPEB Obligation:			
Annual Required Contribution	\$ 802,906	\$ 752,072	\$ 850,394
Interest on Prior Year Net OPEB Obligation	49,578	63,221	68,618
NOO Amortization **	(111,477)	(142,154)	(154,289)
Annual OPEB Cost	741,007	673,139	764,723
Contributions Made	(399,924)	(538,222)	(407,796)
Increase in Net OPEB Obligation	<u>✓ \$ 341,083</u>	<u>✓ \$ 134,917</u>	<u>\$ 356,927</u>
Net OPEB Obligation - End of Year:			
Net OPEB Obligation - Beginning of Year	\$ 1,239,442	\$ 1,580,525	\$ 1,715,442
Increase in Net OPEB Obligation	<u>341,083</u>	<u>134,917</u>	<u>356,927</u>
Net OPEB Obligation - End of Year	<u>\$ 1,580,525</u>	<u>\$ 1,715,442</u>	<u>\$ 2,072,369</u>
* Unfunded Actuarial Accrued Liability (UAAL)			
** Net OPEB Obligation			

4. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$9,455,009 and the actuarial value of the assets was \$0 resulting in a UAAL of \$9,455,009.

The cost of retiree health care benefits are recognized in the General Fund as claims are paid. For 2015, these costs totaled \$407,796 with a cost per retiree of \$20,390.

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.

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5. Actuarial Methods and Assumptions

We have 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 mortality 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 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are being 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 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. Net position reported in the Risk Management internal service fund For LEOFF 1 at December 31, 2015 was \$6,063,037. However, the current strategy does not constitute an advance-funded approach.

B. Other County Retirees

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

Actual participation is extremely low due likely to the economic costs of the retiree premiums. As a consequence, out of the entire population of eligible retirees there were only five retirees under the age of 65 participating at the end of 2015. 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 - 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 9 - 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

NOTES TO FINANCIAL STATEMENTS

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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, 2015, 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 2015, Lewis County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2014-15, this “corridor” increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 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 2014-15, 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

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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 2014-15, the WCRP's assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool's net position decreased slightly from \$19.4 million to \$18.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments.

The Pool's reassessments receivable balance as of December 31, 2015 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, 2015, which includes estimates for Incurred But Not Reported claims (IBNR) were as follows:

	2014	2015
General Liability Claims	\$ 1,500,000	\$ 1,500,000
Unemployment Claims	184,823	184,823
Total	\$ 1,684,823	\$ 1,684,823

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

	Year Ended: 12/31/2014	Year Ended: 12/31/2015
Unpaid Claims, Beginning of Fiscal Year	\$ 1,684,823	\$ 1,684,823
Incurred Claims	598,395	644,032
Changes In Estimates	-	-
Claim Payments	(598,395)	(644,032)
Unpaid Claims, End of Fiscal Year	\$ 1,684,823	\$ 1,684,823

As of December 31, 2015, cash and investments were \$1,411 and \$8,885,023, respectively, this included \$6,063,037 for LEOFF 1 post-retirement benefits.

County Insurance Fund: - The County has elected to become self-insured for worker's compensation and maintains the County Insurance Fund which is used to pay related claims costs. An independent claims management firm processes claims.

Based on the county's claims management firm, historical estimates, and Washington State Department of Labor & Industries data, the county's estimated reserve for probable losses at December 31, 2015 was \$174,982:

	Year Ended: 12/31/2014	Year Ended: 12/31/2015
Unpaid Claims, Beginning of Fiscal Year	\$ 174,982	\$ 174,982
Incurred Claims (Payments by Administrator)	273,231	327,804
Claim Payments	(235,628)	(247,662)
Other - Cash Pension Adjustment	(10,227)	(58,423)
Accrued/Timing (with IBNR estimate)	(27,376)	(21,719)
Claims Liability, End of Fiscal Year	\$ 174,982	\$ 174,982

The county has two fully funded pension obligations held by the State of Washington Department of Labor and Industries with a cash value of \$739,991 at December 31, 2015. 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, 2015, cash and investments were \$1,772,381 including \$431,200 restricted for minimum cash reserves. Total net position at December 31, 2015 was \$1,625,621.

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

NOTE 10 - 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

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issued for the general government and are being repaid from applicable resources. The County is also liable for notes that were entered into for various reasons stated below in the description of each note. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

A. Disclosures About Each Significant Debt Incurred

<u>General Obligation Bonds</u>	<u>Outstanding 12/31/2015</u>
<p>\$3,780,000 – Issued August 2015, to defease, pay, redeem, and retire the 2005 General Obligation bonds. Interest is paid at 2.13% with annual debt service payments of \$400,000 to \$450,000 through December 1, 2024.</p>	\$3,780,000
<p>\$8,680,000 – Issued May 2012, to defease, pay, redeem, and retire the 2003 General Obligation bonds. Interest is paid at 2.00% to 3.00% with annual debt service payments of \$475,000 to \$720,000 through December 1, 2027.</p>	\$7,225,000
<p>\$4,925,000 – Issued September 2, 2009, to defease, pay, redeem, and retire the 1999 refunded bonds. Interest is paid at 2.50% to 4.25% with annual debt service payments of \$395,188 to \$442,000 through December 1, 2024.</p>	\$3,290,000
<p>\$3,500,000 – Issued in August 2007, for the benefit of the Chehalis-Centralia Airport and their ongoing capital construction projects. Interest is paid at 4.32% with annual debt service payments of \$316,206 through June 1, 2017. The Chehalis-Centralia Airport has a note payable due to the County for these payments.</p>	\$1,774,793
<u>Notes Payable</u>	
<p><i>Washington State, Drinking Water State Revolving Fund - Dept. of Community Development - \$467,143 – assumed June 2014</i>, for the purpose of financing the City of Vader Water Treatment Plant upgrade and raw water improvements; whereby, the county by court order became owner of the Vader Water System and also assumed the loan responsibility. All principal and interest payments made by the by the Vader Water System Utility are paid by water revenue. Interest is paid at 1.50% on annual installments of \$29,196 through October 1, 2033.</p>	\$437,946
<p><i>Washington State, Drinking Water State Revolving Fund - Dept. of Community Development - \$357,337 – assumed October 2015</i>, for the purpose of financing the City of Vader Water Distribution Systems Improvement project, which consists of improvements to reduce the exposure to public health, to decrease lost and unaccounted water usage, and to improve system efficiency. The original terms of this loan stated a principal of \$721,822, however per the contract terms upon completion of the project 50% shall be forgiven. Interest is paid at 1.00% on annual installments of \$11,927 through October 1, 2044.</p>	\$345,899
Total Outstanding Debt	<u>\$16,853,638</u>

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B. Debt Service Requirements to Maturity

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	1,462,122	493,673	41,124	10,017
2017	2,772,672	422,263	41,124	9,471
2018	1,265,000	357,337	41,124	8,914
2019	1,310,000	318,679	41,124	8,357
2020	1,345,000	278,571	41,124	7,799
2021-2025	6,500,000	759,159	205,620	30,638
2026-2030	1,415,000	64,050	205,620	16,708
2031-2035	-	-	59,638	7,157
2036-2040	-	-	59,638	4,174
2041-2045	-	-	47,709	1,192
Total	\$ 16,069,794	\$ 2,693,732	\$ 783,845	\$ 104,427

Note: Adjustments due to Rounding.

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, 2015:

Activity:	Beginning Balance 12/31/2014	New Issues and Adjustments	Retirements and Adjustments	Ending Balance 12/31/2015	Due Within One Year
Governmental:					
General Obligation Bonds	\$ 17,411,785	\$ 3,780,000	\$5,121,991	\$16,069,794	1,462,123
Compensated Absences	4,462,592	262,100	-	4,724,692	194,181
Notes Payable	-	-	-	-	-
Net OPEB Obligation	1,715,442	356,927.00	-	2,072,369	-
Net Pension Liability	-	21,476,793	-	21,476,793	-
TOTAL	\$ 23,589,819	\$25,875,820	\$5,121,991	\$44,343,648	\$1,656,304
Business-Type:					
Compensated Absences	\$ 155,457	904,372.00	-	\$ 1,059,829	-
Notes Payable	467,143	345,899	29,196	783,845	41,124
Net Pension Liability	-	906,704	-	906,704	-
TOTAL	\$ 622,600	\$ 1,250,271	\$ 29,196	\$ 1,843,674	\$ 41,124

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 \$373,229 of internal service

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funds compensated absences are included in the above amounts. Additionally, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the responsible fund.

D. Assets Available for Long-Term Debt

At December 31, 2015, the county had \$18,652 available in the debt service funds. Additionally, pursuant to the Transfer Agreement, Debt Service Fund 2007 includes a deposit and accrued interest of \$1,568,597 from the City of Chehalis for the balloon payment on the bond issued for the benefit of the Chehalis-Centralia Airport. The general fund and other county funds will transfer assets as required to service the general obligation bonded debt. Other debt is serviced by assets within the responsible fund.

E. Legal Debt Margin

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

Purpose of Indebtedness	Remaining Capacity
General Government - No Vote Required	\$ 88,049,721
General Government - Vote Required	\$ 157,627,044

F. 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, 2015, the amount of defeased debt outstanding but removed for the Governmental Long Term Debt amounted to \$21,885,000.

G. Arbitrage

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

H. Conduit Debt

To provide for the construction of an event center and sports complex that constitutes a “regional center”, the county has provided credit support for the Lewis County Public Facilities District (PFD) to issue limited sales tax obligation bonds. These bonds are limited obligations of the PFD authorized by RCW 36.100.060, payable from and secured by a pledge of sales tax and use tax revenue as authorized to be imposed by RCW 82.14.390. The bonds do not constitute county debt subject to constitutional or statutory limitations, and accordingly have not been reported in the accompanying financial statements. At December 31, 2015, the Public Facilities District limited sales tax obligations bonds outstanding amounted to \$5,400,000.

I. Advanced Refunding

On August 13, 2015, the County issued \$3.78 million of limited tax general obligation refunding bonds and \$405 thousand dollars from debt service funds to provide resources to purchase U.S. Government and State and Local

NOTES TO FINANCIAL STATEMENTS

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Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$4.095 million of refunded general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

This advance refunding was undertaken to reduce total debt service payments by \$410,437 over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$369,690.

NOTE 11 - 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 12 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$431,200 of restricted net position by enabling legislation (County Self-Insurance).

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, 2015:

Fund	Due to Other Funds	Due From Other Funds
General Fund	\$ 17,755	\$ 121,802
Roads Fund	554,051	38,389
Distressed Counties Fund	22,206	-
Capital Facilities Fund	-	251
Nonmajor Governmental Funds	15,686	16,823
Internal Service Funds	15,204	423,443
Solid Waste Utility	3,556	137,181
Solid Waste Disposal District	106,829	-
Vader Water System Utility	2,511	-
Nonmajor Business Type Funds	91	-
Total	\$ 737,889	\$ 737,889

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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 2015:

Interfund Loans					
Borrowing Fund	Lending Fund	Balance 12/31/2014	New Loans	Payments Made	Balance 12/31/2015
Flood Authority	General	\$ 150,000	\$ -	\$ -	\$ 150,000
Vader Water System Imp.	General	35,920	-	-	35,920
Equipment Rental & Revolving	Capital Facilities	-	198,000	-	198,000
Total		\$ 185,920	\$ 198,000	\$ -	\$ 383,920

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 Capital Project Funds to the Equipment Rental and Revolving Fund cover the unanticipated costs of equipment destroyed and to the Debt Service Funds are to cover bond redemption payments. The transfer from Debt Service Fund 211 to Vader Water System Utility Fund 420 was to move the debt service deposits to the proprietary fund after receivership ended.

The following table displays interfund transfers during 2015:

Fund	Transfer In	Transfer Out
General Fund	\$ 125,899	\$ 2,496,369
Roads Fund	40,992	-
Distressed Counties Fund	-	40,993
Capital Facilities Fund	-	4,138,952
Nonmajor Governmental Funds	4,566,872	230,429
Internal Service Funds	249,973	-
Debt Service Funds	1,675,105	22,596
Business Type Funds	270,497	-
Total	\$ 6,929,338	\$ 6,929,338

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Environment Response, Compensation, and Liability Act (CERCLA or Superfund). As a result of these listings, it was necessary for the Landfill to be remediated pursuant to the requirements of these laws.

On May 1, 1990, Centralia, Chehalis, Morton, Mossyrock, Pe Ell, Vader, and Lewis County entered into an interlocal agreement regarding closure of the Centralia Landfill. Under the agreement, the local governments formed the Centralia Landfill Closure Group (CLCG) and agreed to take all action reasonably necessary to comply with certain environmental laws governing remediation and closure of the Landfill, and to share the costs of such compliance, to the extent such costs are not covered by amounts in the Landfill Closure Trust Fund or recovery from insurance claims. The agreement allocated responsibility for those costs among the signing local governments. The City's allocation of liability is for 35.08% of the costs and fees associated with litigation related to landfill remediation and closure. Parties to the agreement could opt out once the shared costs reached \$13 million.

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

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

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

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

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

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

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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, lies.

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, which is reflected as a special revenue fund of the City, was established to account for the revenues and expenditures of the closure and post closure care.

In order to maintain sufficient funds to satisfy the purposes of the Landfill Closure Agreement and fund the Landfill Closure Operating Trust Fund, the CLCG contacted the Solid Waste Disposal District No. 1 of Lewis County pursuant to Section 7.3 of the Second Amended Interlocal Agreement Regarding Centralia Landfill Closure and Section 3.B of the Interlocal Agreement Regarding Lewis County Solid Waste Disposal District and Flow Control. Actual revenue requirements for year 2015 were \$114,010 and were funded by available reserves and the Disposal District. At year-end 2015, the reserves amount to \$254,911. Revenue requirements for Landfill Closure activities for year 2016 are projected to be \$160,445 and will be funded by available reserves and the Disposal District. Ensuing years will be funded in a similar procedure.

The yearly post closure expenditures will continue to fluctuate as known circumstances change due to engineering determinations, inflation, deflation, technology, or applicable laws or regulations.

NOTE 15 - OTHER DISCLOSURES

A. Changes to Funds

Funds created during fiscal year 2015 include:

2015 Bond Redemption Fund 215

Existing funds dissolved effective December 31, 2015:

2005 Bond Redemption Fund 205

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

B. Prior Period Adjustments:

The Net Position for the Government-wide Statement of Activities contained a prior period adjustment due to an interfund loan. Capital Facilities Plan Fund 310 and Equipment Rental and Revolving Fund 501 were adjusted \$198,000 for an interfund loan that occurred in 2014.

C. Cumulative Effect of a Change in Accounting Principle:

This County reported a cumulative effect of a change in accounting principle of \$22,967,967 and \$1,017,752 in Governmental Activities and Business-Type Activities respectively. These entries were due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This new accounting standard requires Lewis County to recognize the government's portion of the State of Washington's net pension liability for certain retirement plans. The adjustment includes the recognition of an initial pension liability (or asset) as of the beginning of the fiscal year, deferred outflows related to plan contributions, and deferred inflows for the net difference between projected and actual plan investment earnings.

OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN SCHEDULES

Law Enforcement and Firemen's Other Postemployment Benefits Other Than Pension Schedule of OPEB Funding Progress (expressed in thousands)							
Fiscal Year Ending	Actuarial		Unfunded Actuarial		Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	Value of Assets	Accrued Liabilities	Accrued Liabilities (UAAL)	UAAL as a			
December 31, 2013	\$ -	\$ 8,927	\$ 8,927		0%	N/A	N/A
December 31, 2014	-	8,362	8,362		0%	N/A	N/A
December 31, 2015	-	9,455	9,455		0%	N/A	N/A

PENSION PLAN INFORMATION

Lewis County Schedule of Proportionate Share of the Net Pension Liability PERS 1 As of June 30, 2015 Last 10 Fiscal Years*		2015
Lewis County's proportion of the net pension liability (asset)		0.24672%
Lewis County's proportionate share of the net pension liability		\$ 12,905,646
Lewis County's covered employee payroll		1,184,311
Lewis County's proportionate share of the net pension liability as a percentage of covered employee payroll		1089.72%
Plan fiduciary net position as a percentage of the total pension liability		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, 2015 Last 10 Fiscal Years*		2015
Lewis County's proportion of the net pension liability (asset)		0.261111%
Lewis County's proportionate share of the net pension liability		\$ 9,329,573
Lewis County's covered employee payroll		23,226,185
Lewis County's proportionate share of the net pension liability as a percentage of covered employee payroll		40.17%
Plan fiduciary net position as a percentage of the total pension liability		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 As of June 30, 2015 Last 10 Fiscal Years*		2015
Lewis County's proportion of the net pension liability (asset)		0.81239%
Lewis County's proportionate share of the net pension liability (asset)	\$	148,277
Lewis County's covered employee payroll		2,387,152
Lewis County's proportionate share of the net pension liability as a percentage of covered employee payroll		6.21%
Plan fiduciary net position as a percentage of the total pension liability		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 Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 As of June 30, 2015 Last 10 Fiscal Years*		2015
Lewis County's proportion of the net pension liability (asset)		0.03387%
Lewis County's proportionate share of the net pension liability (asset)	\$	(408,196)
Lewis County's covered employee payroll		-
Lewis County's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll		0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)		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 Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 As of June 30, 2015 Last 10 Fiscal Years*	
	2015
Lewis County's proportion of the net pension liability (asset)	0.09312%
Lewis County's proportionate share of the net pension liability (asset) \$	(957,077)
State's proportionate share of the net pension liability (asset) associated with the employer	(90,244)
TOTAL	<u>(1,047,321)</u>
Lewis County's covered employee payroll	2,691,937
Lewis County's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-38.91%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.67%
* This schedule is to be built prospectively until it contains ten years of data.	

Lewis County Schedule of Employer Contributions PERS 1 As of December 31, 2015 Last 10 Fiscal Years*		2015
Contractually required contributions	\$	94,988
Contributions in relation to the contractually required contributions		94,988
Contribution deficiency (excess)		-
Employer's covered employee payroll		939,090
Contributions as a percentage of covered employee payroll		10.11%
<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, 2015 Last 10 Fiscal Years*		2015
Contractually required contributions	\$	2,415,145
Contributions in relation to the contractually required contributions		2,416,846
Contribution deficiency (excess)		(1,700)
Employer's covered employee payroll		23,663,305
Contributions as a percentage of covered employee payroll		10.21%
<i>* This schedule is to be built prospectively until it contains ten years of data.</i>		

Lewis County Schedule of Employer Contributions PSERS As of December 31, 2015 Last 10 Fiscal Years*	
	2015
Contractually required contributions	\$ 268,988
Contributions in relation to the contractually required contributions	<u>268,976</u>
Contribution deficiency (excess)	<u>12</u>
Employer's covered employee payroll	2,433,741
Contributions as a percentage of covered employee payroll	11.05%
* This schedule is to be built prospectively until it contains ten years of data.	

Lewis County Schedule of Employer Contributions Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 As of December 31, 2015 Last 10 Fiscal Years*	
	2015
Contractually required contributions	\$ 138,151
Contributions in relation to the contractually required contributions	<u>138,151</u>
Contribution deficiency (excess)	<u>-</u>
Employer's covered employee payroll	2,641,514
Contributions as a percentage of covered employee payroll	5.23%
* This schedule is to be built prospectively until it contains ten years of data.	

**Lewis County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

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		
Child Nutrition Cluster							
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Agriculture)	National School Lunch Program	10.555	N/A	20,357	-	20,357	4
	Total Child Nutrition Cluster:			20,357	-	20,357	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17116	518,707	-	518,707	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17116	16,619	-	16,619	
	Total CFDA 10.557:			535,326	-	535,326	
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	C17116	86,961	-	86,961	
	Total SNAP Cluster:			86,961	-	86,961	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17116	650	-	650	
Food And Nutrition Service, Department Of Agriculture (via Lewis-Mason-Thurston Area Agency on Aging)	Senior Farmers Market Nutrition Program	10.576	15-1168-0090-05 (SFMNP Checks)	16,440	-	16,440	5 (a)
Food And Nutrition Service, Department Of Agriculture (via Lewis-Mason-Thurston Area Agency on Aging)	Senior Farmers Market Nutrition Program	10.576	15-1168-0090-05	1,065	-	1,065	
	Total CFDA 10.576:			17,505	-	17,505	
Forest Service Schools and Roads Cluster							
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	P.L. 114-10 Sec 524	-	940,892	940,892	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	12-PA-11060300- 017	-	29,813	29,813	8 (a)
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	07-PA-11060300- 037	-	972	972	
	Total Forest Service Schools and Roads Cluster:			-	971,677	971,677	
Economic Development Administration, Department Of Commerce	Economic Development_Technical Assistance	11.303	07-06-07189	-	28,505	28,505	
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	13-1037R	97,252	-	97,252	9 (a)
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	14-65400-010	49,115	-	49,115	47,943
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	15-62210-010	46,124	-	46,124	44,388

Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	14.228	14-65400-048	7,288	-	7,288	7,288
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii						
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	14.228	15-62210-026	680	-	680	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii						
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	14.228	15-62210-026	277	-	277	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii						
Total CFDA 14.228:			103,484	-	103,484	99,619
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.267	WA0091L0T011306	-	32,583	32,583	31,713
Continuum of Care Program						
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.267	WA0091L0T011407	-	80,829	80,829	79,087
Continuum of Care Program						
Total CFDA 14.267:			-	113,412	113,412	110,800
Drug Enforcement Administration, Department Of Justice (via Washington State Patrol)	16.004	K11085	4,599	-	4,599	-
Law Enforcement Assistance, Narcotics and Dangerous Drugs Training						
Office Of Juvenile Justice And Delinquency Prevention, Washington State Department of Social & Health Services	16.523	1463-17257	3,950	-	3,950	-
Juvenile Accountability Block Grants						
Violence Against Women Office, Department Of Justice (via City of Centralia)	16.588	F14-31103-051	2,624	-	2,624	-
Violence Against Women Formula Grants						
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce)	16.588	F14-31103-050	8,703	-	8,703	4,753
Violence Against Women Formula Grants						
Total CFDA 16.588:			11,327	-	11,327	4,753
Bureau Of Justice Assistance, Department Of Justice	16.606	2015-AP-BX-0619	-	6,987	6,987	-
State Criminal Alien Assistance Program						
Bureau Of Justice Assistance, Department Of Justice	16.607	2014BUBX14072786	-	2,977	2,977	-
Bulletproof Vest Partnership Program						
Bureau Of Justice Assistance, Department Of Justice	16.607	2015BUBX15079807	-	5,012	5,012	-
Bulletproof Vest Partnership Program						
Total CFDA 16.607:			-	7,989	7,989	-
National Institute Of Justice, Department Of Justice (via Washington State Patrol)	16.742	K10421	48,702	-	48,702	-
Paul Coverdell Forensic Sciences Improvement Grant Program						
Federal Aviation Administration (faa), Department Of Transportation	20.106	DOT-FA15NM-0078	-	76,311	76,311	-
Airport Improvement Program						
Federal Aviation Administration (faa), Department Of Transportation	20.106	DOT-FA13NM-0001	-	6,510	6,510	-
Airport Improvement Program						
Federal Aviation Administration (faa), Department Of Transportation	20.106	DOT-FA15NM-0046	-	17,744	17,744	-
Airport Improvement Program						
Federal Aviation Administration (faa), Department Of Transportation	20.106	DOT-FA14NM-0051	-	155,900	155,900	-
Airport Improvement Program						
Total CFDA 20.106:			-	256,465	256,465	-
Highway Planning and Construction Cluster						

Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	20.205	LA-7444	59,743	-	59,743	-	6
Highway Planning and Construction							
Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	20.205	LA-8112	7,667	-	7,667	-	
Highway Planning and Construction							
Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	20.205	LA-8113	20,154	-	20,154	-	
Highway Planning and Construction							
Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	20.205	LA-8598	9,594	-	9,594	-	
Highway Planning and Construction							
Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	20.205	LA-8707	6,620	-	6,620	-	
Highway Planning and Construction							
Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	20.205	LA-8111	10,209	-	10,209	-	
Highway Planning and Construction							
Total Highway Planning and Construction Cluster:			113,987	-	113,987	-	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.600	N/A	63	-	63	-	4
State and Community Highway Safety							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.600	N/A	446	-	446	-	4
State and Community Highway Safety							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.600	15ST-10	23,459	-	23,459	-	
State and Community Highway Safety							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Association of Sheriffs & Police Chiefs)	20.600	Sector Equipment Donation	3,209	-	3,209	-	5 (c)
State and Community Highway Safety							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Association of Sheriffs & Police Chiefs)	20.600	N/A	8,354	-	8,354	-	4
State and Community Highway Safety							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.600	N/A	1,798	-	1,798	-	4
State and Community Highway Safety							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.600	N/A	4,974	-	4,974	-	4
State and Community Highway Safety							
Total CFDA 20.600:			42,303	-	42,303	-	
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.616	MAP-21 SECTION 405D	791	-	791	-	
National Priority Safety Programs							
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Washington Traffic Safety Commission)	20.616	N/A	1,831	-	1,831	-	4
National Priority Safety Programs							

National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	20.616	N/A	7,463	-	7,463	-	4
National Priority Safety Programs			7,463	-	7,463	-	
Total CFDA 20.616:			10,085	-	10,085	-	
Total Highway Safety Cluster:			52,388	-	52,388	-	
Drinking Water State Revolving Fund Cluster							
Office Of Water, Environmental Protection Agency (via Washington State Department of Commerce's Public Works Board)	66.488	DM10-952-005	15,661	-	15,661	-	3
Total Drinking Water State Revolving Fund Cluster:			15,661	-	15,661	-	
U.S. Election Assistance Commission (via Washington State Office of the Secretary of State, Elections Division)	90.401	G-2846 Amend 4A	7,263	-	7,263	-	
Office Of The Secretary, Department Of Health And Human Services (via National Association of County and City Health Officials)	93.008	MRC 10-1760	677	-	677	-	
Office Of The Secretary, Department Of Health And Human Services (via National Association of County and City Health Officials)	93.008	MRC 15-1760	3,500	-	3,500	-	
Aging Cluster			4,177	-	4,177	-	
Administration For Community Living, Department Of Health And Human Services (via Lewis-Mason-Thurston Area Agency on Aging)	93.045	14-1130-0061-05	119,632	-	119,632	-	
Administration For Community Living, Department Of Health And Human Services (via Lewis-Mason-Thurston Area Agency on Aging)	93.053	14-1130-0061-05	23,812	-	23,812	-	
Total Aging Cluster:			143,444	-	143,444	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.069	C17116	22,539	-	22,539	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.069	C17116	75,547	-	75,547	-	
Total CFDA 93.069:			98,086	-	98,086	-	
Administration For Children And Families, Department Of Health And Human Services (via Cardea Services)	93.092	N/A	6,000	-	6,000	-	4
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.243	1363-90022	18,600	-	18,600	2,800	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.243	1563-42483	24,243	-	24,243	614	
Total CFDA 93.243:			42,843	-	42,843	3,414	

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.268	C17116	5,256	-	5,256	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.268	C17116	8,368	-	8,368	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.268	Donated Vaccine	44,675	-	44,675	5 (b)
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.268	Donated Vaccine	30,452	-	30,452	5 (b)
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.268	C17116	18,852	-	18,852	-
Total CFDA 93.268:			107,603	-	107,603	-
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.563	0763-15018	17,297	-	17,297	8 (b)
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.563	2110-81382	328,147	-	328,147	8 (b)
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.563	2110-81382	110,634	-	110,634	8 (b)
Total CFDA 93.563:			456,078	-	456,078	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.758	C17116	13,319	-	13,319	-
Medicaid Cluster						
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	93.778	1166-35255	13,300	-	13,300	7
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	93.778	1166-35255	26,543	-	26,543	7
Total Medicaid Cluster:			39,843	-	39,843	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.959	1563-42483	12,117	-	12,117	941
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department of Social & Health Services)	93.959	1163-27316	41,518	-	41,518	10,773 9 (b)

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	1563-43866	4,266	-	4,266	4,266
			Total CFDA 93.959:	57,901	-	57,901	15,980
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	50,717	-	50,717	-
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	35,395	-	35,395	-
			Total CFDA 93.994:	86,112	-	86,112	-
Executive Office Of The President (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9003000077	7,616	-	7,616	-
Executive Office Of The President (via Educational Service District 105)	High Intensity Drug Trafficking Areas Program	95.001	9003000078	18,090	-	18,090	2,500
			Total CFDA 95.001:	25,706	-	25,706	2,500
Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	N/A	17,790	-	17,790	-
							4
Department Of Homeland Security (via Lewis County United Way)	Emergency Food and Shelter National Board Program	97.024	890200-020	802	-	802	-
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-717 (1671-DR-WA)	214,848	-	214,848	-
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-731 (1734-DR-WA)	1,956,687	-	1,956,687	10 (c)
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-717 (1671-DR-WA)	270,517	-	270,517	10 (b)
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-731 (1734-DR-WA)	484,248	-	484,248	10 (c)
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-065 (1817-DR-WA)	17,164	-	17,164	10 (a)
			Total CFDA 97.036:	2,943,464	-	2,943,464	-
Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E16-146	25,419	-	25,419	-
Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E15-075	41,471	-	41,471	-
			Total CFDA 97.042:	66,890	-	66,890	-
Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	E15-220	11,203	-	11,203	-
			Total Federal Awards Expended:	5,240,673	1,385,035	6,625,708	237,066

LEWIS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2015

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 - FEDERAL LOANS

The county was approved by the Environmental Protection Agency and the Washington State Department of Commerce's Public Works Board to receive a loan totaling \$721,822 to improve its drinking water system. In 2012, Amendment A removed the loan fee and reduced the loan amount to \$714,675. The amount listed for this loan includes the proceeds used during the year.

NOTE 4 - NOT AVAILABLE (N/A)

The county was unable to obtain another identification number.

NOTE 5 - 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.
- (c) The County received 5 sets of sector equipment that were purchased with federal "State and Community Highway Safety" funds by the Washington Association of Sheriffs & Police Chiefs. The amount reported on the schedule is the value of the property as provided by the Washington Association of Sheriffs & Police Chiefs.

NOTE 6 - SUPPLEMENTAL GRANT AWARDS

The amount of expenditures listed for CFDA 20.205 under contract LA-7444 includes \$56,627 for excess preliminary engineering costs originally incurred during 2012 through 2014. These costs were previously not reimbursable since the costs exceeded the amount allowed on the grant award. During the Washington State Department of Transportation final grant review performed in November 2015, unused construction grant funding was moved to allow \$56,627 of additional costs to be grant reimbursable.

LEWIS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2015

The expenditures incurred in prior years that did not become reimbursable until 2015 have been included in the expenditure totals reported on the 2015 Schedule of Expenditures of Federal Awards.

NOTE 7 - MEDICAL ASSISTANCE PROGRAM

Reimbursement provided by contract #1166-35255 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 2015 Schedule of Expenditures of Federal Awards for contract #1166-35255 is based on data occurring from the third quarter of 2013 to the first quarter of 2015. Due to the length of time needed to prepare the billing information, the amount of expenditures associated with the 2013 and 2014 were not determined in time to be included in the 2013 and 2014 Financial Statements.

NOTE 8 - INDIRECT COST RATE

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

- (a) The amount expended for "Schools and Roads Grants to States (CFDA 10.665) includes \$2,291 from Contract Number 12-PA11060300-017 claimed as an indirect cost recovery using the de minimis indirect cost rate.
- (b) The amount expended for "Child Support Enforcement" (CFDA 93.563) includes \$1,558 from Contract Number 0763-15018 and \$39,437 from Contract Number 2110-81382 claimed as an indirect cost recovery using the de minimis indirect cost rate.

NOTE 9 – OVER-REPORTED 2014 EXPENDITURES

- (a) An amount of \$2,162 was reported on the 2014 Schedule of Expenditures of Federal Awards under CFDA 11.438 "Pacific Coast Salmon Recovery Pacific Salmon Treaty Program" Contract Number 13-1037R for costs incurred in December 2014 that were expected to be billed for grant reimbursement on the next grant billing. However, when the next billing occurred in 2015, it was determined that the project costs significantly exceeded the grant award, so only 2015 costs were included in the final billing. As a result, the 2014 Schedule of Expenditures of Federal Awards was overstated. The 2015 Schedule of Expenditures of Federal Awards includes the full amount of 2015 expenditures that were eligible for reimbursement under the grant award.
- (b) An amount of \$2,204, which was reported in 2014 under CFDA 93.959 "Block Grants for Prevention and Treatment of Substance Abuse" Contract Number 1163-27316, was incorrectly included on the 2014 Schedule of Expenditures of Federal Awards. It was discovered in August 2015 that a subrecipient had input errors in their billing system, resulting in reimbursement to the subrecipient for ineligible expenditures. As a result, the 2014 Schedule of Expenditures of Federal Awards was overstated. Correction of this overage occurred in 2015. The 2015 Schedule of Expenditures of Federal Awards includes the full amount of 2015 expenditures that were eligible for reimbursement under the grant award.

LEWIS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2015

NOTE 10 – FEMA PROJECTS

Some of the expenditures reported under CFDA #97.036 “Disaster Grants - Public Assistance (Presidentially Declared Disasters)” on the 2015 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.

- (a) Contract Number D09-065 (1817-DR-WA): \$17,164 from prior year expenditures became eligible for reimbursement after the final project review was completed.
- (b) Contract Number E07-717 (1671-DR-WA): \$270,437 was reimbursed for costs originally incurred in 2014. Additional costs from this project may become eligible for reimbursement once the final review has been completed.
- (c) Contract Number E08-731 (1734-DR-WA): \$484,248 was reimbursed for costs originally incurred during 2008 through 2012. These costs were submitted after the consolidation approval of two design project worksheets resulted in an increased approval amount. Additional costs from this project may become eligible for reimbursement once the final review has been completed.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov