Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

Lewis County

For the period January 1, 2013 through December 31, 2013

Published September 15, 2014

Report No. 1012551

Washington State Auditor
Troy Kelley

September 15, 2014

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

Table of Contents

Lewis County
January 1, 2013 through December 31, 2013

Federal Summary

Lewis County
January 1, 2013 through December 31, 2013

The results of our audit of Lewis County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
10.665	Schools and Roads Cluster - Schools and Roads - Grants to States
93.563	Child Support Enforcement

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

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

Schedule of Prior Federal Audit Findings

Lewis County
January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Lewis County. The State Auditor's Office has reviewed the status as presented by the County.

<table>
<tr><td>Audit Period:
January 1, 2012 - December 31, 2012</td><td>Report Reference No.: 1010430</td><td>Finding Reference No.: 1</td><td>CFDA Number:
10.665</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
Schools and Roads Grants to States - U.S. Department of Agriculture, U.S. Forest Service</td><td colspan="2">Pass-Through Agency Name:
NA</td></tr>
<tr><td colspan="4">Finding Caption:
Lewis County's internal controls over the Title III portion of its Schools and Roads grant were inadequate to ensure purchases were for allowable purposes.</td></tr>
<tr><td colspan="4">Background:
Money from the Schools and Roads grant is awarded to counties in which national forests are located. Grant guidelines were updated in August 2012 to stipulate that the county may use Title III funds to purchase equipment only when replacing equipment lost during the course of a search and rescue or firefighting operation and expenses related to the general enhancement of the capacity to provide search and rescue and other emergency services are not reimbursable. Specifically, the purchase of capital equipment such as emergency response equipment, expenses of equipment and supplies to be kept on hand for response to emergencies on national forests and expenses of nondisposable personal protective equipment and electronic aids, such as GPS devices, in anticipation of responding to emergencies are not allowable.

Due to the updated guidelines, grant staff did not have an adequate understanding of allowable uses of the grant funds and did not adequately communicate with the federal granting agency regarding allowable uses of the grant funds. In 2012 the County purchased $47,000 of search and rescue equipment using Title III funds. None of these purchases were to replace equipment lost, damaged or destroyed during a search and rescue or firefighting operation.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
■ Fully Corrected   ☐ Partially Corrected   ☐ No Corrective Action Taken   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
Per Lewis County BOCC Resolution #13-519, no Title III funds were allocated for 2014.</td></tr>
</table>

<table>
<tr><td>Audit Period:
January 1, 2012-
December 31, 2012</td><td>Report Reference No.: 1010430</td><td>Finding Reference No.: 2</td><td>CFDA Number:
93.563</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
Child Support Enforcement - U.S. Department of Health and Human Services</td><td colspan="2">Pass-Through Agency Name:
Department of Social and Health Services, Division of Children’s Administration</td></tr>
<tr><td colspan="4">Finding Caption:
The County did not have adequate internal controls to ensure compliance with federal allowable cost requirements.</td></tr>
<tr><td colspan="4">Background:
The Child Support Enforcement program objectives are to enforce support obligations owed by noncustodial parents, to locate absent parents, to establish paternity and to obtain child and spousal support. During 2012, the County charged $464,693 to its Child Support Enforcement grant. The grant was administered by several offices at the County, including the Clerk’s Office. The County Clerk’s Office was reimbursed $106,956 in grant funds for administration of its portion of the program.

Our audit identified a significant deficiency in internal controls. The County Clerk’s Office did not have adequate internal controls to ensure compliance with regulations governing allowable uses of grant funds. The County Clerk’s Office has a process to review costs prior to requesting reimbursement from the granting agency; however, our audit identified unallowable costs charged to the grant, including jury costs, registration fees for training and travel related to training. We identified questioned costs of $4,146 and estimated questionable costs of $16,730.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
☐ Fully Corrected   ■ Partially Corrected   ☐ No Corrective Action Taken   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The Clerk’s Office is now reviewing all vouchers to make sure costs submitted are reimbursable. Special attention is given to reviewing any costs associated with jury costs (phone bill, printing supplies, postage costs, software changes to jury program), travel costs (hotel/motel, meals, and mileage costs), and registration fees for conferences.</td></tr>
</table>

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, 2013 through December 31, 2013

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, 2013, 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 9, 2014.

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.

In addition, we noted certain matters that we have reported to the management of the County in a separate letter dated September 9, 2014.

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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Lewis County
January 1, 2013 through December 31, 2013

Board of Commissioners
Lewis County
Chehalis, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Lewis County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 OMB Circular A-133. 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 X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

Independent Auditor's Report on Financial Statements

Lewis County
January 1, 2013 through December 31, 2013

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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 28 and budgetary comparison information on pages 82 through 83 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information 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 9, 2014 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

Financial Section

Lewis County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013
Statement of Activities – 2013
Balance Sheet – Governmental Funds – 2013
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2013
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Governmental Funds – 2013
Statement of Net Position – Proprietary Funds – 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2013
Statement of Cash Flows – Proprietary Funds – 2013
Statement of Fiduciary Net Position – Fiduciary Funds – 2013
Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund – 2013
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Roads Fund – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

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, 2013. 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 $141 million (*net position*). Of this amount, $41.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $2.3 million. This change is primarily attributable to the recognition of current year infrastructure, recognition of accrued revenues, recognition of depreciation expense, exclusion of capital outlay costs and exclusion of debt proceeds and debt principal payments.
- As of the close of the current fiscal year, Lewis County's governmental funds reported combined ending fund balances of $40.2 million, an increase of $1.1 million in comparison with the prior year. Approximately 60.8 percent of this total amount, $24.5 million, is *available for spending* at the government's discretion (assigned*/unassigned fund balance*); however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $9.7 million, or 28.9 percent of general fund expenditures and operating transfers out.
- Lewis County's total debt decreased by $1.3 million (7 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of Lewis County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lewis County is improving or deteriorating.

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

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

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

The government-wide financial statements can be found directly following this section, *Management's Discussion and* Analysis within this report.

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

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

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

Lewis County maintains 41 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Roads Fund, 2007 Bond Redemption fund, and Capital Facilities Fund, all are considered to be major funds. Pursuant to GASB Statement No. 54, five governmental funds were rolled into major funds for financial reporting purposes, four into the General Fund and one into the Roads Fund. Data from the other 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A major fund is defined in the following manner:

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

Lewis County adopts an annual appropriated budget for all county funds including its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found following the notes to the financial statements in the *required supplementary information* in this report.

Proprietary funds. Lewis County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Lewis County uses enterprise funds to account for its Solid Waste, Solid Waste Disposal District, Water Sewer Utility, Packwood Airport and South County Airport operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Lewis County's various functions. Lewis County uses internal service funds to account for its fleet of vehicles, insurance programs, county facilities and management information systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lewis County, assets exceeded liabilities by $141 million at the close of the most recent fiscal year.

By far the largest portion of Lewis County's net assets (59.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Lewis County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lewis County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lewis County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Current and Other Assets	$ 73,183,876	$ 68,811,353	$ 4,755,045	$ 5,180,463	$ 77,938,921	$ 73,991,816
Capital Assets	96,532,649	95,809,458	3,563,547	3,771,862	100,096,196	$ 99,581,320
Total Assets	$ 169,716,525	$ 164,620,811	$ 8,318,592	$ 8,952,325	$ 178,035,117	$ 173,573,136
Payables	$ 11,265,818	$ 8,093,289	$ 483,076	$ 640,824	$ 11,748,894	$ 8,734,113
Long-Term	25,390,431	26,243,501	151,148	160,117	25,541,579	$ 26,403,618
Total Liabilities	36,656,249	34,336,790	634,224	800,941	37,290,473	35,137,731
Net Position						
Net Invested in Capital Assets	80,017,649	75,523,172	3,563,547	3,771,862	83,581,196	79,295,034
Restricted	15,424,348	24,866,670	7,400	11,196	15,431,748	24,877,866
Unrestricted	37,618,279	29,894,179	4,113,421	4,368,326	41,731,700	34,262,505
Total Net Position	$ 133,060,276	$ 130,284,021	$ 7,684,368	$ 8,151,384	$ 140,744,644	$ 138,435,405

Internal Balances removed from Total Primary Government Column

An additional portion of Lewis County's net assets (11.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($41.7 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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

There was a decrease of $4 thousand in restricted net assets reported in connection with Lewis County's business-type activities. This resulted from a reduction of special assessments in the Water Sewer fund.

Lewis County's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	$ 17,861,539	$ 12,561,935	$ 6,856,835	$ 6,794,885	$ 24,718,374	$ 19,356,820
Operating Grants and Contributions	11,738,426	14,432,918	383,894	429,209	12,122,320	14,862,127
Capital Grants and Contributions	3,065,490	4,193,787	-	-	3,065,490	4,193,787
General Revenues:						
Property Taxes	22,697,211	22,504,186	-	-	22,697,211	22,504,186
Private Harvest Taxes	-	2,068,906	-	-	-	2,068,906
Sales Tax	9,053,925	7,876,746	-	-	9,053,925	7,876,746
Excise Tax	3,697,996	1,325,592	-	-	3,697,996	1,325,592
Penalty and Interest Delinquent Tax	-	1,206,400	-	-	-	1,206,400
Investment Earnings	608,543	794,926	18	(3,782)	608,561	791,144
Miscellaneous	-	161,286	9,736	373	9,736	161,659
Gain on Sale of Capital Assets	1,830,858	1,531,836	-	-	1,830,858	1,531,836
Fixed Asset Loss Recovery-Insurance Proceeds	461,576	-	-	-	461,576	-
Total Revenues	$ 71,015,564	$ 68,658,518	$ 7,250,483	$ 7,220,685	$ 78,266,047	$ 75,879,203
Program Expenses Including Indirect Expenses:						
General Government Services	$ 15,005,460	$ 15,313,346	$ -	$ -	$ 15,005,460	$ 15,313,346
Security of Persons & Property	20,087,873	20,650,566	-	-	20,087,873	20,650,566
Physical Environment	307,636	1,477,201	-	-	307,636	1,477,201
Transportation	20,321,264	17,824,798	-	-	20,321,264	17,824,798
Economic Environment	3,945,176	3,622,562	-	-	3,945,176	3,622,562
Mental & Physical Health	5,812,932	4,350,910	-	-	5,812,932	4,350,910
Culture & Recreation	1,822,503	1,555,000	-	-	1,822,503	1,555,000
Interest on Long-Term Debt	696,859	810,368	-	-	696,859	810,368
Solid Waste	-	-	7,460,604	7,270,949	7,460,604	7,270,949
Airport	-	-	400,490	538,393	400,490	538,393
Water Sewer	-	-	96,005	104,268	96,005	104,268
Total Expenses	$ 67,999,703	$ 65,604,751	$ 7,957,099	$ 7,913,610	$ 75,956,802	$ 73,518,361
Capital Contributions (Dispositions)	-	156,743	-	-	-	156,743
Transfers	(239,600)	(247,600)	239,600	247,600	-	-
Rounding Adjustment	-	(2)	-	-	-	(2)
Change in Net Position	2,776,261	2,962,908	(467,016)	(445,325)	2,309,245	2,517,583
Net Position - Beginning of Year	130,284,021	126,420,560	8,151,384	8,596,709	138,435,405	135,017,269
Prior Period Adjustment	(6)	900,553	-	-	(6)	900,553
Net Position - End of Year	133,060,276	130,284,021	7,684,368	8,151,384	140,744,644	138,435,405

The government's net assets increased by $2.3 million during the current fiscal year. Most of this change is attributable to the recognition of current year infrastructure, accrued revenues, and depreciation expense, along with the exclusion of capital outlay costs, and debt principal payments.

Governmental activities. Governmental activities increased Lewis County's net position by $2.8 million, thereby accounting for the majority of the increase in the net position of Lewis County. Key revenue elements of this change are as follows:

- Property taxes increased by $193 thousand (0.9 percent) over the prior year. Most of the increase is related to increase in assessed values and new construction, as well collection of delinquent taxes, rather than increases in underlying taxes, which are limited by current Washington state law.
- Sales tax increased by $1.2 million (14.9 percent), which relates to a slight recovery in economic conditions, the change to the destination based sales tax collection and reclassification of revenue accounts due to changes in the BARS manual update by the State Auditor's Office.
- Operating grants, intergovernmental revenues, and contributions for governmental activities decreased by $2.7 million (18.7 percent), which relates to decrease in grants and intergovernmental revenue the county received in 2013 primarily in the Communications fund.
- Gain on sale of capital assets increased by $300 thousand (19.5 percent), which relates primarily to forest board yield (timber sales); this is considered the sale of county assets.

Expenses and Program Revenues—Governmental Activities

	Expenses	Program Revenue	Net (Expense) Revenue
General Government Services	$ 15,005,460	$ 11,249,147	$ (3,756,313)
Security of Persons & Property	20,087,873	5,156,676	(14,931,197)
Physical Environment	307,636	62,732	(244,904)
Transportation	20,321,264	8,324,180	(11,997,084)
Economic Environment	3,945,176	2,359,278	(1,585,898)
Mental & Physical Health	5,812,932	4,453,618	(1,359,314)
Culture & Recreation	1,822,503	1,059,824	(762,679)
Interest on Long-Term Debt	696,859	-	(696,859)
TOTAL	$ 67,999,703	$ 32,665,455	$ (35,334,248)

Revenues by Source—Governmental Activities

	Revenue	
	Dollars	**Percentage**
Charges for Services	$ 17,861,539	25.14%
Operating Grants and Contributions	11,738,426	16.53%
Capital Grants and Contributions	3,065,490	4.32%
Property Taxes	22,697,211	31.96%
Other Taxes	12,751,921	17.96%
Investment Earnings	608,543	0.86%
Capital Asset Loss Recovery	461,576	0.65%
Gain on Sales of Capital Assets	1,830,858	2.58%
Total	$ 71,015,564	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 make cuts in various programs in most functions of the government, which has also been impacted by a decline in revenues in the prior few years.

Business-type activities. Business-type activities decreased Lewis County's net assets by $467 thousand, accounting for 5.7 percent of the decrease in the government's business-type net assets. Key elements of this decrease are as follows:

- Charges for services for business-type activities increased by 0.9 percent. The Solid Waste Disposal District No. 1 accounts for a significant portion of this revenue source, which resulted from tipping fees. Revenues also increased as a result of a slight increase in demand. Together, these factors account for the $62 thousand increase in charges for services for the Solid Waste Disposal District No. 1.
- Expenses related to the Solid Waste activity also increased slightly by $189 thousand (2.6 percent) over the prior year.

Expenses and Program Revenues—Business-type Activities

	Expenses	Program Revenue	Net (Expense) / Revenue
Solid Waste Utility	$ 7,460,604	$ 6,959,156	$ (501,448)
Airports	400,490	188,351	(212,139)
Water-Sewer Utilities	96,005	93,222	(2,783)
TOTAL	$ 7,957,099	$ 7,240,729	$ (716,370)

Revenues by Source—Business-type Activities

	Revenue	Percent
Charges for Services	$ 6,856,835	94.58%
Operating Grants and Contributions	383,894	5.29%
Investment Earnings	18	0.00%
Miscellaneous	9,736	0.13%
Capital Contributions (Dispositions)	-	0.00%
Capital Asset Loss Recovery	-	0.00%
Gain on Sales of Capital Assets	-	0.00%
TOTAL	$ 7,250,483	100%

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Lewis County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lewis County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Lewis County's governmental funds, reported combined ending fund balances of $40.2 million, an increase of $1.06 million in comparison with the prior year. Approximately 60.8 percent of this total amount ($24.6 million) constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion; however, fund balances in special revenue, debt service and capital projects funds are dedicated to their specific purposes, which in some instances is prescribed by state law.

The general fund is the chief operating fund of Lewis County. At the end of the current fiscal year, unassigned fund balance of the general fund was $9.7 million, while total fund balance reached $10.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.5 percent of total general fund expenditures, while total fund balance represents 32.9 percent of that same amount.

The fund balance of Lewis County's general fund decreased by $694 thousand during the current fiscal year. There was a $432 thousand increase in revenues, which were greater than expenditures by $1.2 million, due in part to historically lower expenditures with only a slight annual increase of $709 thousand. Coupled with a net negative other financing sources and uses of $1.9 million, revenues were not adequate to cover all expenses with a $694 thousand deficit. Additionally, the following other key factors continue to draw on the general fund's resources:

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

The debt service funds have a total fund balance of $21 thousand, which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was minimal ($414). There was a decrease in interest expenditures during the current period ($109 thousand), which was due to the scheduled debt service payments during the period. Debt service payments are funded when due by transfers in from the General, Stadium, and Capital Facilities Plan funds.

Real estate excise taxes represent the primary revenue source for the Capital Facilities Plan fund.

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

Unrestricted net position of the Solid Waste Disposal District No. 1 and the Solid Waste Utility at year end were $2.6 million, and 2.7 million, respectively. Those for the non-major enterprise funds amounted to $2.4 million. The change in net position for the Solid Waste Disposal District No. 1 and the Solid Waste Utility were a $450 thousand decrease and $105 thousand increase, respectively. During the year, net position for all enterprise funds decreased by $467 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 $626 thousand in departments, and an increase of $303 thousand in other financing uses which were transfers out to other funds which fell short and required additional general fund dollars ($323 thousand net increase in departmental and other financing uses appropriations) and can be briefly summarized as follows:

- $381 thousand in increases in general government activities
- $147 thousand in increases allocated to the various law and justice departments
- $12 thousand in increases allocated utilities & environment
- $17 thousand in economic environment
- $12 thousand in increases in mental and physical health
- $14 thousand in increases in culture and recreation
- $303 thousand in increases in operating transfers out to other funds

Of this change, $71 thousand was funded out of miscellaneous increases in various revenue sources. As an additional offset to the budget changes, there was a $323 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 $694 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, 2013, amounts to $100.1 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 0.52 percent (a $723 thousand increase for governmental activities and $208 thousand decrease 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.
- Decrease in Construction in Progress is due to completed infrastructure.
- Decrease in county buildings mainly due to annual depreciation.
- Increase in infrastructure primarily due to major rebuild of a county road.

Lewis County's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 4,835,697	$ 4,311,400	$ 177,889	$ 177,889	$ 5,013,586	$ 4,489,289
Land Use Rights (Intangible Assets)	93,956	50,098	2,014	2,014	95,970	52,112
Construction in Progress	2,605,761	5,749,805	-	-	2,605,761	5,749,805
Buildings	36,315,974	37,557,605	218,493	258,324	36,534,467	37,815,929
Improvements other than buildings	844,612	977,381	2,758,344	2,868,449	3,602,956	3,845,830
Machinery & Equipment	8,468,631	7,231,227	406,807	465,185	8,875,438	7,696,412
Intangible Assets	-	-	-	-	-	-
Infrastructure	43,368,018	39,931,942	-	-	43,368,018	39,931,942
Total	$ 96,532,649	$ 95,809,458	$ 3,563,547	$ 3,771,861	$ 100,096,196	$ 99,581,319

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

Long-term debt. At the end of the current fiscal year, Lewis County had total bonded - debt outstanding of $18.8 million. Of this amount, $28 thousand comprises debt other than General Obligation bonds backed by the full faith and credit of the government and $4 thousand in special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

Lewis County's Outstanding Debt
General Obligation Bonds

	Balance 12/31/2012	New Issues	Retirement	Balance 12/31/2013
General Obligation Bonds	20,052,055	-	1,307,985	18,744,070
TOTAL	$ 20,052,055	$ -	$ 1,307,985	$ 18,744,070

Lewis County's total debt decreased by $1.3 million (6.7 percent) during the current fiscal year. The decrease was related to scheduled debt service during the year.
Lewis County maintains an "Aaa" insured (underlying A3) rating from Moody's for the county's outstanding general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5 percent of its total assessed valuation. To reach the 2.5 percent maximum it would require a vote of the people for any debt issued over the 1.5 percent limit that does not require a vote. The current debt limitation for Lewis County is $161 and $90 million for the 2.5 percent and 1.5 percent maximums, respectively. Both are significantly in excess of Lewis County's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lewis County is currently 9.1 percent, a slight decrease from the rate of 11.1 percent a year ago. This is higher than the current state's average unemployment rate of 6.1 percent compared to 7.0 percent a year ago and the national average rate of 7.4 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 2014 fiscal year.

During the fiscal year, 2013, unreserved fund balance in the general fund decreased to approximately $9.7 million. For 2014, Lewis County has appropriated $3.4 million of this amount for spending in the 2014 fiscal year budget for general operations. However, if needed, the use of available fund balance will avoid the need to raise taxes or charges during the 2014 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash & Cash Equivalents	$ 18,457,573	$ 4,163,817	$ 22,621,390
Investments	40,024,157	-	40,024,157
Receivables	6,948,213	262,003	7,210,216
Internal Balances	21,713	129,087	150,800
Due from Other Governmental Units	5,785,779	173,642	5,959,421
Inventories	803,397	-	803,397
Prepayments	708,604	20,893	729,497
Other Charges	434,440	-	434,440
Special Assessments	-	5,603	5,603
Capital Assets Not Being Depreciated:			
Land & Land Use Rights	4,929,653	179,903	5,109,556
Construction in Progress	2,605,761	-	2,605,761
Capital Assets Being Depreciated:			
Buildings & Structures	36,315,974	218,493	36,534,467
Improvements Other than Buildings	844,612	2,758,344	3,602,956
Machinery & Equipment	8,468,631	406,807	8,875,438
Infrastructure	43,368,018	-	43,368,018
Total Assets	$ 169,716,525	$ 8,318,592	$ 178,035,117
Liabilities			
Accounts Payable & Other Current Liabilities	5,277,362	$ 256,381	$ 5,533,743
Internal Balances	27,443	123,356	150,799
Due to Other Governmental Units	186,386	-	186,386
Accrued Interest Payable	52,938	-	52,938
Accrued Employee Benefits	2,545,127	90,310	2,635,437
Unearned Revenue	490,097	9,297	499,394
Custodial Accounts	2,686,465	3,732	2,690,197
Due Within One Year	1,360,079	3,815	1,363,894
General Obligation Debt	17,411,785	-	17,411,785
Deferred Credits	495,443	-	495,443
Compensated Absences	4,542,599	147,333	4,689,932
Net OPEB Obligation	1,580,525	-	1,580,525
Total Liabilities	36,656,249	634,224	37,290,473
Net Position			
Net Investment in Capital Assets	80,017,649	3,563,547	83,581,196
Restricted: Special Revenue/Debt Service	15,424,348	7,400	15,431,748
Unrestricted (Deficit)	37,618,279	4,113,421	41,731,700
Total Net Position	$ 133,060,276	$ 7,684,368	$ 140,744,644

See Accompanying Notes to Financial Statements

Statement of Activities

For Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total
Primary Government:							
General Government Services	$ 15,005,460	$ 8,780,913	$ 2,468,234	$ -	$ (3,756,313)	-	$ (3,756,313)
Security of Persons & Property	20,087,873	4,262,479	894,197	-	(14,931,197)	-	(14,931,197)
Physical Environment	307,636	26,736	174	35,822	(244,904)	-	(244,904)
Transportation	20,321,264	711,667	4,582,845	3,029,668	(11,997,084)	-	(11,997,084)
Economic Environment	3,945,176	1,719,546	639,732	-	(1,585,898)	-	(1,585,898)
Mental & Physical Health	5,812,932	1,423,323	3,030,295	-	(1,359,314)	-	(1,359,314)
Culture & Recreation	1,822,503	936,875	122,949	-	(762,679)	-	(762,679)
Interest on Long-Term Debt	696,859	-	-	-	(696,859)	-	(696,859)
Total Government Activities	67,999,703	17,861,539	11,738,426	3,065,490	(35,334,248)	-	(35,334,248)
Business-type activities:							
Solid Waste	7,460,604	6,677,400	281,756	-	-	(501,448)	(501,448)
Airport	400,490	92,256	96,095	-	-	(212,139)	(212,139)
Water Sewer	96,005	87,179	6,043	-	-	(2,783)	(2,783)
Total business-type activities	7,957,099	6,856,835	383,894	-	-	(716,370)	(716,370)
Total primary government	$ 75,956,802	$ 24,718,374	$ 12,122,320	$ 3,065,490	(35,334,248)	(716,370)	(36,050,618)
General Revenues:							
Property Taxes					22,697,211	-	22,697,211
Private Harvest Taxes					-	-	-
Sales Tax					9,053,925	-	9,053,925
Excise Tax					3,697,996	-	3,697,996
Investment Earnings					608,543	18	608,561
Miscellaneous						9,736	9,736
Gain <Loss> on Sale of Capital Assets					1,830,858	-	1,830,858
Insurance Proceeds					461,576	-	461,576
Transfers					(239,600)	239,600	-
Total General Revenues and Transfers					38,110,509	249,354	38,359,863
Change in Net Position					2,776,261	(467,016)	2,309,245
Net Position - Beginning					130,284,021	8,151,384	138,435,405
Adjustment for Rounding					(6)		(6)
Net Position - Ending					$133,060,276	$7,684,368	$140,744,644

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2013

	General	Roads	2007 Bond Redemption
Assets			
Cash & Cash Equivalents	$ 4,976,310	$ 5,974,374	$ 869,971
Investments	6,723,105	4,829,155	695,806
Receivables, Net	996,034	870,476	-
Due from Other Funds	357,025	3,253	-
Interfund Loan Receivable	185,920	-	-
Due from Other Governmental Units	1,145,161	3,546,923	-
Inventories	808	-	-
Prepayments	42,408	21,574	-
Notes/Contracts Receivable	-	-	-
Total Assets	$ 14,426,771	$ 15,245,755	$ 1,565,777
Liabilities and Fund Balances			
Liabilities:			
Accounts/Vouchers Payable	$ 509,962	$ 1,546,000	$ -
Retainage Payable	8,857	-	-
Due to Other Funds	176,356	703,853	-
Interfund Loans payable	-	-	-
Due to Other Governmental Units	6,469	17,622	-
Accrued Employee Benefits	1,472,206	490,163	-
Unearned Revenue	1,109,922	850,272	-
Custodial Accounts	1,051,949	25,033	1,565,777
Total Liabilities	4,335,721	3,632,943	1,565,777
Fund Balances			
Fund Balances:			
Nonspendable	43,216	21,574	-
Restricted	350,504	67,895	-
Restricted: Debt Service	-	-	-
Committed	-	-	-
Assigned	31,250	11,523,343	-
Unassigned	9,666,080	-	-
Total Fund Balances	10,091,050	11,612,812	-
Total Liabilities and Fund Balance	$ 14,426,771	$ 15,245,755	$ 1,565,777

See Accompanying Notes to Financial Statements

Balance Sheet
Governmental Funds
December 31, 2013

	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Assets			
Cash & Cash Equivalents	$ 6,667	$ 3,596,334	$ 15,423,656
Investments	7,363,413	7,124,006	26,735,485
Receivables, Net	28,812	237,330	2,132,652
Due from Other Funds	-	23,694	383,972
Interfund Loan Receivable	-	-	185,920
Due from Other Governmental Units	89,343	998,270	5,779,697
Inventories	-	-	808
Prepayments	-	78,804	142,786
Notes/Contracts Receivable	-	624,212	624,212
Total Assets	$ 7,488,235	$ 12,682,650	$ 51,409,188
Liabilities and Fund Balances			
Liabilities:			
Accounts/Vouchers Payable	$ 9,444	$ 506,727	$ 2,572,133
Retainage Payable	-	-	8,857
Due to Other Funds	-	61,852	942,061
Interfund Loans payable	-	185,920	185,920
Due to Other Governmental Units	-	162,295	186,386
Accrued Employee Benefits	-	387,169	2,349,538
Unearned Revenue	-	270,266	2,230,460
Custodial Accounts	-	43,706	2,686,465
Total Liabilities	9,444	1,617,935	11,161,820
Fund Balances			
Fund Balances:			
Nonspendable	-	703,016	767,806
Restricted	7,104,318	7,233,740	14,756,457
Restricted: Debt Service	-	21,775	21,775
Committed	-	34,719	34,719
Assigned	374,473	3,071,465	15,000,531
Unassigned	-	-	9,666,080
Total Fund Balances	7,478,791	11,064,715	40,247,368
Total Liabilities and Fund Balance	$ 7,488,235	$ 12,682,650	$ 51,409,188

See Accompanying Notes to Financial Statements

Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds

December 31, 2013

Fund balances - total governmental funds	$ 40,247,368
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	86,415,987
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,744,423
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	4,085,022
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(24,628,089)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	25,195,566
Adjustment for Rounding	(1)
Net Position of government activities.	$ 133,060,276

See Accompanying Notes to Financial Statements

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds To the Statement of Activities Governmental Funds

For the Year Ended December 31, 2013

Net changes in fund balances - total governmental funds	$ 1,062,983
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.	3,180,998
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. Loan/Bond Proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,314,541
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.	(4,621,906)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	1,839,644
Adjustment for Rounding	1
Change in net position of governmental activities.	$ 2,776,261

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Activity-Enterprise Funds		
	Solid Waste Utility	Solid Waste Disposal District	Other Enterprise Funds
Assets			
Current Assets:			
Cash & Cash Equivalents	$ 721,625	$ 1,477,934	$ 114,944
Investments	577,160	1,180,221	91,933
Receivables, Net	-	261,904	99
Other Current Receivables		-	-
Due from Other Funds	128,968	-	119
Due from Other Governmental Units	69,441	-	104,201
Inventories	-	-	-
Prepayments	13,779	282	6,832
Special Assessments	-	-	5,603
Noncurrent Assets:			
Land	112,682	-	67,221
Buildings & Structures, Net	195,155	-	23,338
Other Improvements, Net	704,459	-	2,053,885
Machinery & Equipment, Net	406,807	-	-
Construction in Progress	-	-	-
Total Assets	$ 2,930,076	$ 2,920,341	$ 2,468,175
Liabilities			
Current Liabilities:			
Accounts/Vouchers Payable	$ 28,580	$ 203,387	$ 24,414
Claims & Judgments Payable	-	-	-
Due to Other Funds	21,350	101,643	363
Accrued Employee Benefits	80,345	-	9,965
Unearned Revenue	-	297	9,000
Custodial Accounts	-	3,712	20
Due Within One Year	-	-	3,815
Noncurrent Liabilities:			
Compensated Absences	133,139	-	14,194
Total Liabilities	263,414	309,039	61,771
Net Position			
Net Investment in Capital Assets	1,419,103	-	2,144,444
Restricted for Risk Management/County Insurance	-	-	-
Restricted for Special Assessments	-	-	7,400
Unrestricted	1,247,559	2,611,302	254,560
Total Net Position	$ 2,666,662	$ 2,611,302	$ 2,406,404

See Accompanying Notes to Financial Statements

Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Totals	Governmental Activities - Internal Service Funds
Assets		
Current Assets:		
Cash & Cash Equivalents	$ 2,314,503	$ 3,033,917
Investments	1,849,314	13,288,672
Receivables, Net	262,003	87,075
Other Current Receivables	-	19,152
Due from Other Funds	129,087	569,498
Due from Other Governmental Units	173,642	6,082
Inventories	-	802,589
Prepayments	20,893	565,918
Special Assessments	5,603	-
Noncurrent Assets:		
Land	179,903	635,311
Buildings & Structures, Net	218,493	1,604,326
Other Improvements, Net	2,758,344	181,224
Machinery & Equipment, Net	406,807	7,652,073
Construction in Progress	-	43,728
Total Assets	$ 8,318,592	$ 28,489,565
Liabilities		
Current Liabilities:		
Accounts/Vouchers Payable	$ 256,381	$ 836,566
Claims & Judgments Payable	-	1,859,806
Due to Other Funds	123,356	17,139
Accrued Employee Benefits	90,310	195,589
Unearned Revenue	9,297	4,060
Custodial Accounts	3,732	-
Due Within One Year	3,815	-
Noncurrent Liabilities:		
Compensated Absences	147,333	380,839
Total Liabilities	634,224	3,293,999
Net Position		
Net Investment in Capital Assets	3,563,547	10,116,662
Restricted for Risk Management/County Insurance	-	421,562
Restricted for Special Assessments	7,400	-
Unrestricted	4,113,421	14,657,342
Total Net Position	$ 7,684,368	$ 25,195,566

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended
December 31, 2013

	General	Roads	2007 Bond Redemption
Revenues			
Taxes	$ 18,386,389	$ 11,478,134	$ -
Licenses & Permits	42,384	36,395	-
Intergovernmental	4,732,540	8,072,559	-
Charges for Services	4,182,852	1,565,241	-
Fines & Forfeits	2,036,256	-	-
Miscellaneous	2,494,061	46,033	316,206
Total Revenues	31,874,482	21,198,362	316,206
Expenditures			
General Government Services	13,703,993	-	-
Security of Persons & Property	15,824,077	-	-
Utilities & Environment	179,281	-	-
Transportation	1,827	15,565,070	-
Economic Environment	321,038	1,326,729	-
Mental & Physical Health	369,884	-	-
Culture & Recreation	209,674	-	-
Debt Service:			
Principal	-	-	212,985
Interest & Other Debt Service	-	571	103,221
Capital Outlays	81,125	5,919,474	-
Total Expenditures	30,690,899	22,811,844	316,206
Excess of Revenues Over (Under) Expenditures	1,183,583	(1,613,482)	-
Other Financing Sources/(Uses)			
Insurance Recoveries: Non-Capital	-	1,704	-
Proceeds from Sale of Capital Assets	771,169	1,494,417	-
Transfers-In	96,107	-	-
Transfers-Out	(2,744,672)	-	-
Total Other Financing Sources/(Uses)	(1,877,396)	1,496,121	-
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	(693,813)	(117,361)	-
Fund Balance as of January 1	10,784,863	11,730,173	-
Fund Balance as of December 31	$ 10,091,050	$ 11,612,812	$ -

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended
December 31, 2013

	Capital Facilities Plan	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 2,162,499	$ 3,421,989	$ 35,449,011
Licenses & Permits	-	816,087	894,866
Intergovernmental	-	4,021,505	16,826,604
Charges for Services	-	4,194,405	9,942,498
Fines & Forfeits	-	21,661	2,057,917
Miscellaneous	221,339	786,960	3,864,599
Total Revenues	2,383,838	13,262,607	69,035,495
Expenditures			
General Government Services	86,145	838,561	14,628,699
Security of Persons & Property	5,918	3,842,394	19,672,389
Utilities & Environment	-	3,425	182,706
Transportation	-	-	15,566,897
Economic Environment	-	2,328,634	3,976,401
Mental & Physical Health	-	5,488,329	5,858,213
Culture & Recreation	56,307	1,546,343	1,812,324
Debt Service:			
Principal	-	1,095,000	1,307,985
Interest & Other Debt Service	-	599,623	703,415
Capital Outlays	4,193	81,524	6,086,316
Total Expenditures	152,563	15,823,833	69,795,345
Excess of Revenues Over (Under) Expenditures	2,231,275	(2,561,226)	(759,850)
Other Financing Sources/(Uses)			
Insurance Recoveries: Non-Capital	-	-	1,704
Proceeds from Sale of Capital Assets	3,114	22,029	2,290,729
Transfers-In	-	3,554,886	3,650,993
Transfers-Out	(1,274,623)	(101,298)	(4,120,593)
Total Other Financing Sources/(Uses)	(1,271,509)	3,475,617	1,822,833
Excess of Revenues & Other Financing Sources/(Uses) Over (Under) Expenditures	959,766	914,391	1,062,983
Fund Balance as of January 1	6,519,025	10,150,324	39,184,385
Fund Balance as of December 31	$ 7,478,791	$ 11,064,715	$ 40,247,368

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended
December 31, 2013

	Solid Waste Utility	Solid Waste Disposal Dist	Other Enterprise Funds
Operating Revenues			
Charges for Services	$ 1,832,912	$ 4,768,772	$ 157,575
Equipment Rental	-	-	-
Insurance Premiums and Recoveries	-	-	-
Other Operating Revenue	-	75,716	21,860
Total Operating Revenues	1,832,912	4,844,488	179,435
Operating Expenses			
Personnel Services	1,178,925	-	146,165
Repairs and Maintenance	38,311	214	10,949
Other Supplies and Expenses	525,399	933,346	189,884
Contractural Services	176,439	4,196,836	4,923
Depreciation, Amortization, & Depletion	133,351	170,000	144,574
Risk Transfer payments	-	-	-
Insurance Claims and Expenses	-	-	-
Other Operating Expenses	104,704	3,079	-
Total Operating Expenses	2,157,129	5,303,475	496,495
Operating Income (Loss)	(324,217)	(458,987)	(317,060)
Non-Operating Revenues (Expenses)			
Interest and Investment Revenue	-	-	18
Miscellaneous Revenue	300	9,436	-
Gain (Loss) on Disposal of Capital Assets	-	-	-
Capital Asset Loss Insurance Recovery	-	-	-
Total Non-Operating Revenues (Expenses)	300	9,436	18
Income (Loss) Before Contributions and Transfers	(323,917)	(449,551)	(317,042)
Capital Contributions		-	-
Grants	281,756	-	102,138
Transfer In (Out)	147,600	-	92,000
Change in Net Position	105,439	(449,551)	(122,904)
Net Position-Beginning	2,561,223	3,060,853	2,529,308
Net Position-Ending	$ 2,666,662	$ 2,611,302	$ 2,406,404

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended December 31, 2013

	Enterprise-type Totals	Governmental Activities - Internal Service Funds
Operating Revenues		
Charges for Services	$ 6,759,259	$ 5,106,695
Equipment Rental	-	3,972,486
Insurance Premiums and Recoveries	-	1,816,495
Other Operating Revenue	97,576	15,810
Total Operating Revenues	6,856,835	10,911,486
Operating Expenses		
Personnel Services	1,325,090	3,269,302
Repairs and Maintenance	49,474	409,998
Other Supplies and Expenses	1,648,629	4,531,135
Contractural Services	4,378,198	398,043
Depreciation, Amortization, & Depletion	447,925	996,623
Risk Transfer payments	-	449,837
Insurance Claims and Expenses	-	534,755
Other Operating Expenses	107,783	-
Total Operating Expenses	7,957,099	10,589,693
Operating Income (Loss)	(1,100,264)	321,793
Non-Operating Revenues (Expenses)		
Interest and Investment Revenue	18	82,104
Miscellaneous Revenue	9,736	12,267
Gain (Loss) on Disposal of Capital Assets	-	658,150
Capital Asset Loss Insurance Recovery	-	452,382
Total Non-Operating Revenues (Expenses)	9,754	1,204,903
Income (Loss) Before Contributions and Transfers	(1,090,510)	1,526,696
Capital Contributions	-	82,698
Grants	383,894	250
Transfer In (Out)	239,600	230,000
Change in Net Position	(467,016)	1,839,644
Net Position-Beginning	8,151,384	23,355,922
Net Position-Ending	$ 7,684,368	$ 25,195,566

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2013

	Solid Waste Utility	Solid Waste Disposal Dist	Other Enterprise Funds
Cash Flows from Operating Activities:			
Cash Received from Charges for Services	$ 1,876,510	$ 5,036,537	$ 150,797
Cash Received from Premiums/Recoveries	-	-	-
Cash Received from Rent Proceeds	-	-	20,814
Cash Received from Equipment Rental	-	-	-
Cash Received from Miscellaneous Activities	-	75,716	341
Payments for Wages & Benefits	(1,167,216)	-	(147,193)
Payments for Inventory & Supplies	-	-	-
Payments to Suppliers for Goods & Services	(887,641)	(5,350,288)	(188,789)
Payments for Risk Transfer	-	-	-
Payments for Claimants & Beneficiaries	-	-	-
Other Non-Operating Revenues	243	9,436	-
Net Cash Provided (Used) by Operating Activities	(178,104)	(228,599)	(164,030)
Cash Flows from Non-Capital Financing Activities:			
Payments of Interfund Loan & Interest	-	-	(105,843)
Operating Grants Received	353,330	-	9,521
Transfers-In	147,600	-	92,000
Transfers-Out	-	-	-
Cash Provided (Used) by Financing Activities	500,930	-	(4,322)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Capital Improvement Assessments	-	-	4,795
Payments for Capital Improvement Assessments	-	-	(7,381)
Proceeds from Sale/Disposal of Capital Assets	-	-	-
Acquisition/Construction of Capital Assets	(69,611)	-	-
Capital Grants Received	-	-	156,893
Insurance Proceeds	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(69,611)	-	154,307
Cash Flows from Investing Activities:			
Receipt of Interest	-	-	59
Sale of Investment Securities	533,320	1,471,289	112,657
Purchase of Investment Securities	(577,160)	(1,180,221)	(91,933)
Cash Provided by Investing Activities	(43,840)	291,068	20,783
Net Increase (Decrease) in Cash and Cash Equivalents	209,375	62,469	6,738
Cash and Cash Equivalents at Beginning of Year	512,250	1,415,465	108,206
Cash and Cash Equivalents at End of Year	$ 721,625	$ 1,477,934	$ 114,944

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

	Solid Waste Utility	Solid Waste Disposal Dist	Other Enterprise Funds
Net Operating Income (Loss)	$ (324,217)	$ (458,987)	$ (317,060)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:			
Depreciation Expense	133,351	-	144,574
Other Non-Operating Revenue	300	9,436	-
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	43,598	268,031	(6,483)
(Increase) Decrease in Inventories	-	-	-
(Increase) Decrease in Prepaids	(9,557)	(135)	(52)
Increase (Decrease) in Payables	(21,579)	(46,944)	14,991
Total Adjustments	146,113	230,388	153,030
Net Cash Provided (Used) by Operating Activities	$ (178,104)	$ (228,599)	$ (164,030)
Noncash Investing, Capital, and Financing Activities:			
Contributions of Capital Assets from Government	$ -	$ -	$ -
Gain (Loss) on Disposal of Capital Assets	-	-	-

See Accompanying Notes to Financial Statements

Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2013

	Totals	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Charges for Services	$ 7,063,844	$ 4,879,758
Cash Received from Premiums/Recoveries	-	1,821,175
Cash Received from Rent Proceeds	20,814	-
Cash Received from Equipment Rental	-	3,972,486
Cash Received from Miscellaneous Activities	76,057	15,810
Payments for Wages & Benefits	(1,314,409)	(3,250,876)
Payments for Inventory & Supplies	-	(1,773,116)
Payments to Suppliers for Goods & Services	(6,426,718)	(3,472,610)
Payments for Risk Transfer	-	(460,486)
Payments for Claimants & Beneficiaries	-	(834,494)
Other Non-Operating Revenues	9,679	2,267
Net Cash Provided (Used) by Operating Activities	(570,733)	899,914
Cash Flows from Non-Capital Financing Activities:		
Payments of Interfund Loan & Interest	(105,843)	-
Operating Grants Received	362,851	250
Transfers-In	239,600	418,726
Transfers-Out	-	(188,726)
Cash Provided (Used) by Financing Activities	496,608	230,250
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Improvement Assessments	4,795	-
Payments for Capital Improvement Assessments	(7,381)	-
Proceeds from Sale/Disposal of Capital Assets	-	1,216,421
Acquisition/Construction of Capital Assets	(69,611)	(2,348,976)
Capital Grants Received	156,893	-
Insurance Proceeds	-	452,382
Net Cash Provided (Used) by Capital and Related Financing Activities	84,696	(680,173)
Cash Flows from Investing Activities:		
Receipt of Interest	59	100,953
Sale of Investment Securities	2,117,266	13,044,485
Purchase of Investment Securities	(1,849,314)	(13,288,672)
Cash Provided by Investing Activities	268,011	(143,234)
Net Increase (Decrease) in Cash and Cash Equivalents	278,582	306,757
Cash and Cash Equivalents at Beginning of Year	2,035,921	2,727,160
Cash and Cash Equivalents at End of Year	$ 2,314,503	$ 3,033,917

	Totals	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided		
Net Operating Income (Loss)	$ (1,100,264)	$ 321,793
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operations:		
Depreciation Expense	277,925	996,623
Other Non-Operating Revenue	9,736	2,267
Change in Assets and Liabilities:		
(Increase) Decrease in Receivables	305,146	(226,207)
(Increase) Decrease in Inventories	-	39,173
(Increase) Decrease in Prepaids	(9,744)	(82,288)
Increase (Decrease) in Payables	(53,532)	(151,447)
Total Adjustments	529,531	578,121
Net Cash Provided (Used) by Operating Activities	$ (570,733)	$ 899,914
Noncash Investing, Capital, and Financing Activities:		
Contributions of Capital Assets from Government	$ -	$ 82,698
Gain (Loss) on Disposal of Capital Assets	-	658,150

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Agency Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	$ 6,902,737
Deposit with Fiscal Agent	-
Investments	40,098,307
Total Assets	$ 47,001,044
Liabilities	
Current Liabilities:	
Warrants Payable	$ 2,777,582
Accounts/Vouchers Payable	378,932
Custodial Accounts	43,844,530
Total Liabilities	$ 47,001,044

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, 2013

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

The General Fund (Current Expense) is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The Road Fund accounts for the design, construction and maintenance of county roads. The main sources of revenue for the Road Fund include taxes and intergovernmental grants and contributions.

The 2007 Bond Redemption Fund accounts loan payment from the Chehalis-Centralia Airport and the redemption of the bonds issued in 2007 for the benefit of the Chehalis-Centralia Airport. On December 31, 2013, pursuant to the transfer agreement (see Note 15), 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.

The county reports the following major proprietary funds:

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

The Solid Waste Disposal District Fund is used to account for activity of Lewis County Solid Waste Disposal District No. 1 and operation of the solid waste transfer station in Centralia. The main source of revenue for the District is from charges to customers for garbage removal services (tipping fees).

Additionally, the county reports the following fund types:

Internal service funds account for operations that provide goods and services to other departments or funds of the county or to other government units on a cost-reimbursement basis. The County's internal service funds 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. Annual budgets are adopted by the legislative authority, being the Board of County Commissioners (BOCC), at the fund level, except in the general fund, where expenditures may not exceed appropriations at the department level. The budget sets legal authority for expenditures at these levels.

All annual appropriations lapse at fiscal year-end.

The County does not employ encumbrance accounting.

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 2013 budget was adopted by the BOCC on Monday, December 03, 2012.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

The financial statements contain the original and final budget information for the general and major funds. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

4. Excess of Expenditures Over Appropriations

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

5. Deficit Fund Net Position

During the current year there were no instances of deficit fund net position in the General Fund or in a Special Revenue Fund.

E. Assets, Liabilities, fund Balance, Net Position

1. Cash and Cash Equivalents

The county pools cash resources of its various funds for the purpose of investing all temporary cash surpluses. At December 31, 2013, the treasurer was holding $22,602,582 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. Income on pooled investments is allocated pursuant to county resolution no. 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 2013 were approximately $7,427,363.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

2. Investments

Investments for the county are reported at fair value. The State Treasurer’s Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares (See Deposits and Investments Note No. 4).

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Property Taxes Note No. 5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2013, $5,102 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advance to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” A separate schedule of interfund loans receivable and payable is furnished in Note 14 – Interfund Balances and Transfers.

5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. With the exception of receipt books in the general fund, the cost is recorded as expenditure at the time individual inventory items are purchased. Receipt books 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 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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	-	421,562

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the county as assets with an initial, individual cost of more than $5,000. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements for amounts greater than $50,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Autos, Computers, Office Equipment	3 - 7
Heavy Equipment	8 -20
Buildings, Land Improvements	40
Infrastructure	15 - 60

8. Compensated Absences

The county records all accumulated unused vacation and sick leave benefits. Vacation pay, which may accumulate up to 240 hours, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 1,320 hours. Fifty percent of outstanding sick leave to a maximum of 360 hours is payable upon resignation, retirement, or death.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and 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 received for assets or services but the revenue recognition criteria have not been met because the amounts have not been earned.

12. Fund Balance Classification

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

13. Fund Balance Details

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

14. Fund Balances

	General Fund	Roads	Capital Projects	Special Revenue	Debt Service	Capital Facilities Plan	Total Funds
Fund Balances:							
Nonspendable:							
Inventory	808	-	-	624,212	-	-	625,020
Prepaids	42,408	21,574	-	78,804	-	-	142,786
Total Nonspendable	43,216	21,574	-	703,016	-	-	767,806
Restricted:							
Debt Service	-	-	-	-	21,775	-	21,775
General Government & Judcial	350,504	-	-	659,567	-	7,104,318	8,114,389
Public Safety	-	-	-	245,035	-	-	245,035
Transportation	-	67,895	-	-	-	-	67,895
Natural & Economic Environment	-	-	-	4,301,968	-	-	4,301,968
Social Services & Physical Health	-	-	-	805,663	-	-	805,663
Public Services	-	-	-	1,221,507	-	-	1,221,507
Total Restricted	350,504	67,895	-	7,233,740	21,775	7,104,318	14,778,232
Committed:							
General Government Services	-	-	-	34,719	-	-	34,719
Total Committed	-	-	-	34,719	-	-	34,719
Assigned:							
General Government & Judicial	-	-	-	20,758	-	-	20,758
Public Safety	-	-	-	1,123,333	-	-	1,123,333
Utilities	31,216	-	-	-	-	-	31,216
Transportation	-	11,523,343	-	-	-	-	11,523,343
Economic Environment	-	-	-	6,749	-	-	6,749
Social Services & Physical Health	-	-	-	540,566	-	-	540,566
Culture & Recreation	34	-	-	261,421	-	-	261,455
Public Services	-	-	-	76,185	-	-	76,185
Capital Projects	-	-	1,042,453	-	-	374,473	1,416,926
Total Assigned	31,250	11,523,343	1,042,453	2,029,012	-	374,473	15,000,531
Unassigned:	9,666,080						9,666,080
Total Fund Balances:	10,091,050	11,612,812	1,042,453	10,000,487	21,775	7,478,791	40,247,368

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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	$ 40,247,368
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	86,415,987
The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.	1,744,423
Some receivable balances are not yet available and are not reported as revenue in the governmental funds.	4,085,022
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(24,628,089)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	25,195,566
Adjustment for Rounding	(1)
Net Position of government activities.	$ 133,060,276

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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	$ 1,062,983
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.	3,180,998
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. Loan/Bond Proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,314,541
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.	(4,621,906)
Internal service funds or activities are used by management to charge the cost of certain activities to individual funds.	1,839,644
Adjustment for Rounding	1
Change in net position of governmental activities.	$ 2,776,261

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2013 no funds reported deficits in fund balances or fund net positions in violation of state statute.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

As of December 31, 2013, the county had the following investments:

Investment Type:	Carrying Amount	Market Value
U.S. Gov't Securities	15,427,278	15,392,688
Municipal Bonds	18,821,525	18,903,140
Subtotal - Investments Subject to Credit Risk Classification	34,248,803	34,295,828
State Treasurer's Investment Pool	69,810,850	69,810,850
Time Deposits	266,120	266,120
Subtotal - Investments Not Subject To Credit Risk Classification	70,076,970	70,076,970
Total Investments	**104,325,773**	**104,372,798**

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

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

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

NOTE 5 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed as collected and those collections requiring remittance are distributed to other jurisdictions after the end of each month.

Property Tax Calendar

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

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 2013 was $2.1867 per $1,000 on an assessed valuation of $5,130,700,462 or a total road tax of $11,220,142.

The diverted county road levy for 2013 was $0.2482 per $1,000 on an assessed valuation of $5,130,700,462 for a total diverted road levy of $1,273,414.

A shift in the County Road fund levy to the Current Expense fund is allowed by RCW 84.52.043 as long as the shift from the County Road fund does not reduce the levy capacity of any other taxing districts. A shift from the County Road fund levy to Current Expense was authorized in the amount of $17,000 for 2013.

The county's total regular levy for 2013 was $1.5948 per $1,000 on an assessed valuation of $7,183,983,361 for a total regular tax of $11,456,988. The components of the regular levy are:

	Levy	Tax
General Fund	1.549806055	11,133,711
Veterans' Relief	0.020000000	143,679
Social Services	0.025000000	179,598
Totals	1.594806055	11,456,988

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 – CAPITAL ASSETS

Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

GOVERNMENTAL TYPE ACTIVITIES	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital Assets, not being depreciated:				
Land	$ 4,311,400	$ 524,397	$ 100	$ 4,835,697
Land Use Rights (Intangible Assets)	50,098	43,858	-	93,956
Construction in Progress	5,749,805	5,986,989	9,131,033	2,605,761
Total Capital Assets, not being depreciated	10,111,303	6,555,244	9,131,133	7,535,414
Capital Assets being depreciated:				
Buildings	62,979,181	-	209,523	62,769,658
Improvements other than buildings	3,714,796	-	-	3,714,796
Machinery & Equipment	21,248,257	2,818,936	1,812,977	22,254,216
Intangible Assets	-	-	-	-
Infrastructure	89,387,171	5,720,612	-	95,107,783
Total Capital Assets, being depreciated	177,329,405	8,539,548	2,022,500	183,846,453
Less Accumulated Depreciation for:				
Buildings	25,421,576	1,194,810	162,702	26,453,684
Improvements other than buildings	2,737,415	132,769	-	2,870,184
Machinery & Equipment	14,017,030	1,098,939	1,330,384	13,785,585
Intangible Assets	-	-	-	-
Infrastructure	49,455,229	2,284,536	-	51,739,765
Total Accumulated Depreciation	91,631,250	4,711,054	1,493,086	94,849,218
Total Capital Assets being depreciated, net	85,698,155	3,828,494	529,414	88,997,235
Governmental Type Activities Capital Assets, net	$ 95,809,458	$ 10,383,738	$ 9,660,547	$ 96,532,649

*Construction in Process includes $1,263,482 of Public Works infrastructure projects included in the Six Year Transportation Improvement Plan, $2,195 for a Right of Way purchase not completed at yearend, and $1,340,084 in construction projects currently in progress.

Depreciation Expense was charged to functions as follows:	
General Government	$ 429,615
Public Safety	704,440
Utilities	123,637
Transportation	2,318,405
Natural and Economic Environment	4,156
Social Services	22,342
Culture and Recreation	111,834
	$ 3,714,429
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.	$ 996,625
Total Governmental Activities Depreciation Expense	$ 4,711,054

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

BUSINESS TYPE ACTIVITIES	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital Assets, not being depreciated:				
Land	$ 177,889	$ -	$ -	$ 177,889
Land Use Rights (Intangible Assets)	2,014	-	-	2,014
Construction in Progress	-	-	-	-
Total Capital Assets, not being depreciated	179,903	-	-	179,903
Capital Assets being depreciated:				
Buildings	1,239,352	6,529	-	1,245,881
Improvements other than buildings	4,025,674	62,215	-	4,087,889
Machinery & Equipment	822,705	868	-	823,573
Intangible Assets	-	-	-	-
Total Capital Assets, being depreciated	6,087,731	69,612	-	6,157,343
Less Accumulated Depreciation for:				
Buildings	981,028	46,360	-	1,027,388
Improvements other than buildings	1,157,225	172,320	-	1,329,545
Machinery & Equipment	357,520	59,246	-	416,766
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	2,495,773	277,926	-	2,773,699
Total Capital Assets being depreciated, net	3,591,958	(208,314)	-	3,383,644
Business Type Activities Capital Assets, net	$ 3,771,861	$ (208,314)	$ -	$ 3,563,547

Depreciation Expense was charged to functions as follows:

Solid Waste	$ 133,351
Airport	144,575
Total	$ 277,926

NOTE 7 – PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer defined benefit public employee retirement plans and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description: The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit plan with a defined contribution.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.
PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	**263,347**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 118,389	$ 1,730,707	$ 157,020
2012	$ 114,907	$ 1,512,918	$ 122,258
2011	$ 110,110	$ 1,278,820	$ 99,605

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

Plan Description
LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	**27,784**

Funding Policy
Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully

funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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 DRS' Fiscal Year 2013, the state contributed $54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	$ -	$ 142,160
2012	$ -	$ 148,238
2011	$ -	$ 138,823

Public Safety Employees' Retirement System (PSERS) Plan 2

<u>Plan Description</u>
PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include:
- 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; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, 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 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Nonvested	2,167
Total	**4,337**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PSERS Plan 2
Employer*	10.54%
Employee	6.36%

* The employer rate includes an employer administrative expense fee of 0.18%.

Both Lewis County and the employees made the required contributions. The county's required contributions for the year ended December 31, were as follows:

	PSERS Plan 2
2013	$ 192,990
2012	$ 160,049
2011	$ 131,611

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (HEALTH CARE)

The County provides other post-employment benefits (OPEB) in addition to the pension benefits described in Note 7.

A. LEOFF Plan 1

Lifetime full medical coverage is provided to uniformed law enforcement officers as members of the Law Enforcement Officers and Fire Fighters Plan 1 (LEOFF 1) retirement system. A liability for the accumulated

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 2013, 24 retirees received benefits under this act. As of December 31, 2013, 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 RCW. The County's funding policy is based upon pay-as-you-go financing requirements.

3. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years as of January 1, 2013. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of $1,580,525 is reported as a non-current liability on the Statement of Net Position.

	Year Ending 12/31/2013
Determination of Annual Required Contribution:	
Normal Cost at Year End	$ -
Amortization of UAAL *	802,906
Annual Required Contribution	$ 802,906
Determination of Net OPEB Obligation:	
Annual Required Contribution	$ 802,906
Interest on Prior Year Net OPEB Obligation	49,578
NOO Amortization **	(111,477)
Annual OPEB Cost	741,007
Contributions Made	(399,924)
Increase in Net OPEB Obligation	$ 341,083
Net OPEB Obligation - End of Year:	
Net OPEB Obligation - Beginning of Year	$ 1,239,442
Increase in Net OPEB Obligation	341,083
Net OPEB Obligation - End of Year	$ 1,580,525

* Unfunded Actuarial Accrued Liability (UAAL)
** Net OPEB Obligation

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

4. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $8,927,020 and the actuarial value of the assets was $0 resulting in a UAAL of $8,927,020. .

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2013, these costs totaled $399,924 with a cost per retiree of $16,664.

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

5. Actuarial Methods and Assumptions

We have used the alternative measurement method permitted under GASB Statement No. 45. There were no active members to consider when determining the actuarial accrued liability and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 mortality rates used in the June 30, 2011 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. 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, 2013 was $6,298,709. However, the current strategy does not constitute an advance-funded approach.

B. Other County Retirees

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

Actual participation is extremely low due likely to the economic costs of the retiree premiums. As a consequence, out of the entire population of eligible retirees there were only three retirees under the age of 65 participating at the end of 2013. 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 - DEFERRED COMPENSATION PLAN

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

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

NOTE 10 RISK MANAGEMENT

Lewis County is a member of the Washington Counties Risk Pool (“Pool”). Other Washington counties that are Pool members include: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Kittitas and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having voluntarily terminated their memberships beginning October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was formed August 18, 1988 after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide member counties with “joint” programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling, and risk management. Washington’s pools operate under the state’s “pooling” laws and regulations, more specifically, RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor’s Office.
Noteworthy is the definition of “insurer” within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an “insurer” under this code.
Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

The Pool’s mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims. Its core values include: being committed to learn, understand and respond to the member counties’ insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations. The Pool’s board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes, and being committed to continuous planning and innovation in product development and service delivery.

A Membership Compact was added as an addendum to the Interlocal Agreement in 2000. It constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

management efforts to reduce losses and support the best management of the Pool and its resources. It obligates member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover any costs to analyze the member's loss data and risk profile, but they are normally only required to contribute their proportional shares on their entry year's insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew 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.

Joint Self-Insurance Liability Program ("JSILP"): The Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3rd-party liability coverage since October 1, 1988 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the $1 million limit that existed during the Pool's initial two insuring months to $5 million, then to $10 million and onto $15 million before reaching the $20 million occurrence limit that has existed since October 1, 2003. (Note: Additional occurrence limits of $5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.
The initial $10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to $15 million, is acquired as "following form" excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000.

Reinsurance is acquired from higher rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention ("SIR") equal to the greater of the applicable member's deductible or $100,000. The reinsuring agreements also include first and second layer corridor elements – to $1 million and from $1 to $2 million – with cumulative (WCRP) retentions of $2.95 and $0.65 million and annual aggregate limits of $40 and $20 million respectively.

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013, and added to the Pool's administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years' decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for open claims) increased $8.1 million during Py2013 to $250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of $5.4M, but it represents just 51% of the Py2011 increase of $16.0M, 46% of the $17.8M in Py2010, and only 39% of the $20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as 'open' at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported ("IBNR"), the Pool's estimated ultimate claims totaled 19,539 as of September 30, 2013.

The independent actuary's projection of total reserves for claims that are expected to be the Pool's responsibility decreased slightly (-1%) from Py2012 to $14.6 million. This amount includes $3.4 million (-21% from Py2012) for losses within the Pool's self-insured retention, $10.0 million (+7%) for losses subject to the "corridor" programs with the Pool's reinsurers, $0.2 million for losses within the Py2013 quota-shared (10%) upper reinsured layer, and $1.0 million (+3%) for estimated unallocated loss adjustment expenses. NOTE: The corridor programs involving

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

the WCRP's first (and now second) layer reinsurers began seven years ago. These programs included an occurrence coverage maximum of $0.5 million during the first three years, $1.0 million during the next three years, and of both $1.0 million and $2.0 million beginning with Py2013. Occurrence coverage minimums have remained since the corridor program began the greater of the applicable member deductible or $100,000.

Washington Counties Property Program ("WCPP"): Beginning with Py2006 (October 1, 2005), WCRP added property insurance as a county-by-county option that is jointly-purchased from a consortium of higher rated commercial carriers. Since the initial offering, both participation and the total values of covered properties have nearly doubled. Twenty six WCRP counties with covered properties totaling over $2.7 billion participated in the optional insuring program during Py2013.

The WCPP includes All Other Peril coverage limits of $500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being $200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverages each include annual aggregate limits of $200 million. The WCPP coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery ($100 million), Special Flood Hazard Areas ($25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism ($20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between $5,000 and $50,000. Higher deductibles are applicable to losses resulting from catastrophe relevant losses.

There were 15 claims filed during Py2013 by participating counties with loss estimates totaling $2.6 million and losses paid by fiscal year-end of $1.5 million. During its initial eight years as a WCRP optional insuring program, there have been 103 WCPP claims filed with to-date incurred losses totaling $15.5 million and losses paid through fiscal 2013 of $8.9 million. Considering the fact that to-date WCPP premiums have totaled $22.2 million, the WCPP's cumulative loss ratio is below 0.7.

Other Insurances: Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverages.
Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Board, which is made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Pool's Annual Meeting. The board of directors is responsible for a) determining the extent of the 3rd-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review 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 and program deliverables as well as the Executive Director's performance. Committee members are expected to participate in the Board's

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

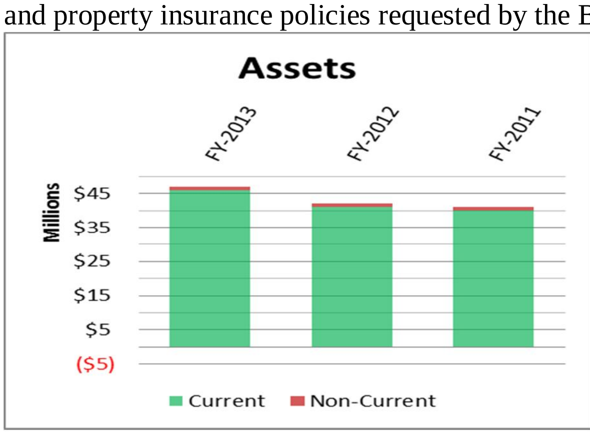
standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

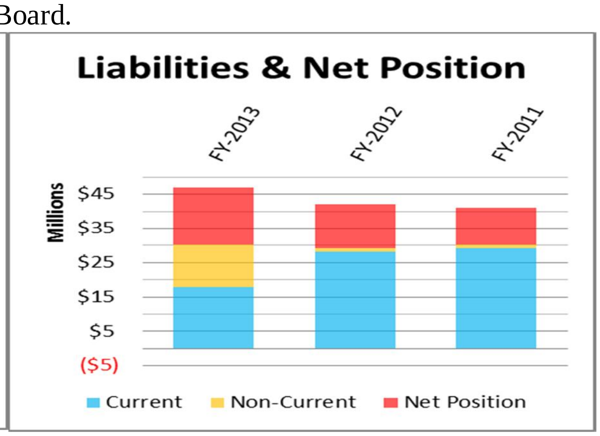
Staffing and Support Teams: The Pool's multi-person claims staff with years of combined experience handles or oversees the handling of the several hundred liability cases each year filed upon and submitted by the Pool's member counties. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other WCRP staffers provide various member services, e.g conducting member and potential member risk assessments and compliance audits, coordinating numerous Pool-sponsored trainings, researching other coverages, and marketing the Pool and its risk management services. Some address and support the organization's administrative needs.

Professionals from some of the more respected organizations worldwide are regularly called upon to address various needs of the Pool. More specifically, independent actuarial services are furnished by PricewaterhouseCoopers, LLP. Independent claims auditing is performed by Startegic Claims Direction LLC, and special claims audits are occasionally performed by the Pool's commercial reinsurers/insurers. Insurance producer (broker) and advanced loss control and prevention services are provided by Arthur J. Gallagher Risk Management Services, Inc.. Coverage counsel is furnished by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend the numerous Pool-covered cases, as well as the examinations by and services from both the State Risk Manager and State Auditor's Offices.

Financial Summary: During fiscal 2013, Pool assets grew 11% (+$4.8 million) and liabilities by 3% (+$1.0 million). Its net (financial) position, which is commonly referred to as "net assets" and sometimes as "owners' equity", improved 30% (+$3.9 million) during the Pool's Silver Anniversary year to $16.7 million as of September 30, 2013. Much of the net position is 'restricted' ($12.5 million) to address the Board of Directors' recently revised requirements in section D of its Underwriting Policy. NOTE: This policy revision resulted in the Pool's own restriction increasing $7.5 million (+187%) and the unrestricted declining $3.8 million (-53%). The (State Risk Manager's) solvency provisions in WAC 200.100.03001(3) required $0.9 million for satisfaction, a year-over-year increase of $0.1 million (+15%). Another $0.9 million is invested in capital assets (net of debt). The remaining $3.3 million is unrestricted.

$3.75 million in operating income was experienced during Py2013, an increase of 111% from Py2012. Operating revenues were 'flat', but expenses declined nearly $2.0 million (-15%). This reduction was in part due to even more favorable adjustments by the independent actuary, PricewaterhouseCoopers LLP ("PwC"), to the Pool's claims-related reserves, and to the reduction (-26%) in the premiums to acquire the reinsurance, excess insurance and property insurance policies requested by the Board.





NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO ($0) as there were no known contingent liabilities at that time.

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, 2013, which includes estimates for Incurred But Not Reported claims (IBNR) were as follows:

		2012		2013
General Liability Claims	$	2,000,000	$	1,500,000
Unemployment Claims		184,823		184,523
Total	**$**	**2,184,823**	**$**	**1,684,523**

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

		Year Ended: 12/31/2012		**Year Ended: 12/31/2013**
Unpaid Claims, Beginning of Fiscal Year	$	2,224,823	$	2,184,823
Incurred Claims		431,649		503,791
Changes In Estimates		(40,000)		(500,000)
Claim Payments		(431,649)		(503,791)
Unpaid Claims, End of Fiscal Year	**$**	**2,184,823**	**$**	**1,684,823**

As of December 31, 2013, cash and investments were $3,177 and $9,019,670, respectively, this included $6,293,337 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 and Washington State Department of Labor & Industries data, the county's estimated reserve for probable losses at December 31, 2013 was $174,982:

		Year Ended: 12/31/2012		**Year Ended: 12/31/2013**
Unpaid Claims, Beginning of Fiscal Year	$	174,982	$	174,982
Incurred Claims (Payments by Administrator)		228,404		213,061
Claim Payments		(185,048)		(189,166)
Other - Cash Pension Adjustment		(28,062)		(10,704)
Accrued/Timing (with IBNR estimate)		(15,294)		(13,191)
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 $718,334 at December 31, 2013. The county has met the SIR payable under the excess coverage for the claims.

The county is required by Washington State Department of Labor and Industries to set aside, for protection to the Workers' Compensation Fund, a minimum of $100,000 in cash reserves. Additionally, the county has purchased

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

$1 million of excess coverage insurance for workers' compensation claims. The policy has a $600,000 SIR for individual claims. As of December 31, 2013, cash and investments were $1,908,390 including $421,562 restricted for minimum cash reserves. Total net position at December 31, 2013 was $1,697,578.

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 11 - LONG-TERM DEBT

The County may issue general obligation and revenue bonds to finance the purchase of major capital items, the acquisition or construction of major capital facilities and other major items. The general obligation bonds have been issued for the general government and are being repaid from applicable resources. The County is also liable for notes that were entered into for various reasons stated below in the description of each note. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

A. Disclosures About Each Significant Debt Incurred

General Obligation Bonds	Outstanding 12/31/2013
$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.	$8,205,000
$4,925,000 – Issued September 2, 2009, to defease, pay, redeem, and retire the 1999 refunded bonds. Interest is paid at 2.50% to 4.25% with annual debt service payments of $395,188 to $442,000 through December 1, 2024.	$3,880,000
$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.	$2,229,070
$7,100,000 - Issued May 25, 2005, to defease, pay, redeem and retire the 1999 refunded bonds. Interest is paid at 3.00% to 6.50% with annual debt service payments of $506,638 to $523,943 through December 1, 2024.	$ 4,430,000
Notes Payable	
Washington State, Public Works Trust Fund Loan - Dept. of Community Development - $389,125 - Issued April 14, 1994, for the purpose of financing extension of roads and utility services as an expansion of the Chehalis Industrial Park; whereby, the county acted as the lead agency in a cooperative project with the Port of Chehalis. All principal and interest payments made by the county are reimbursed 100% by the Port of Chehalis. Interest is paid at 1.00% on annual installments of $23,083 to $31,704 through July 1, 2014.	$27,795
Washington State Revolving Fund Loan - Dept. of Ecology - $406,261 - Issued July 1, 1994, for the purpose of paying for costs associated with the Wallace Road sewer project. The loan agreement provides a maximum allowable loan of $406,261, of which the County has received $322,808. Interest is paid at 4.50% on semi-annual installments of $12,297 through July 1, 2014.	$3,815
Total Outstanding Debt	**$18,775,680**

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

B. Debt Service Requirements to Maturity

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

Year	Principal	Interest
2014	1,332,285	658,444
2015	1,371,991	616,492
2016	1,427,122	572,102
2017	2,747,672	494,612
2018	1,245,000	423,205
2019-2023	6,975,000	1,394,903
2024-2028	3,645,000	247,475
Total	$ 18,744,070	$ 4,407,233

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

	Governmental Activities		Business-Type Activities	
Year	Principal	Interest	Principal	Interest
2014	27,795	278	3,815	86
Total	$ 27,795	$ 278	$ 3,815	$ 86

C. Changes in Government-wide Long-Term Debt

The following is a summary of the County's Long-Term Debt transactions for the year ended December 31, 2013:

Activity:	Balance 12/31/2012	New Issues	Retirement	Balance 12/31/2013	Due Within One Year
Governmental:					
Compensated Absences	$ 4,363,548	$ 179,050	$ -	$ 4,542,598	$ -
General Obligation Bonds	20,052,055	-	1,307,985	18,744,070	1,307,985
Notes Payable	55,589	-	27,795	27,794	27,795
TOTAL	$ 24,471,192	$ 179,050	$ 1,335,780	$ 23,314,462	$ 1,335,780
Business-Type:					
Compensated Absences	$ 148,921	$ -	$ 1,588	$ 147,333	$ -
Notes Payable	11,197	-	7,381	3,816	3,816
TOTAL	$ 160,118	$ -	$ 8,969	$ 151,149	$ 3,816

Note: Adjustments due to Rounding.

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 $380,839 of internal service funds compensated absences are included in the above amounts. Additionally, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the responsible fund.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

D. Assets Available for Long-Term Debt

At December 31, 2013, the county had $21,775 available in the debt service funds. The general fund and other county funds will transfer assets as required to service the general obligation bonded debt. Other debt is serviced by assets within the responsible fund.

E. Legal Debt Margin

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

Purpose of Indebtedness	Remaining Capacity	
General Government - No Vote Required	$	89,711,129
General Government - Vote Required	$	161,550,513

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, 2013, the amount of defeased debt outstanding but removed from the Solid Waste Disposal District amounted to $1,445,000 and the Governmental Long Term Debt amounted to $20,215,000.

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, 2013, the Public Facilities District limited sales tax obligations bonds outstanding amounted to $5,675,000.

NOTE 12 - JUDGMENTS AND CONTINGENCIES

The county has recorded in its financial statements all material liabilities, including an estimate for situations, which are not yet resolved, but where, based on available information, management believes it is probable that the county will have to make payment. In the opinion of management, the county's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

The county participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representative. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 13 - RESTRICTED NET POSITION

The government-wide statement of net position reports $421,562 of restricted net position by enabling legislation (County Self-Insurance).

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables and Payables

Activity between funds for goods or services occurs throughout the year. The following table depicts interfund receivable and payable balances as of December 31, 2013:

Fund	Due to Other Funds	Due From Other Funds
General Fund	$ 177,898	$ 357,025
Roads Fund	703,853	3,253
Capital Facilities Fund	1,314	-
Nonmajor Governmental Funds	58,996	23,694
Internal Service Funds	17,140	569,498
Solid Waste Utility	21,350	128,968
Solid Waste Disposal District	101,643	-
Nonmajor Business Type Funds	362	119
Adjustment for Rounding	1	-
Total	$ 1,082,557	$ 1,082,557

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 2013:

Borrowing Fund	Lending Fund	*Interfund Loans* Balance 12/31/2012	New Loans	Payments Made	Balance 12/31/2013
Flood Authority	General	$ 150,000	$ -	$ -	$ 150,000
Packwood Airport	General	56,243	-	56,243	-
South County Airport	General	45,854	-	45,854	-
Vader Water System Imp.	General	182,771	-	146,851	35,920
	TOTAL	$ 434,868	$ -	$ 248,948	$ 185,920

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 Airport, a business type fund, 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 Risk Management to the Equipment Rental and Revolving Fund cover the unanticipated costs of equipment destroyed. Transfers from the Capital Facilities Plan to the Debt Service Funds are to cover bond redemption payments.
The following table displays interfund transfers during 2013:

	Transfers	
Fund Types	**In**	**Out**
General Fund	$ 81,107	$ 2,702,835
Capital Facilities Plan	-	1,274,623
Nonmajor Governmental Funds	1,870,672	138,944
Internal Service Funds	418,726	188,726
Debt Service Funds	1,699,214	4,191
Business Type	239,600	-
TOTAL	**$ 4,309,319**	**$ 4,309,319**

NOTE 15 – JOINT VENTURE

Lewis County was jointly participating with the city of Centralia and the city of Chehalis in the Chehalis-Centralia Airport. The joint venture is organized under RCW 14.08.200. On August 24, 2005 by joint resolution of the cities of Centralia and Chehalis and Lewis County, the action authorized the removal of the City of Centralia from the Chehalis-Centralia airport joint operating agreement and the two positions on the governing board held by representatives of the city of Centralia were eliminated.

Chehalis-Centralia Airport is jointly governed by an appointed six member board of which Lewis County is a member. Currently three airport board members are appointed by Lewis County and three members are appointed by the City of Chehalis. The appointment of the seventh member is alternated between the two entities.

Debt related to the Chehalis-Centralia Airport consists of a bond issued by Lewis County in 2007 on behalf of the Chehalis-Centralia Airport in the amount of $3,500,000. The Chehalis-Centralia Airport makes the payments to Lewis County. The balance as of December 31, 2013 was $2,229,070.

On December 31, 2013, by joint resolution between Lewis County and the City of Chehalis, the county’s one-half equity interest in the Chehalis-Centralia Airport was transferred to the City of Chehalis. The transfer agreement required the Chehalis-Centralia Airport to deposit with the county the funds necessary to pay the June 01, 2017 balloon payment due on the previously mention bond. The funds, $1,565,777, were transferred prior to the close of business on December 31, 2013 and are recognized as a custodial deposit in the 2007 debt service fund. The City of Chehalis is required to fund all remaining annual bond payments.

Financial statements for the Chehalis-Centralia Airport are prepared on a cash basis and can be obtained from the airport’s administrator at the Airport, PO Box 1344, Chehalis, WA 98532.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 16 - CLOSURE AND POSTCLOSURE CARE COST

On August 28, 1990, the Centralia Landfill was listed on the Washington State Hazardous Sites List pursuant to Chapter 70, 105D RCW, the Model Toxics Control Act, and WAC 173-340-330, and on August 30, 1990, the Landfill was added to the Federal National Priorities List (NPL) pursuant to 42 U.S.C. Section 9605 of the Comprehensive Environment Response, Compensation, and Liability Act (CERCLA or Superfund). As a result of these listings, it was necessary for the Landfill to be remediated pursuant to the requirements of these laws.

On May 1, 1990 an Interlocal agreement was made between the various municipalities within Lewis County forming the Centralia Landfill Closure Group (CLCG) regarding the closure of the Centralia landfill. The municipalities, by the agreement, commit to take all action reasonably necessary to comply with the Environmental Laws and to share the costs of such compliance. Lewis County's (unincorporated portion) potential liability represents 48.85% of the closure costs.

In addition to the municipalities, other PLPs (Potentially Liable Parties) and insurance carriers for the municipalities have been identified. The Washington State Department of Ecology (DOE) has evaluated information related to each PLP and found that credible evidence existed to notify two firms of their potential liability. Insurance carriers for the municipalities have been involved at various levels of the closure process, assisting in the duty to defend and to cover costs of the closure. As of December 1997, $3,430,481 had been recovered from insurance carriers.

During 1993, Lewis County concluded the process of forming a countywide Solid Waste Disposal District. Reportable financial activity of the district began in the spring of 1994, then, the district assumed the local county's share of the liability for the Centralia Landfill closure. The maximum liability to the Lewis County Solid Waste Disposal District as well as all signatory municipalities to the landfill closure interlocal agreement is capped at $13 million.

Also in 1994, the Lewis County Solid Waste Disposal District #1 forwarded the sum of $8.7 million to the city of Centralia to fulfill the assumption of the local county's share of the liability for the Centralia Landfill closure. Therefore, the potential remaining obligation to the Disposal District as well as all signing municipalities is $4.3 million with Lewis County either alone or through its Disposal District, responsible for 48.85% of that $4.3 million ($2.1 million). However, current estimates indicate that there may be no future costs to Lewis County; accordingly, no additional liabilities for closure have been recorded in the Lewis County Solid Waste Disposal District fund.

Since the closure project is currently included on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" and "Superfund"), there is potential financial assistance available through the State of Washington Department of Ecology for a percentage (historically 75%) of the closure costs. As of December 1997, the CLCG had received a total of $7,909,813 from 1991 through 1997 in grant proceeds from the Department of Ecology. Current assessments indicate that future Ecology participation in closure activities will be in the area of 40% participation due to declining resources at the state level.

Interim action has been completed, pursuant to an initial consent decree, to provide a final cover over closed portions of the landfill. Completion of this project will reduce ultimate closure costs. The estimated total cost for the interim action was over $9.6 million, with financial assistance from the Washington State DOE. Lewis County's share is represented by 48.85% of the local cost. The sale of the bonds in 1994 partially offset those costs.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Within the landfill closure account managed by the CLCG, there have been adequate resources (factoring the $8.7 million forwarded to the CLCG by the Disposal District) to cover costs associated with remedial work undertaken thus far. A payment of $250,940 from the Solid Waste Disposal District to the CLCG was required during the year. At the end of 2013, approximately $191,567 remained in the City of Centralia Landfill Operating Trust Account, administered by the CLCG.

Significant decreases in the fund were the result of expenditures for post closure mitigation and the return of $8.7 million to Lewis County Solid Waste Disposal District #1. Increases to the landfill closure fund were the result of changes in known circumstances. The liability will continue to change as expenditures occur and as known circumstances occur due to the engineering determinations, inflation, deflation, technology or applicable laws or regulations and the completion of Remedial Investigation, Feasibility Study, and Closure Action Plan (RI/FS/CAP) negotiations with the Department of Ecology.

The CLCG, PLPs and insurance carriers have negotiated for the second consent decree with the Washington State DOE. A Remedial Investigation and Feasibility Study (RI/FS) has begun. Once completed, the results will be used to formulate the Closure Action Plan (CAP) which was completed in 2001. This plan will be approved by the DOE. It is possible that the landfill will be de-listed from CERCLA at the completion of the RI/FS because of pressure on the Environmental Protection Agency from the United States Congress, but that possibility is remote.

In April 1997, the Centralia Landfill Closure Group forwarded $8.7 million to the Lewis County Solid Waste Disposal District, as these funds were no longer needed for landfill closure costs. On May 6, 1997, this money, along with other funds set aside in the Solid Waste Disposal District fund as debt service reserves, were utilized to defease the $9,485,000 of the District's 1994 Revenue Bonds. The District acquired and deposited U.S. Government obligations irrevocably in escrow with First Trust National Association, Seattle, Washington, in amounts sufficient to pay the principal of and interest on the 1994 bonds through the final date of maturity, November 1, 2015. The payment of the debt service on the 1994 Bonds will be made solely from the U.S. Government Obligations and no longer constitutes a lien and charge on the revenues of the District.

The total costs to Lewis County Solid Waste Disposal District in the future, and the period of time over which such costs will be incurred are reasonably predictable at this time.

NOTE 17 - OTHER DISCLOSURES

A. Changes to Funds
Existing funds dissolved effective December 31, 2013:
Sheriff's Airplane Fund 162.
1992 Bond Redemption Fund 202.
2003 Bond Redemption Fund 203.
1999 Bond Redemption Fund 204.

C. Subsequent Events
Based upon an Order of the Court in October 2010, Lewis County Government was appointed as Receiver of the Vader Public Water System. Lewis County Government operates the Vader Water System as a separate entity.
Superior Court Order No. 10-2-01449-5 discharged Lewis County as receiver, terminated the receivership and approved and directed the transfer of title to the Water System from the City of Vader to Lewis County effective midnight April 30, 2014.

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For The Year Ended December 31, 2013

	General Fund			
	Budget		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes	$ 19,201,329	$ 19,201,329	$ 18,386,389	$ (814,940)
Licenses & Permits	30,800	30,800	42,384	11,584
Intergovernmental	5,805,274	5,863,674	4,732,540	(1,131,134)
Charges for Services	2,316,836	2,323,836	4,182,852	1,859,016
Fines & Forfeits	1,656,168	1,656,168	2,036,256	380,088
Miscellaneous	1,780,611	1,785,961	2,494,061	708,100
Total Revenues	30,791,018	30,861,768	31,874,482	1,012,714
Expenditures				
General Government Services	14,180,563	14,561,768	13,703,993	857,775
Security of Persons & Property	16,179,029	16,326,130	15,824,077	502,053
Utilities & Environment	182,692	195,046	170,219	24,827
Economic Environment	310,010	327,512	321,038	6,474
Mental & Physical Health	361,180	373,430	369,884	3,546
Culture & Recreation	205,969	220,028	209,674	10,354
Capital Outlays	-	41,409	81,125	(39,716)
Total Expenditures	31,419,443	32,045,323	30,680,010	1,365,313
Excess of Rev. Over (Under) Expend.	(628,425)	(1,183,555)	1,194,472	2,378,027
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Assets	700,000	700,000	733,169	33,169
Transfers-In	59,000	85,000	81,107	(3,893)
Transfers-Out	(2,748,463)	(3,051,435)	(2,702,835)	348,600
Total Other Financing Sources/(Uses)	(1,989,463)	(2,266,435)	(1,888,559)	377,876
Excess of Revenues and Other Financing Sources/ (Uses) Over (Under) Expenditures	(2,617,888)	(3,449,990)	(694,087)	2,755,903
Fund Balance as of January 1	10,286,609	10,286,609	10,753,887	467,278
Fund Balance as of December 31	$ 7,668,721	$ 6,836,619	$ 10,059,800	$ 3,223,181

Perspective Difference Reconciliation:

Actual Fund Balance - Schedule of Revenues, Expenditures, And Changes in Fund Balance	10,059,800
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	16,216
Cowlitz River Basin Subzone #126	15,000
Sheriff's Airplane #162	-
SWW Fair Entertainment Reserve #197	34
Total Fund Balance - General Fund Balance Sheet for Governmental Funds	10,091,050

The County's annual budget is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for all governmental Funds.

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For The Year Ended December 31, 2013

	Special Revenue: Roads			
	Budget		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes	$ 10,661,860	$ 10,661,860	$ 11,478,134	$ 816,274
Licenses & Permits	18,500	18,500	36,395	17,895
Intergovernmental	11,084,899	11,084,899	8,072,559	(3,012,340)
Charges for Services	1,324,683	1,324,683	1,565,241	240,558
Miscellaneous	25,530	25,530	45,958	20,428
Total Revenues	23,115,472	23,115,472	21,198,287	(1,917,185)
Expenditures				
Utilities & Environment	2,219,807	2,219,807	-	2,219,807
Transportation	16,091,058	16,271,047	15,565,070	705,977
Economic Environment	-	-	1,326,729	(1,326,729)
Interest & Other Debt Service	1,200	1,200	571	629
Capital Outlays	9,507,231	9,515,911	5,919,474	3,596,437
Total Expenditures	27,819,296	28,007,965	22,811,844	5,196,121
Excess of Rev. Over (Under) Expend.	(4,703,824)	(4,892,493)	(1,613,557)	3,278,936
Other Financing Sources/(Uses)				
Insurance Recoveries		-	1,704	1,704
Proceeds from Sale of Capital Assets	1,001,000	1,001,000	1,494,417	493,417
Transfers-In	17,000	17,000	-	(17,000)
Transfers-Out	(16,265)	(16,265)	-	16,265
Total Other Financing Sources/(Uses)	1,001,735	1,001,735	1,496,121	494,386
Excess of Revenues and Other Financing Sources/ (Uses) Over (Under) Expenditures	(3,702,089)	(3,890,758)	(117,436)	3,773,322
Fund Balance as of January 1	11,678,787	11,678,787	11,678,787	-
Fund Balance as of December 31	$ 7,976,698	$ 7,788,029	$ 11,561,351	$ 3,773,322

Perspective Difference Reconciliation:

Actual Fund Balance - Schedule of Revenues, Expenditures, And Changes in Fund Balance	11,561,351
The Following fund was budgeted as special revenue fund but does not meet the definition of such under Gasb Statement No. 54 and; therefore, is accounted for within the Roads Fund:	
Paths & Trails #128	67,895
Eliminate Transfer in From Roads	(16,434)
Total Fund Balance - Roads Fund Balance Sheet	11,612,812

The County's annual budget is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for all governmental Funds.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture/Washington State Department of Agriculture	National School Lunch Program	10.555	N/A	20,619		20,619	4
Food And Nutrition Service, Department Of Agriculture/Washington State Department of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16891	559,683		559,683	
Food And Nutrition Service, Department Of Agriculture/Washington State Department of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16891	8,936		8,936	
			Total CFDA 10.557	**568,619**	**0**	**568,619**	
Food And Nutrition Service, Department Of Agriculture/Washington State Department of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16891	305		305	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	07-PA-11060300-037		17,044	17,044	8 (a)
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	12-PA-11060300-017		22,160	22,160	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	P.L. 112-141.		1,069,221	1,069,221	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	P.L. 112-141		12	12	9 (a)
			Total CFDA 10.665	**0**	**1,108,437**	**1,108,437**	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Washington State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	10-64100-023	325		325	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Washington State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-009	19,754		19,754	9 (b)
Office Of Community Planning And Development, Department Of Housing And Urban Development/Washington State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	11-64100-047	6,043		6,043	
			Total CFDA 14.228	**26,122**	**0**	**26,122**	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Washington State Department of Commerce	Emergency Solutions Grant Program	14.231	13-46107-016	26,138		26,138	9 (c)
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0091B0T011104		43,478	43,478	9 (d)
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0091L0T011205		69,661	69,661	9 (e)

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/Washington State Department of Social & Health Services	Juvenile Accountability Block Grants	16.523	1363-84188	3,500		3,500	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/Washington State Department of Social & Health Services	Juvenile Accountability Block Grants	16.523	0663-98334-07	4,500		4,500	
			Total CFDA 16.523	**8,000**	**0**	**8,000**	
Violence Against Women Office, Department Of Justice/Washington State Department of Commerce	Violence Against Women Formula Grants	16.588	F12-31103-050	6,832		6,832	9 (f)
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2013-AP-BX-0285		13,567	13,567	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2012BUBX12062266		1,129	1,129	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2011BUBX11055509		1,338	1,338	
			Total CFDA 16.607	**0**	**2,467**	**2,467**	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/Washington State Department of Social & Health Services	Enforcing Underage Drinking Laws Program	16.727	1363-70096	2,000		2,000	
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	DOT-FA11NM-0080		6,357	6,357	
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	DOT-FA13NM-0001		73,679	73,679	6 (a)
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	DOT-FA13NM-0011		12,082	12,082	6 (b)
			Total CFDA 20.106	**0**	**92,118**	**92,118**	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-7725	1,031,627		1,031,627	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-5681	3,913		3,913	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-6941	138		138	6 (c)
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-7813	1,207,960		1,207,960	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-8113	4,000		4,000	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-7391	15,499		15,499	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-5452	52,523		52,523	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-7444	5,000		5,000	

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-8112	4,000		4,000	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA-8111	4,000		4,000	
			Total CFDA 20.205	**2,328,660**	**0**	**2,328,660**	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	2013ST	9,467		9,467	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	14ST-10	4,076		4,076	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Association of Sheriffs & Police Chiefs	State and Community Highway Safety	20.600	N/A	2,553		2,553	4
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	N/A	2,353		2,353	4
			Total CFDA 20.600	**18,449**	**0**	**18,449**	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	1,834		1,834	4
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	N/A	1,419		1,419	4
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Child Safety and Child Booster Seats Incentive Grants	20.613	N/A	3,198		3,198	4
Office Of Water, Environmental Protection Agency/Washington State Department of Commerce's Public Works Board	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM10-952-005	35,822		35,822	3
Office Of Water, Environmental Protection Agency/Washington State Department of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N20125	174		174	
			Total CFDA 66.468	**35,996**	**0**	**35,996**	
U.s. Election Assistance Commission/Washington State Office of the Secretary of State, Elections Division	Help America Vote Act Requirements Payments	90.401	G-2846 Amend 7	5,567		5,567	
U.s. Election Assistance Commission/Washington State Office of the Secretary of State, Elections Division	Help America Vote Act Requirements Payments	90.401	G-2846 Amend 4A	1,507		1,507	
			Total CFDA 90.401	**7,074**	**0**	**7,074**	
Office Of The Secretary, Department Of Health And Human Services/National Association of County and City Health Officials	Medical Reserve Corps Small Grant Program	93.008	MRC 13-1760	675		675	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Public Health Emergency Preparedness	93.069	C16891	97,181		97,181	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C16891	342		342	
Health Resources And Services Administration, Department Of Health And Human Services/Washington State Department of Health	Grants to States to Support Oral Health Workforce Activities	93.236	C16891	6,780		6,780	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/Washington State Department of Social & Health Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-90022	3,699		3,699	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Immunization Cooperative Agreements	93.268	C16891	20,427		20,427	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Immunization Cooperative Agreements	93.268	C16891	9,130		9,130	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Immunization Cooperative Agreements	93.268	C16891	5,529		5,529	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Immunization Cooperative Agreements	93.268	Donated Vaccine	17,083		17,083	5
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Immunization Cooperative Agreements	93.268	Donated Vaccine	29,438		29,438	5
			Total CFDA 93.268	**81,607**	**0**	**81,607**	
Office Of The Secretary, Department Of Health And Human Services/Washington State Department of Health	Pregnancy Assistance Fund Program	93.500	C16891	16,562		16,562	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Grays Harobr County Public Health and Social Services	PPHF 2012: Community Transfromation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Preventinon and Public	93.531	CTG HC HUB	56,053		56,053	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Grays Harbor County Public Health and Social Services	PPHF 2012: Community Transfromation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Preventinon and Public	93.531	CTG HC REGION	13,247		13,247	
			Total CFDA 93.531	**69,300**	**0**	**69,300**	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16891	1,318		1,318	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16891	3,204		3,204	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16891	10,023		10,023	
			Total CFDA 93.539	**14,545**	**0**	**14,545**	
Administration For Children And Families, Department Of Health And Human Services/Washington State Department of Social & Health Services	Child Support Enforcement	93.563	0763-15018	24,795		24,795	8 (b)
Administration For Children And Families, Department Of Health And Human Services/Washington State Department of Social & Health Services	Child Support Enforcement	93.563	2110-81382	96,493		96,493	8 (b)
Administration For Children And Families, Department Of Health And Human Services/Washington State Department of Social & Health Services	Child Support Enforcement	93.563	2110-81382	312,092		312,092	8 (b)
			Total CFDA 93.563	**433,380**	**0**	**433,380**	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington State Department of Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733	C16891	1,161		1,161	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington State Health Care Authority	Medical Assistance Program	93.778	1166-35255	7,206		7,206	7 & 8 (c)

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington State Health Care Authority	Medical Assistance Program	93.778	1166-35255	20,312		20,312	7 & 8 (c)
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington State Department of Social & Health Services	Medical Assistance Program	93.778	1163-27316	58,406		58,406	9 (g)
			Total CFDA 93.778	**85,924**	**0**	**85,924**	
Office Of The Secretary, Department Of Health And Human Services/Washington State Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C16891	1,500		1,500	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/Washington State Department of Social & Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27316	138,056		138,056	9 (h)
Health Resources And Services Administration, Department Of Health And Human Services/Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16891	2,188		2,188	
Health Resources And Services Administration, Department Of Health And Human Services/Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16891	20,804		20,804	
Health Resources And Services Administration, Department Of Health And Human Services/Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16891	66,246		66,246	
			Total CFDA 93.994	**89,238**	**0**	**89,238**	
Executive Office Of The President/Educational Service District 105	High Intensity Drug Trafficking Areas Program	95.001	9001000053	27,229		27,229	
Department Of Homeland Security/Washington State Parks and Recreation Commission	Boating Safety Financial Assistance	97.012	LE 000-024	25,657		25,657	
Department Of Homeland Security/Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-065 (1817-DR-WA)	138,223		138,223	
Department Of Homeland Security/Washington State Military Department	Emergency Management Performance Grants	97.042	E12-237	33,271		33,271	
Department Of Homeland Security/Washington State Military Department	Emergency Management Performance Grants	97.042	E14-170	10,356		10,356	
			Total CFDA 97.042	**43,627**	**0**	**43,627**	
Department Of Homeland Security/Washington State Military Department	Homeland Security Grant Program	97.067	E12-279	29,416		29,416	
Department Of Homeland Security/Washington State Military Department	Homeland Security Grant Program	97.067	E13-168	18,471		18,471	
Department Of Homeland Security/Washington State Military Department	Homeland Security Grant Program	97.067	E13-230	27,968		27,968	
			Total CFDA 97.067	**75,855**	**0**	**75,855**	
			Total Federal Awards Expended:	**4,405,806**	**1,329,728**	**5,735,534**	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

LEWIS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the county's financial statements. The county uses accrual basis of accounting for all funds except governmental funds, which use the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portions of the program costs. Entire program costs, including the county's portion, may be more than shown.

NOTE 3 - 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 – VACCINATIONS

The amount of vaccine reported on the schedule is the value of vaccine received and distributed by the county during the year and priced as prescribed by the Washington Department of Health.

NOTE 6 - SUPPLEMENTAL GRANT AWARDS

(a) The amount of expenditures listed for CFDA 20.106 under contract # DOT-FA13NM-0001 includes $2,584 that was originally incurred in 2012, but became reimbursable by the grant award issued July 2013.

(b) The amount of expenditures listed for CFDA 20.106 under contract # DOT-FA13NM-0011 includes $327 that was originally incurred in 2012, but became reimbursable by the grant award issued July 2013.

(c) The amount of expenditures listed for CFDA 20.205 under contract LA-6941 includes $138 that was originally incurred in 2012 but was not previously reimbursable since the costs for the project exceeded the amount allowed on the grant award. During the Washington State Department of Transportation final grant review performed in October 2013, unused grant funding from the State's award was moved to allow $138 of additional costs to be grant reimbursable.

The expenditures incurred in 2012 that did not become reimbursable until 2013 have been included in the expenditure totals reported on the 2013 Schedule of Expenditures of Federal Awards.

NOTE 7 - MEDICAL ASSISTANCE PROGRAM

The reimbursement for contract #1166-35255 is based on expenditures occurring during the third and fourth quarters of 2012. Due to the length of time needed to prepare the billing information, the amount of expenditures associated with the third and fourth quarters of 2012 were not determined in time to be included in the 2012 Financial Statements.

No billings could be prepared based on 2013 expenditures due to the new billing process not being finalized in enough time to prepare the billing information. The Centers for Medicaid and Medicare Systems (CMS) determined at the federal level that the way Washington State handled the Medicaid Administrative Match program was not correct and notified the State that they would not allow any more billings until an agreement was reached on the changes that needed to be made.

NOTE 8 - INDIRECT COST RATE

(a) The amount expended for "Schools and Roads Grants to States (CFDA 10.665) includes $308 from Contract Number 07-PA11060300-037 claimed as an indirect cost recovery using an indirect cost rate of 17.66% as approved for 2013 by the Board of County Commissioners on January 28, 2013 through Resolution #13-027.

(b) The amount expended for "Child Support Enforcement" (CFDA 93.563) includes $2,375 from Contract Number 0763-15018 and $42,105 from Contract Number 2110-81382 claimed as an indirect cost recovery using an indirect cost rate of 17.66% as approved for 2013 by the Board of County Commissioners on January 28, 2013 through Resolution #13-027.

(c) The amount expended for "Medical Assistance Program" (CFDA 93.778) includes $3,676 from Contract Number 1166-35255 claimed as an indirect cost recovery. Indirect costs claimed were for billings for the 3rd and 4th quarters of 2012 that used the rate of 17.66% in effect for 2012 as approved by the Board of County Commissioners on December 19, 2011 through Resolution #11-430. No indirect costs for 2013 are reported since no billings could be prepared based on 2013 expenditures due to the new billing process not being finalized in enough time to prepare the billing information.

NOTE 9 - AMOUNTS AWARDED TO SUBRECIPIENTS

(a) Included in the total amount expended for "Schools and Roads" (CFDA number 10.665) is $20,298 for P.L. 112-141, which was passed through to subrecipents that administered their own projects. This amount includes both current and prior year Title III funds.

(b) Included in the total amount expended for "Community Development Block Grants" (CFDA number 14.228) is $18,959 from Contract Number 13-65400-009 that was passed through to subrecipents that administered their own projects.

(c) Included in the total amount expended for "Emergency Solutions" (CFDA number 14.231) is $25,278 from Contract Number 13-46107-016 that was passed through to subrecipents that administered their own projects.

(d) Included in the total amount expended for "Supportive Housing Program" (CFDA number 14.235) is $42,631 from Contract Number WA0091B0T011104 that was passed through to subrecipents that administered their own projects.

(e) Included in the total amount expended for "Continuum of Care Program" (CFDA number 14.267) is $67,932 from Contract Number WA0091L0T011205 that was passed through to subrecipents that administered their own projects.

(f) Included in the total amount expended for "Violence Against Women Formula Grants" (CFDA number 16.588) is $2,386 from Contract Number F12-31103-050 that was passed through to subrecipents that administered their own projects.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2013

(g) Included in the total amount expended for "Medical Assistance Program" (CFDA number 93.778) is $58,406 from Contract Number 1163-27316 that was passed through to subrecipents that administered their own projects.

(h) Included in the total amount expended for "Prevention/Treatment of Substance Abuse" (CFDA number 93.959) is $101,088 from Contract Number 1163-27316 that was passed through to subrecipents that administered their own projects.

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov