



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

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

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

**Published September 30, 2019**

**Report No. 1024713**





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

September 30, 2019

Board of Commissioners  
Cowlitz County  
Kelso, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Cowlitz 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,

Pat McCarthy  
State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## **Cowlitz County** **January 1, 2018 through December 31, 2018**

### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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

#### **Financial Statements**

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

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

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

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

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

## **Identification of Major Federal Programs**

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

| <u>CFDA No.</u> | <u>Program or Cluster Title</u>   |
|-----------------|---|
| 20.205          | Highway Planning and Construction Cluster – Highway Planning and Construction |
| 93.563          | Child Support Enforcement   |
| 97.036          | Disaster Grants – Public Assistance (Presidentially Declared Disasters)       |

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

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

See finding 2018-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Cowlitz County

January 1, 2018 through December 31, 2018

**2018-001 The County's internal controls over financial statement preparation were not adequate to ensure accurate financial reporting.**

#### *Background*

County management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. The County prepares its financial statements in accordance with generally accepted accounting principles (GAAP). Our audit identified a material weakness in internal controls over financial reporting that resulted in errors in the County's financial statements.

*Government Auditing Standards* requires the auditor to communicate a material weakness, as defined below in the Applicable Laws and Regulations section, as a finding.

#### *Description of Condition*

We identified the following deficiencies in internal controls over the County's preparation of its financial statements that represent a material weakness:

- The County reports revenues and expenditures processed during the year for its special purpose districts in the fiduciary fund on the financial statements as additions and distributions. The County did not eliminate transactions, such as the reinvestment of funds, that inflated the additions and distributions reported on the financial statements.
- The County prepares a Schedule of Expenditures of Federal Awards (SEFA) to document the federal grant funding it spent during the year. The SEFA is required by the federal government and used to determine which federal programs require additional audit procedures. Departments manage federal awards and submit information to the County Auditor's Office to prepare the schedule. The County did not have a process in place to verify the accuracy and completeness of the federal award information received and reported on the SEFA.
- The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for*

*Postemployment Benefits Other Than Pensions*, which requires the County to include liability amounts related to the Law Enforcement Officers' and Fire Fighters (LEOFF) medical benefits provided to retirees. The County did not use the correct number of retirees in its calculations to determine other post-employment benefit (OPEB) balances reporting in the financial statements.

- The County reclassified a fund reported in the prior year as a capital project fund to a special revenue fund. When reversing accrual entries performed in the prior year, the Auditor's Office relied on a report produced by another department with inconsistent fund numbers. The accrual entry was posted to the incorrect fund as a result.

### ***Cause of Condition***

The County comprises many decentralized departments and relies on their assistance to obtain data and information used in financial reporting. Due to its limited oversight role in financial activities occurring in these decentralized departments, the County Auditor's Office, which prepares the financial statements, did not dedicate sufficient resources to review the information provided and sufficiently identify errors.

### ***Effect of Condition***

The deficiencies stated above resulted in the following misstatements and presentation errors on the original financial statements we received for audit:

- Fiduciary Fund Additions and Deductions were overstated by \$467,603,483.
- The SEFA originally provided for audit reported \$296,840 in expenditures for the Disaster Grants – Public Assistance program (CFDA 97.036). However, our audit found an additional \$157,987 that should have been reported. This change affected the grant programs that required an audit.
- GASB No. 75 was not properly implemented, resulting in the following errors:
  - The Net Other Post-Employment Benefits liability was overstated by \$862,868.
  - Deferred Outflows of Resources was overstated by \$186,168.
  - Change in Accounting Principle was understated by \$1,090,347.
  - Expenditures were overstated by \$413,467.

- The Required Supplementary Information and related disclosures were not accurately presented.
- Revenues in the Capital Project Fund were understated by \$323,781.

### ***Recommendation***

We recommend the County perform a detailed review of and evaluate information obtained from decentralized County departments to ensure data provided is accurate for financial reporting purposes in accordance with GAAP.

### ***County's Response***

*Cowlitz County would like to thank the State Auditors for their time and diligence while working with the County on this audit. Cowlitz County Management is taking action by updating our processes and improving communication within the County in an effort to become less decentralized.*

### ***Auditor's Remarks***

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

### ***Applicable Laws and Regulations***

RCW 43.09.200, Local government accounting – Uniform system of accounting

The *Budgeting, Accounting and Reporting Systems* (BARS) manual – Accounting, Accounting Principles and General Procedures, Internal Control

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.





## Carolyn Fundingsland AUDITOR

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### Cowlitz County January 1, 2018 through December 31, 2018

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

|  |   |  |   |   |  |   |
|--|---|--|---|---|--|---|
| <b>Audit Period:</b><br>2017   | <b>Report Ref. No.:</b><br>1022812              | <b>Finding Ref. No.:</b><br>2017-001   |   |   |  |   |
| <b>Finding Caption:</b><br>The County's internal controls were not adequate to ensure accurate financial reporting.  |   |  |   |   |  |   |
| <b>Background:</b><br>The audit identified deficiencies in the County's internal controls over the preparation of its financial statements, which resulted in material errors. During the prior audit, the County made the decision to transfer the landfill asset to the General Fund and charge rent to the Solid Waste Fund effective 2017. As a result, the financial statements prepared and provided for audit did not accurately report the landfill asset and related balances in the General and Solid Waste funds. |   |  |   |   |  |   |
| <b>Status of Corrective Action: (check one)</b><br><table><tr><td><input checked="" type="checkbox"/> Fully<br/>Corrected</td><td><input type="checkbox"/> Partially<br/>Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no<br/>longer valid</td></tr></table>   |   |  | <input checked="" type="checkbox"/> Fully<br>Corrected            | <input type="checkbox"/> Partially<br>Corrected | <input type="checkbox"/> Not Corrected | <input type="checkbox"/> Finding is considered no<br>longer valid |
| <input checked="" type="checkbox"/> Fully<br>Corrected   | <input type="checkbox"/> Partially<br>Corrected | <input type="checkbox"/> Not Corrected | <input type="checkbox"/> Finding is considered no<br>longer valid |   |  |   |
| <b>Corrective Action Taken:</b><br><i>Cowlitz County Management took action after the 2017 audit period had begun, this resulted in the 2017 Financial Statements being restated during the audit period.</i>  |   |  |   |   |  |   |

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

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

Board of Commissioners  
Cowlitz County  
Kelso, 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, the aggregate remaining fund information and the aggregate discretely presented component units of Cowlitz County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 17, 2019. As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

*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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be a material weakness.

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **COUNTY'S RESPONSE TO FINDINGS**

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed

in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 17, 2019

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

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

Board of Commissioners  
Cowlitz County  
Kelso, Washington

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

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

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

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

### **Opinion on Each Major Federal Program**

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

### **Other Matters**

We noted certain matters that we have reported to the management of the County in a separate letter dated September 17, 2019.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted certain matters that we have reported to the management of the County in a separate letter dated September 17, 2019.

### **Purpose of this Report**

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

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Pat McCarthy  
State Auditor  
Olympia, WA

September 17, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Cowlitz County** **January 1, 2018 through December 31, 2018**

Board of Commissioners  
Cowlitz County  
Kelso, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of Cowlitz County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 20.

### **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, the aggregate remaining fund information and the aggregate discretely presented component units of Cowlitz County, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and County Road funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 17, 2019

## FINANCIAL SECTION

### **Cowlitz County** **January 1, 2018 through December 31, 2018**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2018

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

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

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

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

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget  
(GAAP Basis) and Actual – General Fund– 2018

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget  
(GAAP Basis) and Actual – County Road Fund– 2018

Statement of Net Position – Proprietary Funds – 2018

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

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to Financial Statements – 2018

#### **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

Notes to Required Supplemental Information – Pensions – 2018

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Cowlitz County's discussion and analysis are intended to serve as an introduction and overview of the County's basic financial statements for the fiscal year ended December 31, 2018. The discussion emphasizes results for calendar year 2018 with comparison to the prior year. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which immediately follow this discussion.

Cowlitz County provides a wide range of services including the safety and security of persons and property, criminal prosecution, adjudication, detention and rehabilitation, public parks and recreation facilities, road construction and maintenance, flood and drainage control, public health care, community planning and developing, zoning and code compliance, sanitary landfill, and water and sewer services. Other services include property assessment, tax collection, elections, issuance of permits and licenses, and other general administrative services.

### **I. Financial Highlights**

- The total assets and deferred outflows of Cowlitz County exceeded its liabilities and deferred inflows by \$201.4 million. Net investment in capital assets (net of depreciation and related debt) accounts for 68.0% of this amount with a value of \$137.0 million. Of the unrestricted net position, \$28.6 million of governmental activity and \$18.6 million of business-type activity is available to meet the County's ongoing obligations to citizens and creditors, without legal restriction.
- Cowlitz County's total net position increased \$3.3 million in 2018. The net position of business-type activities increased by approximately \$3.5 million. The total net position of governmental activities decreased by \$214,000 compared to 2017. This decrease was attributed to implementing the new GASB 75 standard related to OPEB, otherwise it would have been a positive increase.
- At December 31, 2018, Cowlitz County's governmental funds reported a combined ending fund balance of \$54.7 million, an increase of \$4.7 million compared to the prior year.
- The General Fund unassigned fund balance at December 31, 2018 was \$14.6 million, a 17.6% increase compared to the December 31, 2017 total of \$12.1 million. The December 31, 2018 unassigned fund balance represents 38.1% of the General Fund total liabilities, deferred inflows and fund balance.
- The County Road Fund assigned fund balance at December 31, 2018 totaled \$13.1 million, an increase of 3.7% compared to the December 31, 2017 balance total of \$12.6 million. The December 31, 2018 assigned fund balance represents 90.7% of the Road Fund total liabilities, deferred inflows and fund balance.
- Cowlitz County's total noncurrent liabilities (without component unit) as of December 31, 2018 totaled \$102.9 million, a net decrease of \$7.9 million from the previous year.
- At December 31, 2018 the County's remaining capacity for issuing non-voted debt is \$121 million.

### **II. Overview of the Financial Statements**

Cowlitz County's annual report consists of a series of basic financial statements including: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are intended to provide readers with a broad overview of Cowlitz County's finances, in a manner similar to private-sector business. These statements provide information about where resources were allocated and about the activities of the County as a whole.

The *statement of net position* presents information on all of the Cowlitz County's assets, deferred outflow of resources, liabilities and deferred inflows of resources, with the difference between these items reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, consideration should also be given to non-financial factors such as changes in the property tax base and the condition of roads and other assets to assess the overall health of the County.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. It separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). It shows to what extent each program has to rely on taxes for funding. 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 special assessments, and unused vacation leave, will be included in the statement of activities as revenues and expenses, even though the cash associated will not be received or paid in 2018).

Both of the government-wide financial statements (statement of net position and statement of activities) distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (government 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 Cowlitz County include general government, public safety, judicial, physical environment, transportation, economic development, mental and physical health and culture and recreation. The business-type activities of Cowlitz County include water and sewer services to county residences, operation of a solid waste landfill site, a 911 communication center, maintaining law enforcement records, emergency services for the County, a public shooting range and the exposition center used to host the County fair and other community-wide events.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate entity—the Public Facilities District (PFD) that has a five member board appointed by the Board of County Commissioners that also had some debt issued by the County for its construction project. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found within the Basic Financial Statements section of 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. The 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 the County can be divided into three categories: governmental funds

(general fund, special revenue funds, debt service funds and capital funds), proprietary funds (enterprise funds and internal service funds), and fiduciary funds (trust/agency funds). Fund financial statements explain how services are financed in the short-term as well as what remains available for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds rather than the County as a whole.

Some funds are required to be established by state law and by bond covenants. The Board of Commissioners has established many other funds to help it control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain taxes, grants and other resources.

Cowlitz County had 46 individual governmental and proprietary funds at the close of 2018 used for financial reporting purposes. Fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The following funds: General Fund, Road Fund, and Capital Improvement Fund, Solid Waste Fund, and Water Sewer Fund are classified as major funds based on criteria established by GASB Statement No. 34 and based on management's discretion. (GASB Statement No. 34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise (1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and (2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund). Data from the other 44 governmental and proprietary funds are combined into a single, aggregated presentation.

Cowlitz County adopts a biennial budget comprised of two annual budgets. A budgetary comparison to actual expenditures has been provided in the Basic Financial Statements, for the General Fund and the other major special revenue funds identified in the previous paragraph to demonstrate compliance with this budget.

***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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using the modified accrual basis of accounting.

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, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found within the Basic Financial Statement section of this report.

***Proprietary Funds***. Cowlitz County maintains two different types of proprietary funds: enterprise funds and internal service funds.

*Enterprise funds* are used to report the functions presented as business-type activities in the government-wide financial statement, but provide more detail. The proprietary fund financial statements provide



separate information for the Solid Waste Landfill and Water Sewer. The Solid Waste and Water Sewer funds are identified as major funds. The 911 Communication Center, Public Shooting Range, Law Enforcement Records, Emergency Management for coordinating disaster functions and the Exposition Center that hosts the County Fair and other community-wide events are non-major enterprise funds and are presented on a combined basis in the proprietary fund financial statements.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Cowlitz County uses internal service funds to account for its fleet of vehicles, management information technology systems, general liability and insurance services, workers' compensation and unemployment compensation costs. The County's internal service funds also account for the provision of telephone, postage, paper supplies, printing services, and elections. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within predominantly governmental activities in the government-wide statements.

All Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found within the Basic Financial Statement section of this report.

***Fiduciary Funds*** of Cowlitz County are used to account for assets held by the County on behalf of other governmental entities or held for the benefit of parties outside the government which are classified as agency funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to finance County operations. The statements detailing these funds provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the primary government.

The basic fiduciary funds financial statements can be found within the Basic Financial Statement section of this report.

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

### **III. Condensed Financial Information**

**Government-wide Financial Analysis.** As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. Cowlitz County, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$201.4 million at December 31, 2018 compared to \$198.1 million at December 31, 2017.

Cowlitz County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the 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.

### Cowlitz County's Net Position

|   | Governmental<br>Activities |                | Business-Type<br>Activities |               | Total          |                |
|---|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
|   | 2018                       | 2017           | 2018                        | 2017          | 2018           | 2017           |
| Current and other assets                | \$ 95,496,806              | \$ 95,626,670  | \$ 45,773,970               | \$ 40,546,830 | \$ 141,270,776 | \$ 136,173,500 |
| Capital assets (net<br>of depreciation. | 139,847,112                | 145,169,478    | 27,090,156                  | 27,523,996    | 166,937,268    | 172,693,474    |
| Total assets                            | 235,343,918                | 240,796,148    | 72,864,126                  | 68,070,826    | 308,208,044    | 308,866,974    |
| Total deferred outflows<br>of resources | 9,980,194                  | 10,314,690     | 273,577                     | 274,948       | 10,253,771     | 10,589,638     |
| Noncurrent liabilities                  | 76,950,269                 | 85,394,067     | 25,960,031                  | 25,428,493    | 102,910,300    | 110,822,560    |
| Other liabilities                       | 5,761,092                  | 5,021,412      | 1,905,544                   | 1,446,130     | 7,666,636      | 6,467,542      |
| Total liabilities                       | 82,711,361                 | 90,415,479     | 27,865,575                  | 26,874,623    | 110,576,936    | 117,290,102    |
| Deferred inflows of<br>resources        | 5,798,024                  | 3,666,394      | 673,780                     | 398,042       | 6,471,804      | 4,064,436      |
| Net Position:                           |                            |                |                             |               |                |                |
| Net investment in<br>capital assets     | 111,005,555                | 114,282,150    | 25,988,604                  | 26,279,772    | 136,994,159    | 140,561,922    |
| Restricted                              | 17,161,667                 | 15,022,342     | -                           | -             | 17,161,667     | 15,022,342     |
| Unrestricted                            | 28,647,505                 | 27,724,473     | 18,609,744                  | 14,793,337    | 47,257,249     | 42,517,810     |
| Total net position                      | \$ 156,814,727             | \$ 157,028,965 | \$ 44,598,348               | \$ 41,073,109 | \$ 201,413,075 | \$ 198,102,074 |

Governmental activities current and other assets remained similar to 2017. The largest portion of this classification is made of \$57.5 million in cash, cash equivalents and pooled investments. This increased \$8.7 million (15.2%) over 2017. This is a result of selling investments.

Governmental activities noncurrent liabilities decreased by 11.0% or \$8.4 million. This decrease is due to normal expected payments on G.O. and Revenue bonds and a decrease in net pension liability which occurred across the state. GASB 75 was also implemented in 2018 which recorded a \$9.1 million other postemployment benefits liability. Governmental activities other liabilities increased by 14.7% or \$740,000 due to the timing of accounts payable and other accrued current liabilities.

Governmental activities deferred inflows of resources increased by 58.1% or \$2.1 million. This increase is mostly due to an increase in amounts related to pensions.

Business type activities current and other assets increased by 12.8% or \$5.2 million. The largest portion of this classification is made of cash and investments which increased \$4.8 million (12.4%) over 2017. Cash, cash equivalents and pooled investments is made up of \$15.5 million which increased by \$3.5 million (22.6%) from 2017. This is a result of realizing receivables, timing of account payable and an increase in 911 taxes.

Business type activities noncurrent liabilities decreased by 2.0% or \$532,000. This decrease is mostly due to a \$576,000 decrease in the net pension liability. Business type activities other liabilities had an increase of 31.7% or \$459,000 which was due to timing of accounts payable and other accrued current liabilities.

At December 31, 2018 the County had positive balances in the net position of governmental and business-type activities and in total net position. The same situation existed for 2017. Cowlitz County's total net position increased \$3.3 million in 2018 compared to December 31, 2017. The business type activities

presents a \$3.5 million increase. The governmental activities present a decrease of \$214,000. See the discussion on the Governmental Activities under the Statement of Changes in Net Position.

**Statement of Changes in Net Position.** Key elements in the net increase in net position for 2018 along with comparative amounts for 2017 follows:

| <b>Cowlitz County –Changes in Net Position</b>        |                                |                      |                                 |                      |                      |                      |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|   | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|   | <b>2018</b>                    | <b>2017</b>          | <b>2018</b>                     | <b>2017</b>          | <b>2018</b>          | <b>2017</b>          |
| <b>Revenues</b>                                       |                                |                      |                                 |                      |                      |                      |
| <i>Program Revenues</i>                               |                                |                      |                                 |                      |                      |                      |
| Charges for services                                  | \$ 25,232,772                  | \$ 27,117,472        | \$ 28,085,172                   | \$ 24,493,278        | \$ 53,317,944        | \$ 51,610,750        |
| Operating grants & contributions                      | 5,492,610                      | 5,676,618            | 251,626                         | 168,434              | 5,744,236            | 5,845,052            |
| Capital grants & contributions                        | 1,259,572                      | 1,238,773            | 69,475                          | 65,505               | 1,329,047            | 1,304,278            |
| <i>General Revenue</i>                                |                                |                      |                                 |                      |                      |                      |
| Taxes   | 51,402,362                     | 48,573,971           | 3,110,352                       | 2,348,362            | 54,512,714           | 50,922,333           |
| Gain (loss) on sale of assets                         | 306,684                        | 550,379              | -                               | -                    | 306,684              | 550,379              |
| Interest earned on investments                        | 2,192,186                      | 1,440,864            | 639,859                         | 289,707              | 2,832,045            | 1,730,571            |
| <b>Total Revenues</b>                                 | <b>85,886,186</b>              | <b>84,598,077</b>    | <b>32,156,484</b>               | <b>27,365,286</b>    | <b>118,042,670</b>   | <b>111,963,363</b>   |
| <b>Program Expenses</b>                               |                                |                      |                                 |                      |                      |                      |
| General Government                                    | 16,433,292                     | 15,958,220           | -                               | -                    | 16,433,292           | 15,958,220           |
| Public Safety   | 25,903,359                     | 24,735,693           | 5,155,809                       | 5,098,680            | 31,059,168           | 29,834,373           |
| Judicial  | 4,934,376                      | 4,557,289            | -                               | -                    | 4,934,376            | 4,557,289            |
| Utilities   | 744,259                        | 624,864              | -                               | -                    | 744,259              | 624,864              |
| Transportation  | 19,519,406                     | 18,424,846           | -                               | -                    | 19,519,406           | 18,424,846           |
| Economic Environment                                  | 4,016,392                      | 5,739,591            | -                               | -                    | 4,016,392            | 5,739,591            |
| Social Services                                       | 6,745,803                      | 8,314,286            | -                               | -                    | 6,745,803            | 8,314,286            |
| Culture & Recreation                                  | 839,350                        | 689,242              | 1,991,204                       | 2,012,198            | 2,830,554            | 2,701,440            |
| Solid Waste   | -                              | -                    | 20,420,365                      | 20,459,349           | 20,420,365           | 20,459,349           |
| Water/Sewer   | -                              | -                    | 1,738,893                       | 1,564,808            | 1,738,893            | 1,564,808            |
| Interest on long-term debt                            | 1,632,453                      | 1,980,410            | -                               | -                    | 1,632,453            | 1,980,410            |
| <b>Total Expenses</b>                                 | <b>80,768,690</b>              | <b>81,024,441</b>    | <b>29,306,271</b>               | <b>29,135,035</b>    | <b>110,074,961</b>   | <b>110,159,476</b>   |
| Excess (deficiency) of revenues over (under) expenses | 5,117,496                      | 3,573,636            | 2,850,213                       | (1,769,749)          | 7,967,709            | 1,803,887            |
| Special items   |                                | (3,054,672)          |                                 | (400,078)            | -                    | (3,454,750)          |
| Transfers   | (675,026)                      | (192,314)            | 675,026                         | 192,314              | -                    | -                    |
| <b>Change in Net Position</b>                         | <b>4,442,470</b>               | <b>326,650</b>       | <b>3,525,239</b>                | <b>(1,977,513)</b>   | <b>7,967,709</b>     | <b>(1,650,863)</b>   |
| Net position January 1                                | 157,028,965                    | 158,837,215          | 41,073,109                      | 41,041,844           | 198,102,074          | 199,879,059          |
| Change in accounting principle                        | (4,656,708)                    | -                    | -                               | -                    | (4,656,708)          | -                    |
| Prior period adjustment                               | -                              | (2,134,900)          | -                               | 2,008,778            | -                    | (126,122)            |
| Net position December 31                              | <b>\$156,814,727</b>           | <b>\$157,028,965</b> | <b>\$ 44,598,348</b>            | <b>\$ 41,073,109</b> | <b>\$201,413,075</b> | <b>\$198,102,074</b> |

Cowlitz County revenue totaled \$118.0 million in 2018. Governmental activities provided \$85.9 million, while business activities provided \$32.2 million. Taxes account for \$54.5 million, 46.1%, of the 2018 primary government revenues compared to \$50.9 million in 2017.

**Governmental activities** net position of Cowlitz County decreased \$214,000 in 2018. This decrease was attributed to implementing the new GASB 75 standard related to OPEB, otherwise it would have been a positive increase. Capital grants and contributions totaled \$1.3 million in 2018 and \$1.2 million in 2017. Operating grant and contribution totals also remained similar between years. Charges for services revenue totaled \$25.2 million in 2018 compared to \$27.1 million in 2017. Tax revenues increased \$2.8 million from 2017 due to an increase in sales and other taxes.

County governmental activity expenses in 2018 totaled \$80.8 million, a \$256,000 (0.3%) decrease compared to 2017. This largest changes were caused by: Public Safety which had an increase of \$1.2 million (4.5%) due to an increase in personnel costs, Transportation which had an increase of \$1.1 million (5.7%) due to an increase in road maintenance, Social Services which decreased by \$1.6 million (23.3%), and Economic Environment which decreased by \$1.7 million (43.0%).

***Business type activities*** expenses for Cowlitz County in 2018 totaled \$29.3 million compared to \$29.1 million in 2017. Expenses included public safety programs consisting of 911 communications, law enforcement records and emergency management, \$5.2 million; the solid waste landfill \$20.4 million; the water sewer utility \$1.7 million, and culture and recreation \$2.0 million. Expenses remained consistent between with only a 0.6% increase.

Likewise, revenues increased \$4.8 million or 17.5%. The increase occurred in Charges for Services which brought in \$3.6 million more in revenues compared to 2017 due to an increase in solid waste landfill services. Charges for services revenues of \$28.1 million accounted for 87.3% of total business revenues. Other business revenues consisted of \$3.1 million in taxes in 2018 compared to \$2.3 million in 2017. This increase was due to an increase in 911 taxes received.

**Financial Analysis of County Funds.** As noted earlier, Cowlitz County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

**Governmental Funds Balance Sheet Analysis.** The General Fund, the County Road Fund, and the Capital Improvement Fund are the County's major governmental funds. These funds account for 60.4% of the total governmental funds as of the December 31, 2018 ending fund balance.

|                                 | Fund Balance  | Percent |
|---------------------------------|---------------|---------|
| General Fund                    | \$ 15,675,783 | 28.63%  |
| Road Fund                       | 13,084,141    | 23.90%  |
| Capital Improvement Fund        | 4,279,764     | 7.82%   |
| Other Governmental Funds        | 21,705,080    | 39.65%  |
| Total Governmental Fund Balance | \$ 54,744,768 | 100.00% |

Approximately \$14.6 million (26.7%) of the total governmental fund balance constitutes unassigned fund balance. However, the County does have a minimum fund balance policy discussed in Note 1 to the Notes to the Financial Statements. \$23.9 million (43.6%) constitutes assigned fund balance in the appropriate fund types as shown in Note 1 in the Notes to the Financial Statements. The remainder of fund balance is classified as nonspendable, restricted, or committed to indicate that it is not available for new spending as discussed in the notes.

**Governmental Funds Revenue/Expenditure Analysis.** The following exhibit and chart shows the revenue and expenditure amounts for the major governmental funds and all other governmental funds in 2018.

|                          | Revenues      | Expenditures  |
|--------------------------|---------------|---------------|
| General Fund             | \$ 55,612,721 | \$ 46,401,024 |
| Road Fund                | 15,559,687    | 15,349,409    |
| Capital Improvement Fund | 1,173,832     | 2,198,777     |
| Other Governmental Funds | 16,951,081    | 20,283,226    |

Governmental fund revenues in 2018 totaled \$89.3 million, which is a \$1.9 million increase over 2017 governmental fund revenues of \$87.4 million. Tax revenue increased \$2.8 million while licenses & permits decreased \$1.9 million due primarily from a decrease in shoreline permit sales. Other categories of revenues remained similar between years.

The **General Fund** is the chief operating fund of Cowlitz County. At December 31, 2018 the unassigned fund balance of the General Fund was \$14.6 million; this represents 26.7% of the total fund balance for all governmental funds. The General Fund's total fund balance at December 31, 2018 was \$15.7 million compared to \$13.0 million at the end of 2017. This change is a result of revenues exceeding expenses. The General Fund had \$55.6 million in revenues in 2018 compared to \$52.9 million in 2017. The most significant increase was in tax revenues which totaled \$29.1 million at the end of 2018 compared to \$27.4 million at the end of 2017. This increase was mostly due to an increase in sales and other tax revenue. General Fund expenditures increased from \$43.7 million in 2017 to \$46.4 million in 2018. The largest increase is in the Public Safety category, and is related to personnel cost increases. Public Safety expenditures in the General Fund of \$23.2 million represent 50.1% of the General Fund expenditures.

The General Fund transfers out in 2018 to support other County funds totaled \$8.2 million compared to \$9.0 million in 2017.

The **County Road Fund** balance increased to \$13.1 million at December 31, 2018. Total revenues in 2018 were \$15.6 million compared to \$14.9 million in 2017. The largest revenue category to increase was taxes which increased \$373,000 mostly due to an increase in timer excise taxes. Investment earnings also increased from \$82,000 in 2017 to \$210,000 in 2018. The Road Fund total expenditures for 2018 totaled \$15.3 million compared to \$12.9 million in 2017, while construction expenditures in 2018 totaled \$2.4 million compared to \$1.8 million in 2017.

The **Capital Improvements Fund** balance at December 31, 2018 totaled \$4.3 million a decrease of \$4.7 million from December 31, 2017's fund balance of \$9.0 million. The result of this decrease was due to a reclassification of fund type from some capital project funds to special revenue funds that occurred during 2018. As a result of this reclassification, revenues and expenses were decreased as well. Revenues were \$1.5 million in 2018 compared to \$2.9 million in 2017. Expenditures decreased \$424,000 from 2017 to \$2.2 million in 2018.

**Proprietary Funds.** Cowlitz County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Cowlitz County has two major enterprise funds, the Solid Waste Fund and the Water Sewer Fund that account for 86.0% of the \$44.8 million net position for total enterprise funds at December 31, 2018.

The December 31, 2018 unrestricted net position and changes in unrestricted net position of the major enterprise funds were:

|             | Unrestricted<br>Net Position<br>12/31/2018 | Unrestricted<br>Net Position<br>12/31/2017 | Increase<br>(Decrease) for<br>Year |
|-------------|--|--|------------------------------------|
| Solid Waste | 11,139,598                                 | 10,470,868                                 | 668,730                            |
| Water Sewer | 3,257,951                                  | 2,665,254                                  | 592,697                            |

The Solid Waste utility operating revenue of \$21.0 million accounted for 75.1% of the business-type revenues reported in 2018. Solid Waste revenue shows an increase of \$3.9 million compared to 2017 due to an increase in landfill charges. Net position of the Solid Waste Utility totaled \$29.6 million at December 31, 2018, an increase of approximately \$1.1 million from 2017 due to an increase in revenues.

The Water Sewer utility operating revenue of \$1.9 million accounted for 7.0% of the business-type revenues reported in 2018. Water Sewer revenue stayed fairly stable compared to 2017. Net position of the Water Sewer Utility totaled \$8.9 million at December 31, 2018, an increase of approximately \$389,000 from 2017.

#### IV. Budget Analysis –General Fund Budgetary Highlights

The net difference between the original General Fund budget total expenditures for 2018 and the final amended budget was a \$3,862,387 increase in appropriations.

#### V. Capital Assets and Long-Term Debt Administration

**Capital Assets.** Cowlitz County's capital assets for its governmental and business-type activities as of December 31, 2018 total \$166.9 million (net of accumulated depreciation). The capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges and construction in progress.

The total decrease in Cowlitz County's capital assets net of depreciation was \$5.8 million over 2018. This consisted of a \$5.3 million decrease in governmental activity capital assets and a \$434,000 decrease in business-type activity capital assets. This decrease is due to capital assets depreciating at an amount greater than they are being replaced.

#### COWLITZ COUNTY CAPITAL ASSETS (net of depreciation)

|                                 | Governmental<br>activities |                | Business-type<br>activities |               | Total          |                |
|---------------------------------|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
|                                 | 2018                       | 2017           | 2018                        | 2017          | 2018           | 2017           |
| Land                            | \$ 15,462,860              | \$ 15,462,860  | \$ 1,148,600                | \$ 1,148,600  | \$ 16,611,460  | \$ 16,611,460  |
| Buildings&Syst.                 | 24,333,859                 | 25,663,187     | 2,507,148                   | 2,732,787     | 26,841,007     | 28,395,974     |
| Improve other<br>than Buildings | 1,429,469                  | 1,563,663      | 142,888                     | 302,999       | 1,572,357      | 1,866,662      |
| Machinery&Equip.                | 8,790,633                  | 8,525,201      | 5,232,450                   | 4,953,632     | 14,023,083     | 13,478,833     |
| Intangible                      | 2,590,894                  | 3,109,835      | 890,279                     | 1,107,326     | 3,481,173      | 4,217,161      |
| Infrastructure                  | 85,465,695                 | 89,169,402     | 17,168,791                  | 15,270,513    | 102,634,486    | 104,439,915    |
| Construction in<br>Progress     | 1,773,702                  | 1,675,330      |                             | 2,008,139     | 1,773,702      | 3,683,469      |
| Total                           | \$ 139,847,112             | \$ 145,169,478 | \$ 27,090,156               | \$ 27,523,996 | \$ 166,937,268 | \$ 172,693,474 |

For more information see note disclosure 4D.



**Long-Term Debt.** At December 31, 2018 Cowlitz County has \$77.8 million in long-term debt owed from *governmental activities* and \$26.0 million in long-term debt for *business type activities*. The bonded debt balances are as follows:

| <b>COWLITZ COUNTY OUTSTANDING DEBT</b>            |                            |                      |
|---|----------------------------|----------------------|
| <b>General Obligation and Revenue Bonds</b>       |                            |                      |
|   | Governmental<br>activities |                      |
|   | 2018                       | 2017                 |
| General obligation bonds                          | \$ 34,977,416              | \$ 37,735,416        |
| Revenue bonds                                     | 8,945,000                  | 12,365,000           |
| Special assessment bonds<br>with Govt. commitment | 229,998                    | 453,976              |
|   | <u>\$ 44,152,414</u>       | <u>\$ 50,554,392</u> |

For more information see note disclosure 9.

## **VI. Economic Factors and Budgets**

The Board of Commissioners considered many factors when setting the budget, tax rates, and fees to charge for the business-type activities. One of those factors is the economy. Unemployment rates in Cowlitz County are improving slightly compared to one year ago.

These and other factors are considered in preparing the Cowlitz County budget.

- Property taxes account for nearly 50% of unrestricted General Fund Revenues. Increases in taxes are limited to an increase of 1% of the prior year levy (plus taxes on the values of new construction). Expenses, largely outside the control of the Board of Commissioners, are increasing faster than 1% per year. The property tax limitations provide inadequate revenues to meet service demands. In accordance with the County's Financial Management Policy, fees are reviewed annually, generally during the budget review period. In appropriate circumstances, the Commissioners considered fees increases, moving toward a fee-for-service model, where the service provided by the County wholly or substantially benefits a specific constituent.
- Recognized that some of the increases in sales tax receipts are the result of several large local construction projects, rather than a substantially improved local economy, and that these revenues should not be considered on-going revenues increasing the base.
- State and federal mandates and legal requirements including but not limited to, court funding, mental health, state pension funding, risk reserves, etc.
- The need to ensure adequate cash flow (operating) reserves.
- Proper use of restricted funds: criminal justice tax, mental health tax, rural county public facilities tax.
- Labor costs: union contracts, wage freezes and/or reductions, health care costs, work hour adjustments.
- Bond obligations.
- Assessed value in Cowlitz County (county-wide) increased for the sixth year in a row (2013-2018) following four straight years of decline (2009-2012). The historic levels of property value in Cowlitz County in 2009 were assessed at \$9.39 billion, the 2018 assessed valuation is \$10.8 billion.

### **Requests for Information**

The financial report is designed to provide a general overview of Cowlitz 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 the Auditor's Office, Cowlitz County, 207 4<sup>th</sup> Avenue No., Kelso, Wa. 98626.



Cowlitz County, Washington  
Statement of Net Position  
December 31, 2018

|   | Primary Government         |                             |                       | Component                     |
|---|----------------------------|-----------------------------|-----------------------|-------------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 | Public Facilities<br>District |
| <b>ASSETS</b>   |                            |                             |                       |                               |
| Cash, Cash Equivalents & Pooled Investments             | \$ 57,463,251              | \$ 15,506,151               | \$ 72,969,402         | \$ 887,123                    |
| Investments   | 5,627,172                  | 4,799,020                   | 10,426,192            | -                             |
| Receivables (net)                                       | 24,670,557                 | 2,974,029                   | 27,644,586            | 216,233                       |
| Internal Balances                                       | 632,534                    | (632,534)                   | -                     | -                             |
| Inventories   | 528,524                    | -                           | 528,524               | -                             |
| Prepaid Items   | 31,981                     | 51,550                      | 83,531                | 24,792                        |
| Due From Component Unit                                 | 3,360,000                  | 261,831                     | 3,621,831             | -                             |
| Net Pension Asset                                       | 3,067,304                  | -                           | 3,067,304             | -                             |
| Restricted Cash, Cash Equivalents & Pooled Investments: |                            |                             |                       |                               |
| Customer Deposits                                       | 115,483                    | 102,422                     | 217,905               | -                             |
| Debt Service  | -                          | -                           | -                     | 1,310,119                     |
| Closure and Postclosure                                 | -                          | 22,711,501                  | 22,711,501            | -                             |
| Capital Assets:   |                            |                             |                       |                               |
| Nondepreciable Assets                                   | 17,236,562                 | 1,148,600                   | 18,385,162            | 632,655                       |
| Depreciable Assets (Net)                                | 122,610,550                | 25,941,556                  | 148,552,106           | 11,464,049                    |
| <b>Total Assets</b>                                     | <b>235,343,918</b>         | <b>72,864,126</b>           | <b>308,208,044</b>    | <b>14,534,971</b>             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                            |                             |                       |                               |
| Deferred Amounts on Refunding                           | 174,888                    | -                           | 174,888               | 198,935                       |
| Amounts Related to Pensions                             | 2,449,403                  | 273,577                     | 2,722,980             | -                             |
| Amounts Related to OPEB                                 | 106,134                    | -                           | 106,134               | -                             |
| Excess Consideration Provided For Acquisition           | 7,249,769                  | -                           | 7,249,769             | -                             |
| <b>Total Deferred Outflows of Resources</b>             | <b>9,980,194</b>           | <b>273,577</b>              | <b>10,253,771</b>     | <b>198,935</b>                |
| <b>LIABILITIES</b>                                      |                            |                             |                       |                               |
| Accounts Payable & Accrued Exp.                         | 3,090,647                  | 1,697,180                   | 4,787,827             | 2,150                         |
| Other Current Liabilities                               | 2,558,657                  | 105,942                     | 2,664,599             | 48,856                        |
| Customer Deposits                                       | 111,788                    | 102,422                     | 214,210               | -                             |
| Noncurrent Liabilities:                                 |                            |                             |                       |                               |
| Due Within One Year                                     | 8,145,475                  | 436,451                     | 8,581,926             | 101,810                       |
| Due Primary Gov. Within One Yr.                         | -                          | -                           | -                     | 335,890                       |
| Due In More Than One Year                               | 47,765,398                 | 23,851,601                  | 71,616,999            | 5,836,180                     |
| Due Primary Gov. More Than One Year                     | -                          | -                           | -                     | 3,503,849                     |
| Total Other Postemployment Benefits Liability           | 9,050,192                  | -                           | 9,050,192             | -                             |
| Net Pension Liability                                   | 11,989,204                 | 1,671,979                   | 13,661,183            | -                             |
| <b>Total Liabilities</b>                                | <b>82,711,361</b>          | <b>27,865,575</b>           | <b>110,576,936</b>    | <b>9,828,735</b>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                            |                             |                       |                               |
| Deferred amount on refunding of debt                    | 128,782                    | -                           | 128,782               | -                             |
| Amounts related to pensions                             | 5,669,242                  | 673,780                     | 6,343,022             | -                             |
| <b>Total Deferred Inflows of Resources</b>              | <b>5,798,024</b>           | <b>673,780</b>              | <b>6,471,804</b>      | <b>-</b>                      |
| <b>NET POSITION</b>                                     |                            |                             |                       |                               |
| Net Investment in Capital Assets                        | 111,005,555                | 25,988,604                  | 136,994,159           | 3,156,143                     |
| Restricted for:   |                            |                             |                       |                               |
| Economic Environment                                    | 4,733,598                  | -                           | 4,733,598             | -                             |
| General Government                                      | 558,018                    | -                           | 558,018               | -                             |
| Public Safety   | 322,233                    | -                           | 322,233               | -                             |
| Judicial  | 202,368                    | -                           | 202,368               | -                             |
| Social Services   | 5,633,722                  | -                           | 5,633,722             | -                             |
| Utilities   | 1,906,142                  | -                           | 1,906,142             | -                             |
| Transportation - Roads                                  | 457,295                    | -                           | 457,295               | -                             |
| Culture & Recreation                                    | 280,987                    | -                           | 280,987               | -                             |
| Debt purposes   | -                          | -                           | -                     | 933,716                       |
| Restricted for Pension                                  | 3,067,304                  | -                           | 3,067,304             | -                             |
| Unrestricted  | 28,647,505                 | 18,609,744                  | 47,257,249            | 815,312                       |
| <b>Total Net Position</b>                               | <b>\$ 156,814,727</b>      | <b>\$ 44,598,348</b>        | <b>\$ 201,413,075</b> | <b>\$ 4,905,171</b>           |

The notes to the financial statements are an integral part of this statement

Cowlitz County, Washington  
Statement of Activities  
For the Year Ended December 31, 2018

| FUNCTIONS/PROGRAMS                                  |                               | Net (Expense) Revenue and<br>Changes in Net Position |  |  |                            |                             |                |                               |
|---|-------------------------------|--|--|--|----------------------------|-----------------------------|----------------|-------------------------------|
|   |                               | Program Revenues                                     |  |  | Primary Government         |                             | Component Unit |                               |
|   |                               | Charges for<br>Services                              | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions | Governmental<br>Activities | Business-type<br>Activities | Total          | Public Facilities<br>District |
| Governmental Activities:                            | General Government            | \$ 16,433,292  | \$ 4,229,448                             | \$ 319,611                             | \$ 25,946                  | \$ (11,858,287)             | \$ -           | \$ (11,858,287)               |
|   | Public Safety                 | 25,903,359   | 5,550,871                                | 1,157,068                              | -                          | (19,195,420)                | -              | (19,195,420)                  |
|   | Judicial                      | 4,934,376  | 2,690,865                                | 434,031                                | -                          | (1,809,480)                 | -              | (1,809,480)                   |
|   | Utilities                     | 744,259  | 4,481,219                                | -                                      | -                          | 3,736,960                   | -              | 3,736,960                     |
|   | Transportation                | 19,519,406   | 1,591,650                                | 66,747                                 | 1,233,626                  | (16,627,383)                | -              | (16,627,383)                  |
|   | Natural Economic Environment  | 4,016,392  | 3,185,292                                | 98,303                                 | -                          | (732,797)                   | -              | (732,797)                     |
|   | Social Services               | 6,745,803  | 3,033,345                                | 3,416,850                              | -                          | (295,608)                   | -              | (295,608)                     |
|   | Culture & Recreation          | 839,350  | 51,565                                   | -                                      | -                          | (787,785)                   | -              | (787,785)                     |
|   | Interest on Long-Term Debt    | 1,632,453  | 418,517                                  | -                                      | -                          | (1,213,936)                 | -              | (1,213,936)                   |
|   | Total Governmental Activities | 80,768,690   | 25,232,772                               | 5,492,610                              | 1,259,572                  | (48,783,736)                | -              | (48,783,736)                  |
| Business-Type Activities:                           |                               |  |  |  |                            |                             |                |                               |
| Total Primary Government                            | Water/Sewer                   | 1,738,893  | 1,998,005                                | -                                      | 69,475                     | -                           | 328,587        | 328,587                       |
|   | Garbage & Solid Waste         | 20,420,365   | 20,979,361                               | 56,765                                 | -                          | -                           | 615,761        | 615,761                       |
|   | Public Safety                 | 5,155,809  | 3,248,523                                | 159,741                                | -                          | (1,747,545)                 | (1,747,545)    | (1,747,545)                   |
|   | Culture & Recreation          | 1,991,204  | 1,859,283                                | 35,120                                 | -                          | (96,801)                    | (96,801)       | (96,801)                      |
| Total Business-Type Activities                      |                               | 29,306,271   | 28,085,172                               | 251,626                                | 69,475                     | -                           | (899,998)      | (899,998)                     |
| Total Primary Government                            |                               | \$ 110,074,961                                       | \$ 53,317,944                            | \$ 5,744,236                           | \$ 1,329,047               | \$ (48,783,736)             | \$ (899,998)   | \$ (49,683,734)               |
| Component Unit                                      |                               |  |  |  |                            |                             |                |                               |
| Public Facilities District                          |                               | 1,231,229  | 30,258                                   | -                                      | -                          | -                           | -              | (1,200,971)                   |
| Total Component Units                               |                               | \$ 1,231,229   | \$ 30,258                                | \$ -                                   | \$ -                       | -                           | -              | (1,200,971)                   |
| GENERAL REVENUES:                                   |                               |  |  |  |                            |                             |                |                               |
| Property Taxes                                      |                               |  |  |  | 29,509,994                 | -                           | 29,509,994     | -                             |
| Sales Taxes   |                               |  |  |  | 12,893,104                 | -                           | 12,893,104     | 1,142,205                     |
| 911 Taxes   |                               |  |  |  | -                          | 3,110,352                   | 3,110,352      | -                             |
| Other Taxes   |                               |  |  |  | 8,999,264                  | -                           | 8,999,264      | 180,627                       |
| Investment Earnings                                 |                               |  |  |  | 2,192,186                  | 639,859                     | 2,832,045      | 47,538                        |
| Gain on Sale of Capital Assets                      |                               |  |  |  | 306,684                    | -                           | 306,684        | -                             |
| Transfers   |                               |  |  |  | (675,026)                  | 675,026                     | -              | -                             |
| Total General Revenues, Special Items and Transfers |                               |  |  |  | 53,226,206                 | 4,425,237                   | 57,651,443     | 1,370,370                     |
| Change in Net Position                              |                               |  |  |  | 4,442,470                  | 3,525,239                   | 7,967,709      | 169,399                       |
| Net Position - January 1                            |                               |  |  |  | 157,028,965                | 41,073,109                  | 198,102,074    | 4,792,050                     |
| Change in Accounting Principle                      |                               |  |  |  | (4,656,708)                | -                           | (4,656,708)    | -                             |
| Prior Period Adjustment                             |                               |  |  |  | -                          | -                           | -              | (56,278)                      |
| Net Position - December 31                          |                               |  |  |  | \$ 156,814,727             | \$ 44,598,348               | \$ 201,413,075 | \$ 4,905,171                  |

The notes to the financial statements are an integral part of this statement

Cowlitz County, Washington  
Balance Sheet  
Governmental Funds  
December 31, 2018

|  | Major Funds          |                      |                     | Other                | Total                |
|--|----------------------|----------------------|---------------------|----------------------|----------------------|
|  | General              | County Road          | Capital             | Governmental         | Governmental         |
|  |                      |                      | Improvements        | Funds                | Funds                |
| <b>ASSETS</b>  |                      |                      |                     |                      |                      |
| Current Assets   |                      |                      |                     |                      |                      |
| Cash and Cash Equivalents  | \$ 10,380,942        | \$ 12,464,318        | \$ 4,460,551        | \$ 19,079,990        | \$ 46,385,801        |
| Investments  | 5,627,172            | -                    | -                   | -                    | 5,627,172            |
| Receivables (Net)  | 2,621,833            | 358,390              | -                   | 231,124              | 3,211,347            |
| Due From Other Funds   | 215,714              | 183,003              | -                   | 102,410              | 501,127              |
| Noncurrent Assets  |                      |                      |                     |                      |                      |
| Interfund Loan Receivable  | 245,000              | -                    | -                   | -                    | 245,000              |
| Due From Other Governments   | 15,884,267           | 1,408,068            | 146,673             | 3,593,322            | 21,032,330           |
| Due From Component Unit  | 3,360,000            | -                    | -                   | -                    | 3,360,000            |
| Customer Deposits and Seized Receivable                                  | 24,587               | -                    | 3,695               | 87,201               | 115,483              |
| <b>Total Assets</b>  | <b>38,359,515</b>    | <b>14,413,779</b>    | <b>4,610,919</b>    | <b>23,094,047</b>    | <b>80,478,260</b>    |
| <b>LIABILITIES</b>   |                      |                      |                     |                      |                      |
| Accounts Payable   | 504,600              | 189,600              | 195,022             | 567,236              | 1,456,458            |
| Payable To Other Governments   | 96,666               | 14,783               | -                   | 15,604               | 127,053              |
| Due To Other Funds   | 1,298,706            | 544,772              | 16,812              | 139,869              | 2,000,159            |
| Interfund Loan Payable   | -                    | -                    | 115,130             | -                    | 115,130              |
| Other Current Liabilities  | 1,584,339            | 302,292              | 4,191               | 567,698              | 2,458,520            |
| Customer Deposits and Seized Payable                                     | 24,587               | -                    | -                   | 87,201               | 111,788              |
| <b>Total Liabilities</b>   | <b>3,508,898</b>     | <b>1,051,447</b>     | <b>331,155</b>      | <b>1,377,608</b>     | <b>6,269,108</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                      |                      |                     |                      |                      |
| Unavailable Revenue  | 2,509,108            | 278,191              | -                   | 11,359               | 2,798,658            |
| Unavailable Revenue - Other Governments and Component Unit               | 16,665,726           | -                    | -                   | -                    | 16,665,726           |
| <b>Total Deferred Inflows of Resources</b>                               | <b>19,174,834</b>    | <b>278,191</b>       | <b>-</b>            | <b>11,359</b>        | <b>19,464,384</b>    |
| <b>FUND BALANCE</b>  |                      |                      |                     |                      |                      |
| Nonspendable   | 245,000              | -                    | -                   | -                    | 245,000              |
| Restricted   | -                    | -                    | 47,887              | 15,935,787           | 15,983,674           |
| Assigned   | 807,041              | 13,084,141           | 4,231,877           | 5,769,293            | 23,892,352           |
| Unassigned   | 14,623,742           | -                    | -                   | -                    | 14,623,742           |
| <b>Total Fund Balance</b>  | <b>15,675,783</b>    | <b>13,084,141</b>    | <b>4,279,764</b>    | <b>21,705,080</b>    | <b>54,744,768</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 38,359,515</b> | <b>\$ 14,413,779</b> | <b>\$ 4,610,919</b> | <b>\$ 23,094,047</b> | <b>\$ 80,478,260</b> |

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2018**

|  |                              |
|--|------------------------------|
| Total fund balances as shown on the Governmental Funds Balance Sheet   | \$ 54,744,768                |
| Capital assets (net) used in governmental activities are not financial resources and therefore are not reported in the funds (amounts for internal service fund capital assets \$10,948,111 are included as part of reconciling item further down the page). | 128,899,001                  |
| Internal Service Funds are used to charge the costs of services to individual funds. The assets and liabilities of internal service funds are included in governmental activities on the statement of net position.  | 20,260,180                   |
| Allocation to enterprise funds share of net (income) loss of internal service funds.   | 226,984                      |
| Other long-term items are not available to pay for current-period expenditures and, therefore are not recognized as payable/receivable in the funds  | 46,106                       |
| Accrued interest receivable was less than interest receivable modified accrual   | 143,590                      |
| Other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds.  | 19,464,384                   |
| Inventories not recorded in governmental funds are recorded in governmental activities. (Internal Service Fund inventory of \$329,849 is included elsewhere)   | 198,675                      |
| Net Pension Assets and Liability, Total OPEB liability, and other items related to Pension or OPEB activity that are not financial resources or uses therefore, not reported in the funds.   | (20,096,562)                 |
| Deferred outflows for excess consideration provided for acquisition of the landfill is long term in nature and not included in the governmental fund balance sheet   | 7,249,769                    |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet  | <u>(54,322,168)</u>          |
| Net position of governmental activities  | <u><u>\$ 156,814,727</u></u> |

The notes to the financial statements are an integral part of this statement

Cowlitz County, Washington  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
December 31, 2018

|  | Major Funds          |                      |                      | Other                | Total                |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | General              | County Road          | Capital Improvements | Governmental Funds   | Governmental Funds   |
| <b>REVENUES</b>  |                      |                      |                      |                      |                      |
| Taxes  | \$ 29,102,640        | \$ 10,794,221        | \$ 985,792           | \$ 6,057,551         | \$ 46,940,204        |
| Licenses and Permits   | 34,930               | -                    | -                    | 2,230,923            | 2,265,853            |
| Intergovernmental  | 6,226,078            | 3,465,928            | 417,243              | 3,802,270            | 13,911,519           |
| Charges for Services   | 6,891,576            | 908,923              | -                    | 2,910,857            | 10,711,356           |
| Fines and Forfeitures  | 1,627,910            | -                    | -                    | 176,144              | 1,804,054            |
| Investment Earnings  | 1,598,704            | 209,805              | 60,756               | 251,010              | 2,120,275            |
| Rents and Leases   | 4,755,252            | 4,004                | 10,590               | 90                   | 4,769,936            |
| Special Assessments  | 2,182                | -                    | -                    | 446,331              | 448,513              |
| Insurance Premiums and Recoveries                                | -                    | 740                  | -                    | -                    | 740                  |
| Miscellaneous Revenues   | 5,373,449            | 176,066              | 23,232               | 752,124              | 6,324,871            |
| <b>Total Revenues</b>  | <b>55,612,721</b>    | <b>15,559,687</b>    | <b>1,497,613</b>     | <b>16,627,300</b>    | <b>89,297,321</b>    |
| <b>EXPENDITURES</b>  |                      |                      |                      |                      |                      |
| Current  |                      |                      |                      |                      |                      |
| General Government   | 13,898,477           | -                    | 1,672,310            | 389,865              | 15,960,652           |
| Public Safety  | 23,247,292           | -                    | -                    | 1,500,759            | 24,748,051           |
| Judicial   | 4,507,371            | -                    | -                    | 22,571               | 4,529,942            |
| Utilities  | 223,158              | -                    | -                    | 2,312                | 225,470              |
| Natural Economic Environment                                     | 541,751              | -                    | 209,032              | 4,057,897            | 4,808,680            |
| Transportation   | 76,000               | 12,909,957           | 148,151              | 49,872               | 13,183,980           |
| Social Services  | 775,663              | -                    | -                    | 7,337,185            | 8,112,848            |
| Culture & Recreation   | 617,557              | -                    | 122,561              | 44,000               | 784,118              |
| Debt Service   |                      |                      |                      |                      |                      |
| Principal  | 1,295,000            | 17,500               | -                    | 5,991,680            | 7,304,180            |
| Interest   | 1,186,219            | 55                   | -                    | 887,085              | 2,073,359            |
| Other  | -                    | -                    | -                    | -                    | -                    |
| Capital Outlay   | 32,536               | 2,421,897            | 46,723               | -                    | 2,501,156            |
| <b>Total Expenditures</b>  | <b>46,401,024</b>    | <b>15,349,409</b>    | <b>2,198,777</b>     | <b>20,283,226</b>    | <b>84,232,436</b>    |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>9,211,697</b>     | <b>210,278</b>       | <b>(701,164)</b>     | <b>(3,655,926)</b>   | <b>5,064,885</b>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                      |                      |                      |                      |                      |
| Transfers In   | 1,470,919            | -                    | 846,826              | 7,611,681            | 9,929,426            |
| Transfers Out  | (8,228,297)          | -                    | (520,239)            | (1,977,834)          | (10,726,370)         |
| Sale of Capital Assets   | 199,855              | 266,409              | -                    | 3,909                | 470,173              |
| <b>Total Other Financing Sources (Uses)</b>                      | <b>(6,557,523)</b>   | <b>266,409</b>       | <b>326,587</b>       | <b>5,637,756</b>     | <b>(326,771)</b>     |
| <b>Net Change In Fund Balance</b>                                | <b>2,654,174</b>     | <b>476,687</b>       | <b>(374,577)</b>     | <b>1,981,830</b>     | <b>4,738,114</b>     |
| <b>Fund Balances--Beginning</b>                                  | <b>13,021,609</b>    | <b>12,607,454</b>    | <b>4,654,341</b>     | <b>19,723,250</b>    | <b>50,006,654</b>    |
| <b>Fund Balances--Ending</b>                                     | <b>\$ 15,675,783</b> | <b>\$ 13,084,141</b> | <b>\$ 4,279,764</b>  | <b>\$ 21,705,080</b> | <b>\$ 54,744,768</b> |

The notes to the financial statements are an integral part of this statement

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended December 31, 2018**

Net change in fund balance as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:

|   |                            |
|---|----------------------------|
| Net change in fund balances-total governmental funds  | \$ 4,738,114               |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those capital outlays that benefit the county are posted as assets and are allocated over their estimated useful lives and reported as depreciation. Also, the disposition of capital assets (net book value) are deducted from the sale of fixed assets. The amount by which capital outlays exceeded depreciation and write off of net book value of assets disposed of in current period.  | (6,119,902)                |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds while the repayment of the principal of the long-term debt consumes the current financial resource of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 7,350,102                  |
| Change in accrual interest earnings versus on modified accrual basis  | (44,050)                   |
| Governmental funds report revenue in current period for revenues deferred in prior periods since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned.   | (4,729,680)                |
| Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable, net pension liability, OPEB, accrued compensation payable for year, change in inventory and deferred outflows of resources.  | 3,936,588                  |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (loss) of most of these activities is reported within governmental activities.   | (688,702)                  |
| Change in net position-governmental activities- on the Statement of Activities  | <u><u>\$ 4,442,470</u></u> |

The notes to the financial statements are an integral part of this statement



**Cowlitz County, Washington**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Compared to Budget (GAAP Basis) and Actual**  
**December 31, 2018**

|  | General Fund        |                     |                      |                         |
|--|---------------------|---------------------|----------------------|-------------------------|
|  | Budgeted Amounts    |                     | Actual Amounts       | Final Budget - Positive |
|  | Original            | Final               |                      |                         |
| <b>REVENUES</b>  |                     |                     |                      |                         |
| Taxes  | \$ 27,721,070       | \$ 27,321,070       | \$ 29,102,640        | \$ 1,781,570            |
| Licenses and Permits   | 37,550              | 37,550              | 34,930               | (2,620)                 |
| Intergovernmental  | 5,452,078           | 6,115,310           | 6,226,078            | 110,768                 |
| Charges for Services   | 6,792,245           | 6,792,245           | 6,891,576            | 99,331                  |
| Fines and Forfeitures  | 1,183,650           | 1,183,650           | 1,627,910            | 444,260                 |
| Investment Earnings  | 995,365             | 1,295,365           | 1,598,704            | 303,339                 |
| Rents and Leases   | 231,550             | 4,712,769           | 4,755,252            | 42,483                  |
| Special Assessments  | -                   | -                   | 2,182                | 2,182                   |
| Miscellaneous Revenues   | 114,440             | 5,380,173           | 5,373,449            | (6,724)                 |
| <b>Total Revenues</b>  | <b>42,527,948</b>   | <b>52,838,132</b>   | <b>55,612,721</b>    | <b>2,774,589</b>        |
| <b>EXPENDITURES</b>  |                     |                     |                      |                         |
| Current  |                     |                     |                      |                         |
| General Government   | 14,750,396          | 14,787,560          | 13,898,477           | 889,083                 |
| Public Safety  | 23,347,439          | 24,675,525          | 23,247,292           | 1,428,233               |
| Judicial   | 4,973,888           | 5,000,574           | 4,507,371            | 493,203                 |
| Utilities  | 33,573              | 33,573              | 223,158              | (189,585)               |
| Natural Economic Environment                                     | 451,539             | 477,089             | 541,751              | (64,662)                |
| Transportation   | 76,250              | 76,250              | 76,000               | 250                     |
| Social Services  | 1,152,362           | 1,166,044           | 775,663              | 390,381                 |
| Culture & Recreation   | 682,912             | 682,912             | 617,557              | 65,355                  |
| Debt Service   | 30,000              | 2,511,219           | 2,481,219            | 30,000                  |
| Capital Outlay   | 50,000              | -                   | 32,536               | (32,536)                |
| <b>Total Expenditures</b>  | <b>45,548,359</b>   | <b>49,410,746</b>   | <b>46,401,024</b>    | <b>3,009,722</b>        |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>(3,020,411)</b>  | <b>3,427,386</b>    | <b>9,211,697</b>     | <b>(235,133)</b>        |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                     |                     |                      |                         |
| Transfers In   | 2,017,732           | 1,222,465           | 1,470,919            | 248,454                 |
| Transfers Out  | (3,340,066)         | (7,992,596)         | (8,228,297)          | (235,701)               |
| Sale of Capital Assets   | 325,000             | 325,000             | 199,855              | (125,145)               |
| <b>Total Other Financing Sources (Uses)</b>                      | <b>(997,334)</b>    | <b>(6,445,131)</b>  | <b>(6,557,523)</b>   | <b>(112,392)</b>        |
| <b>Net Change In Fund Balance</b>                                | <b>(4,017,745)</b>  | <b>(3,017,745)</b>  | <b>2,654,174</b>     | <b>(347,525)</b>        |
| <b>Fund Balances--Beginning</b>                                  | <b>10,627,047</b>   | <b>10,627,047</b>   | <b>13,021,609</b>    | <b>2,394,562</b>        |
| <b>Fund Balances--Ending</b>                                     | <b>\$ 6,609,302</b> | <b>\$ 7,609,302</b> | <b>\$ 15,675,783</b> | <b>\$ 2,047,037</b>     |

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Compared to Budget (GAAP Basis) and Actual**  
**December 31, 2018**

|  | County Road         |                     |                      |                         |
|--|---------------------|---------------------|----------------------|-------------------------|
|  | Budgeted Amounts    |                     | Actual Amounts       | Final Budget - Positive |
|  | Original            | Final               |                      |                         |
| <b>REVENUES</b>  |                     |                     |                      |                         |
| Taxes  | \$ 10,236,187       | \$ 10,236,187       | \$ 10,794,221        | \$ 558,034              |
| Intergovernmental  | 4,721,050           | 3,952,650           | 3,465,928            | (486,722)               |
| Charges for Services   | 650,050             | 650,050             | 908,923              | 258,873                 |
| Investment Earnings  | 40,080              | 40,080              | 209,805              | 169,725                 |
| Rents and Leases   | 1,000               | 1,000               | 4,004                | 3,004                   |
| Insurance Premiums and Recoveries                                |                     |                     | 740                  | 740                     |
| Miscellaneous Revenues   | 40,000              | 40,000              | 176,066              | 136,066                 |
| <b>Total Revenues</b>  | <b>15,688,367</b>   | <b>14,919,967</b>   | <b>15,559,687</b>    | <b>639,720</b>          |
| <b>EXPENDITURES</b>  |                     |                     |                      |                         |
| Current  |                     |                     |                      |                         |
| Transportation   | 14,032,909          | 14,032,909          | 12,909,957           | 1,122,952               |
| Debt Service   | 72,000              | 72,000              | 17,555               | 54,445                  |
| Capital Outlay   | 3,999,100           | 3,999,100           | 2,421,897            | 1,577,203               |
| <b>Total Expenditures</b>  | <b>18,104,009</b>   | <b>18,104,009</b>   | <b>15,349,409</b>    | <b>2,754,600</b>        |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>(2,415,642)</b>  | <b>(3,184,042)</b>  | <b>210,278</b>       | <b>(2,114,880)</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                     |                     |                      |                         |
| Sale of Capital Assets   | 150,000             | 150,000             | 266,409              | 116,409                 |
| <b>Total Other Financing Sources (Uses)</b>                      | <b>150,000</b>      | <b>150,000</b>      | <b>266,409</b>       | <b>116,409</b>          |
| <b>Net Change In Fund Balance</b>                                | <b>(2,265,642)</b>  | <b>(3,034,042)</b>  | <b>476,687</b>       | <b>(1,998,471)</b>      |
| <b>Fund Balances--Beginning</b>                                  | <b>8,973,813</b>    | <b>11,990,340</b>   | <b>12,607,454</b>    | <b>617,114</b>          |
| <b>Fund Balances--Ending</b>                                     | <b>\$ 6,708,171</b> | <b>\$ 8,956,298</b> | <b>\$ 13,084,141</b> | <b>\$ (1,381,357)</b>   |

The notes to the financial statements are an integral part of this statement



**Cowlitz County, Washington**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2018**

|  | Business-Type Activities-Enterprise Funds |              |              |               | Governmental  |
|--|---|--------------|--------------|---------------|---------------|
|  |   |              | Nonmajor     | Total         | Activities-   |
|  |   |              | Enterprise   | Enterprise    | Internal      |
|  | Solid Waste                               | Water Sewer  | Funds        | Funds         | Service Funds |
| ASSETS   |   |              |              |               |               |
| Current Assets   |   |              |              |               |               |
| Cash, Cash Equivalents and Pooled Investments  | \$ 5,880,737                              | \$ 3,363,648 | \$ 6,261,766 | \$ 15,506,151 | \$ 11,077,450 |
| Investments  | 4,799,020                                 | -            | -            | 4,799,020     | -             |
| Receivables (Net)  | 1,932,340                                 | 187,725      | 95,508       | 2,215,573     | 3,904         |
| Interest Receivables   | 4,370                                     | -            | -            | 4,370         | -             |
| Due From Other Funds   | 978                                       | 3,722        | 1,650        | 6,350         | 2,043,204     |
| Due From Other Governments   | 166,976                                   | 2,412        | 584,698      | 754,086       | 279,384       |
| Interfund Loan Receivable  | 115,130                                   | -            | -            | 115,130       | -             |
| Inventories  | -   | -            | -            | -             | 329,849       |
| Prepaid Items  | 15,476                                    | 7,047        | 29,027       | 51,550        | 31,981        |
| Restricted Customer Deposits - Cash and Cash Equivalent  | 17,750                                    | 71,592       | 13,080       | 102,422       | -             |
| Total Current Assets   | 12,932,777                                | 3,636,146    | 6,985,729    | 23,554,652    | 13,765,772    |
| Capital Assets   |   |              |              |               |               |
| Land   | 389,392                                   | 122,635      | 636,573      | 1,148,600     | 20,795        |
| Buildings and System   | 1,306,825                                 | 4,729,185    | 491,404      | 6,527,414     | 386,668       |
| Improvements Other Than Buildings  | 3,637,985                                 | 373,303      | 2,095,625    | 6,106,913     | -             |
| Machinery and Equipment  | 6,715,480                                 | 55,247       | 2,118,844    | 8,889,571     | 16,957,225    |
| Intangibles  | 106,613                                   | -            | 2,354,359    | 2,460,972     | 3,917,495     |
| Infrastructure   | 28,808,563                                | 8,772,720    | -            | 37,581,283    | -             |
| Accumulated Depreciation   | (22,473,684)                              | (7,307,238)  | (5,843,675)  | (35,624,597)  | (11,412,974)  |
| Construction in Progress   | -   | -            | -            | -             | 1,078,902     |
| Total Capital Assets (Net of Accumulated Depreciation)   | 18,491,174                                | 6,745,852    | 1,853,130    | 27,090,156    | 10,948,111    |
| Noncurrent Assets  |   |              |              |               |               |
| Due From Component Unit  | 261,831                                   | -            | -            | 261,831       | -             |
| Restricted Cash and Cash Equivalent - Post Closure   | 22,711,501                                | -            | -            | 22,711,501    | -             |
| Total Noncurrent Assets  | 22,973,332                                | -            | -            | 22,973,332    | -             |
| Total Assets   | 54,397,283                                | 10,381,998   | 8,838,859    | 73,618,140    | 24,713,883    |
| DEFERRED OUTFLOWS OF RESOURCES   |   |              |              |               |               |
| Amounts Related to Pensions  | 47,685                                    | 27,691       | 198,201      | 273,577       | 131,478       |
| Total Deferred Outflows of Resources   | 47,685                                    | 27,691       | 198,201      | 273,577       | 131,478       |
| LIABILITIES  |   |              |              |               |               |
| Current Liabilities  |   |              |              |               |               |
| Accounts Payable (Includes Retainage)  | 1,237,957                                 | 1,110        | 206,715      | 1,445,782     | 1,263,722     |
| Payable to Other Governments   | 59,959                                    | 8,387        | 37,596       | 105,942       | 80,980        |
| Due to Other Funds   | 234,949                                   | 26,449       | 20,632       | 282,030       | 268,490       |
| Accrued Interest Payable   | -   | 2,739        | -            | 2,739         | -             |
| Claims and Judgements  | -   | -            | -            | -             | 205,513       |
| Notes Payable  | -   | 155,451      | 2,756        | 158,207       | 9,440         |
| Landfill Closure and Post Closure Costs  | 278,244                                   | -            | -            | 278,244       | -             |
| Other Accrued Liabilities  | 50,250                                    | 23,852       | 174,557      | 248,659       | 100,137       |
| Customer Deposits - Payable From Restricted Assets   | 17,750                                    | 71,592       | 13,080       | 102,422       | -             |
| Total Current Liabilities  | 1,879,109                                 | 289,580      | 455,336      | 2,624,025     | 1,928,282     |
| Noncurrent Liabilities   |   |              |              |               |               |
| Compensated Absences   | 92,510                                    | 33,486       | 349,003      | 474,999       | 202,190       |
| Net Pension Liability  | 291,430                                   | 169,235      | 1,211,314    | 1,671,979     | 803,536       |
| Landfill Closure and Post Closure Costs  | 22,433,257                                | -            | -            | 22,433,257    | -             |
| Claims and Judgements  | -   | -            | -            | -             | 1,333,996     |
| Interfund Loan Payable   | -   | -            | 245,000      | 245,000       | -             |
| Notes Payable (Net of Discount)  | -   | 933,436      | 9,909        | 943,345       | -             |
| Total Noncurrent Liabilities   | 22,817,197                                | 1,136,157    | 1,815,226    | 25,768,580    | 2,339,722     |
| Total Liabilities  | 24,696,306                                | 1,425,737    | 2,270,562    | 28,392,605    | 4,268,004     |
| DEFERRED INFLOWS OF RESOURCES  |   |              |              |               |               |
| Amounts Related to Pensions  | 117,890                                   | 69,036       | 486,854      | 673,780       | 317,177       |
| Total Deferred Inflows of Resources  | 117,890                                   | 69,036       | 486,854      | 673,780       | 317,177       |
| NET POSITION   |   |              |              |               |               |
| Net Investment in Capital Assets   | 18,491,174                                | 5,656,965    | 1,840,465    | 25,988,604    | 10,938,671    |
| Unrestricted   | 11,139,598                                | 3,257,951    | 4,439,179    | 18,836,728    | 9,321,509     |
| Total Net Position   | \$ 29,630,772                             | \$ 8,914,916 | \$ 6,279,644 | \$ 44,825,332 | \$ 20,260,180 |
| Adjustments to reflect the consolidation of internal service fund activities to enterprise funds |   |              |              | (226,984)     |               |
| Net Position of Business-Type Activities   |   |              |              | \$ 44,598,348 |               |

The notes to the financial statements are an integral part of this statement

Cowlitz County, Washington  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
December 31, 2018

|  | Business-Type Activities-Enterprise Funds |              |                                 |                              | Governmental<br>Activities-<br>Internal<br>Service Funds |
|--|---|--------------|---------------------------------|------------------------------|--|
|  | Solid Waste                               | Water Sewer  | Nonmajor<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |  |
| <b>OPERATING REVENUES</b>  |   |              |                                 |                              |  |
| Charges for Services:  |   |              |                                 |                              |  |
| Water - Sewer  | \$ -                                      | \$ 1,942,976 | \$ -                            | \$ 1,942,976                 | \$ -   |
| Garbage & Solid Waste  | 20,955,728                                | -            | -                               | 20,955,728                   | -  |
| Public Safety  | -   | -            | 3,207,490                       | 3,207,490                    | -  |
| Culture & Recreation   | -   | -            | 1,808,161                       | 1,808,161                    | -  |
| Other Services   | -   | -            | -                               | -                            | 9,676,475  |
| <b>Total Operating Revenues</b>  | 20,955,728                                | 1,942,976    | 5,015,651                       | 27,914,355                   | 9,676,475  |
| <b>OPERATING EXPENSES</b>  |   |              |                                 |                              |  |
| Maintenance & Operations   | 15,608,870                                | 1,364,675    | 6,657,652                       | 23,631,197                   | 9,223,020  |
| Closure & Postclosure Care   | 1,353,376                                 | -            | -                               | 1,353,376                    | -  |
| Depreciation and Amortization  | 3,427,326                                 | 359,135      | 413,181                         | 4,199,642                    | 1,444,239  |
| <b>Total Operating Expenses</b>  | 20,389,572                                | 1,723,810    | 7,070,833                       | 29,184,215                   | 10,667,259   |
| <b>Operating Income (Loss)</b>   | 566,156                                   | 219,166      | (2,055,182)                     | (1,269,860)                  | (990,784)  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |   |              |                                 |                              |  |
| Taxes  | -   | -            | 3,110,352                       | 3,110,352                    | -  |
| Intergovernmental  | 56,765                                    | -            | 194,861                         | 251,626                      | -  |
| Investment Earnings  | 530,926                                   | 53,144       | 55,789                          | 639,859                      | 115,961  |
| Interest Expense   | -   | (7,915)      | (1,485)                         | (9,400)                      | (1,089)  |
| Gain (Loss) on Disposition of Assets   | (52,900)                                  | -            | -                               | (52,900)                     | (134,524)  |
| Miscellaneous Nonoperating Revenues  | 23,633                                    | 55,029       | 92,155                          | 170,817                      | 113,322  |
| <b>Total Nonoperating Income (Expense)</b>   | 558,424                                   | 100,258      | 3,451,672                       | 4,110,354                    | 93,670   |
| <b>Income (Loss) Before Contributions and Transfers</b>  | 1,124,580                                 | 319,424      | 1,396,490                       | 2,840,494                    | (897,114)  |
| Capital Contributions  | -   | 69,475       | -                               | 69,475                       | 25,946   |
| Transfers In   | -   | -            | 675,026                         | 675,026                      | 195,822  |
| Transfers Out  | -   | -            | -                               | -                            | (73,114)   |
| <b>Change in Net Position</b>  | 1,124,580                                 | 388,899      | 2,071,516                       | 3,584,995                    | (748,460)  |
| <b>Net Position - Beginning</b>  | 28,506,192                                | 8,526,017    | 4,208,128                       | 41,240,337                   | 21,008,641   |
| <b>Net Position - Ending</b>   | \$ 29,630,772                             | \$ 8,914,916 | \$ 6,279,644                    | \$ 44,825,332                | \$ 20,260,181  |
| Adjustments to reflect the consolidation of internal service fund activities to enterprise funds |   |              |                                 | (59,757)                     |  |
| <b>Change in Net Position of Business-Type Activities</b>  |   |              |                                 | \$ 3,525,238                 |  |

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Cashflow**  
**Proprietary Funds**  
**December 31, 2018**

|   | Business-Type Activities-Enterprise Funds |              |                              |                           | Governmental<br>Activities-<br>Internal Service<br>Funds |
|---|---|--------------|------------------------------|---------------------------|--|
|   | Solid Waste                               | Water Sewer  | Nonmajor<br>Enterprise Funds | Total Enterprise<br>Funds |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |              |                              |                           |  |
| Receipts from customers   | \$ 20,196,041                             | \$ 2,027,803 | \$ 4,984,609                 | \$ 27,208,453             | \$ 8,903,308   |
| Payments to suppliers   | (14,449,492)                              | (822,787)    | (2,982,101)                  | (18,254,380)              | (5,846,739)  |
| Payments to employees   | (1,045,986)                               | (595,017)    | (3,953,424)                  | (5,594,427)               | (2,664,470)  |
| Other receipts (payments)   | 69,728                                    | 72,561       | 363,424                      | 505,713                   | 469,062  |
| Net cash provided (used) by operating activities  | 4,770,291                                 | 682,560      | (1,587,492)                  | 3,865,359                 | 861,161  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |              |                              |                           |  |
| Operating transfer in from other County fund  | -   | -            | 675,026                      | 675,026                   | 195,822  |
| Operating transfer out from other County fund   | -   | -            | -                            | -                         | (73,114)   |
| Cash received from operating grant  | 56,765                                    | -            | 194,861                      | 251,626                   | 25,946   |
| Receipt from 911 Tax  | -   | -            | 3,110,352                    | 3,110,352                 | -  |
| Net cash provided (used) by noncapital financing activities   | 56,765                                    | -            | 3,980,239                    | 4,037,004                 | 148,654  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |   |              |                              |                           |  |
| Purchases of capital assets   | (3,813,921)                               | -            | 117,374                      | (3,696,547)               | (2,439,254)  |
| Principal paid on capital debt  | -   | (155,337)    | (5,067)                      | (160,404)                 | (9,548)  |
| Proceeds from capital debt  | -   | -            | -                            | -                         | (25,000)   |
| Interest paid on capital debt   | -   | (8,216)      | (1,485)                      | (9,701)                   | (1,089)  |
| Capital contributions   | -   | 69,475       | -                            | 69,475                    | -  |
| Proceeds from the sale of capital assets  | 8,750                                     | -            | -                            | 8,750                     | 47,450   |
| Net cash provided (used) by capital and related financing activities                                  | (3,805,171)                               | (94,078)     | 110,822                      | (3,788,427)               | (2,427,441)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |              |                              |                           |  |
| Proceeds from sales and maturities of investments   | -   | -            | -                            | -                         | 2,000,000  |
| Interest on investments   | 530,926                                   | 53,144       | 55,789                       | 639,859                   | 115,961  |
| Net cash provided (used) by investing activities  | 530,926                                   | 53,144       | 55,789                       | 639,859                   | 2,115,961  |
| Net increase (decrease) in cash and cash equivalents  | 1,552,811                                 | 641,626      | 2,559,358                    | 4,753,795                 | 698,335  |
| Cash and cash equivalents, January 1  | 27,057,177                                | 2,793,614    | 3,715,488                    | 33,566,279                | 10,379,115   |
| Cash and cash equivalents, December 31  | \$ 28,609,988                             | \$ 3,435,240 | \$ 6,274,846                 | \$ 38,320,074             | \$ 11,077,450  |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) by Operating Activities:</b>    |   |              |                              |                           |  |
| <b>Operating Income (Loss)</b>  | \$ 566,156                                | \$ 219,166   | \$ (2,055,182)               | \$ (1,269,860)            | \$ (990,784)   |
| <u>Adjustments to reconcile operating income to net cash provided (used) by<br/>operating income:</u> |   |              |                              |                           |  |
| Depreciation  | 3,427,326                                 | 359,135      | 413,183                      | 4,199,644                 | 1,444,239  |
| Decrease (increase) in account receivable   | (767,439)                                 | 73,162       | (26,364)                     | (720,641)                 | 902  |
| Decrease (increase) in due from other governments   | (45,367)                                  | 21,254       | (22,627)                     | (46,740)                  | 164,811  |
| Decrease (increase) in due from other funds   | 91,462                                    | (3,722)      | 292,246                      | 379,986                   | (583,144)  |
| Decrease (increase) in inventory  | -   | -            | -                            | -                         | (28,921)   |
| Decrease (increase) in prepaid expense  | (5,937)                                   | 286          | 31,014                       | 25,363                    | 10,115   |
| Increase (decrease) in accounts payable   | 396,056                                   | (698)        | (4,664)                      | 390,694                   | 731,603  |
| Increase (decrease) in due to other governments   | 59,805                                    | (14,864)     | 20,780                       | 65,721                    | 46,928   |
| Increase (decrease) in due to other funds   | (261,677)                                 | (16,349)     | (23,945)                     | (301,971)                 | 103,470  |
| Increase (decrease) in accrued liabilities  | 1,275,276                                 | 582          | (21,182)                     | 1,254,676                 | (73,478)   |
| Increase (decrease) in customer deposits  | 7,750                                     | 11,662       | (3,029)                      | 16,383                    | -  |
| Increase (decrease) in estimated future claims  | -   | -            | -                            | -                         | (31,982)   |
| Increase (decrease) in pension items  | 3,247                                     | (22,083)     | (279,877)                    | (298,713)                 | (45,920)   |
| Miscellaneous revenue   | 23,633                                    | 55,029       | 92,155                       | 170,817                   | 113,322  |
| Total adjustments   | 4,204,135                                 | 463,394      | 467,690                      | 5,135,219                 | 1,851,945  |
| <b>Net Cash Provided by Operating Activities</b>  | \$ 4,770,291                              | \$ 682,560   | \$ (1,587,492)               | \$ 3,865,359              | \$ 861,161   |

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2018**

|                          | <u>Agency Funds</u> | <u>Investment<br/>Trust Funds</u> |
|--------------------------|---------------------|-----------------------------------|
| <b>ASSETS</b>            |                     |                                   |
| Cash                     | \$ 21,200,797       | \$ -                              |
| Pooled Investments       | -                   | 255,056,210                       |
| Taxes Receivable         | 3,314,006           | -                                 |
| Accounts Receivable      | 195,490             | -                                 |
| <b>Total Assets</b>      | <u>24,710,293</u>   | <u>255,056,210</u>                |
| <br><b>LIABILITIES</b>   |                     |                                   |
| Due to Other Governments | 15,708,740          | -                                 |
| Warrants Payable         | 9,001,552           | -                                 |
| <b>Total Liabilities</b> | <u>24,710,293</u>   | <u>-</u>                          |
| <br><b>NET POSITION</b>  | <u>\$ -</u>         | <u>\$ 255,056,210</u>             |

The notes to the financial statements are an integral part of this statement

**Cowlitz County, Washington**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2018**

|  | <u>Investment<br/>Trust Funds</u> |
|--|-----------------------------------|
| <b>ADDITIONS</b>                         |                                   |
| Contributions                            | \$ 212,293,870                    |
| Investment Interest                      | <u>3,689,550</u>                  |
| <b>Total Additions</b>                   | <u>215,983,420</u>                |
| <br><b>DEDUCTIONS</b>                    |                                   |
| Disbursements                            | <u>93,910,902</u>                 |
| <b>Total Deductions</b>                  | <u>93,910,902</u>                 |
| <br><b>CHANGE IN NET POSITION</b>        | <u>122,072,518</u>                |
| <br>Net Position - Beginning of the Year | <u>132,983,692</u>                |
| Net Position - End of the Year           | <u><u>\$ 255,056,210</u></u>      |

The notes to the financial statements are an integral part of this statement

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Cowlitz 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 government accounting and financial reporting principles. The significant accounting policies are described below.

**A. REPORTING ENTITY**

Cowlitz County was incorporated on April 21, 1854. It operates under the laws of the State of Washington applicable to second-class counties with a commissioner form of government.

Cowlitz County provides public safety, judicial services, roads, health and social services, parks, and general administrative services. It operates and owns water, sewer and solid waste facilities.

As required by the generally accepted accounting principles the financial statements present Cowlitz County, the primary government, and its component unit. The component unit discussed below is included in the Cowlitz County reporting entity because of the significance of their operational and financial relationship with the county.

**Discretely presented component unit:**

The **Public Facilities District** has a five-member board appointed by the Cowlitz County Commissioners. The members are volunteers and serve four-year terms. The district was formed in 1999 to plan, construct and design a regional conference/special events center. Because the County has issued significant debt and appoints board members, the Public Facility District is presented as a discretely presented component unit of the County. Separate financial statements are available from Cowlitz County Auditor's Office at 207 Fourth Avenue North, Kelso, Washington 98626.

**B. GOVERNMENT-WIDE**

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from the legally separate component unit. The government-wide focus is on the county as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

*Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual

governmental and major individual enterprise funds are reported in separate columns on 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 of 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 the 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.

Revenues susceptible to accrual are interest earnings, and sales tax. Intergovernmental revenues such as grants are recognized as revenues when grant expenditures are incurred and grant requirements have been met. All other items are considered to be measurable and available only when the County receives cash.

Cowlitz County reports the following major governmental funds:

- *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except the other funds required to be accounted for and reported separately.
- *County Road Fund* accounts for the restricted resources accumulated for the design, construction and maintenance of county roads and bridges.
- *Capital Improvement Fund* accounts for funds used to finance major county projects, such as land acquisition, capital construction and equipment, except those paid from proprietary funds.

Cowlitz County reports the following major proprietary funds:

- *Solid Waste Fund* accounts for operations of the solid waste landfill sites and the maintenance of the closed portions of landfills.
- *Water Sewer Fund* accounts for operations of water and sewer operations and maintenance.

Additionally, Cowlitz County reports the following fund types:

- *Special revenue funds* are governmental funds that account for and report specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- *Debt service funds* account for and report restricted, committed or assigned resources accumulated for principal and interest on long-term general obligation debt of governmental funds.



- *Non-major enterprise funds* which provide services to customers and other agencies in the form of 911 communication services, law enforcement records, exposition center, emergency management and a public shooting range.
- *Internal service funds* account for data processing, fleet equipment of the county, elections, and self-insurance for liability, workers industrial accident compensation, and unemployment. Also, purchasing of telephone, postage and some printing services including the supplying of paper to the departments.
- *Agency funds* are used to account for monies held by Cowlitz County in a custodial capacity for independent districts that are required by state statute to deposit all monies with the county treasurer who serves as a public depository.
- *Investment trust funds* account for and report external pooled and non-pooled investments held by the County Treasurer on behalf of outside entities in the County for external participants that are generally government entities that do not have their own treasurer (such as fire and school districts).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments for water, sewer, garbage, law enforcement records and 911 communications. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions.

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 water-sewer, solid waste, law enforcement records, 911 communications and emergency management are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of personal services, supplies, contractual services and other expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The County recognized a change in accounting principle of \$4,656,708 upon implementation of this GASB.

#### **D. ASSETS, LIABILITIES, AND NET POSTION OR FUND BALANCE**

##### **1. Cash and Cash Equivalents and Pooled Investments**

The county's cash and cash equivalents for proprietary and governmental funds are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the county to invest in obligations of the U.S. Treasury, U.S. Agencies, the State Treasurer's Investment Pool, and public funds investment pools. Local Government Investment Pool (LGIP), which is reported at amortized cost. Otherwise, investments for the County are reported at fair value. (See Note 4a Deposits and Investments)



**2. Receivables and Payables**

Taxes receivable consist of property taxes and related interest and penalties. (See Note 4b Property Taxes)

Accrued interest consists of amounts earned on investments and notes.

Activity between funds that are representative of lending/borrowing arrangements are classified as “advances 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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Customer accounts receivable consist of amounts owing from private individuals or companies for goods and services including amounts owed for which billings have not been prepared.

**3. Inventories and Prepaid Items**

Inventories in proprietary funds are valued using the first in first out method (FIFO), which approximates the market value. The cost of governmental fund type inventories unless significant are recorded as expenditures when purchased.

Payment for insurance and similar services extending to future accounting periods are recorded in proprietary funds as prepaid items and as expenditures in governmental type funds.

**4. Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense or expenditure) until then. The County currently reports four items as a deferred outflow of resources. These items are the deferred charge on refunding, amounts related to pensions and the excess consideration provided for acquisition of the Headquarters Landfill, which is reported on the Statement of Net Position.

**5. Restricted Net Position**

Additional detail for the Statement of Net Position - Governmental Activities restricted net position, is as follows:

|  |                             |
|--|-----------------------------|
| Promotion of Tourism   | \$ 330,068                  |
| Rural Development  | 728,859                     |
| Building and Planning as Restricted by RCW 82.02.020   | 1,336,308                   |
| Sales tax to be used for public facilities as defined by state law codified in RCW 82.14.370, which facilitates the creation or retention of businesses and jobs in the County | 2,338,363                   |
| Total Economic Environment   | <u>4,733,598</u>            |
| <br>Treasurer's Operation and Maintenance  | <br>149,843                 |
| Auditor's Operation and Maintenance  | 408,175                     |
| Total General Government   | <u>558,018</u>              |
| <br>Boat Safety Purposes   | <br>55,613                  |
| Eradication of Drug Trafficking  | 90,259                      |
| Law and Justice  | 176,361                     |
| Total Public Safety  | <u>322,233</u>              |
| <br>Judicial - Superior Court Law Library  | <br>202,368                 |
| <br>Transportation - Future Paths and Trails   | <br>457,295                 |
| <br>Emergency financial assistance to veterans and their surviving spouses   | <br>410,362                 |
| Community Mental Health  | 5,223,360                   |
| Total Social Services  | <u>5,633,722</u>            |
| <br>Culture and Recreation for the Convention Center   | <br>52,623                  |
| Cumulative Reserve   | 180,477                     |
| Capital Improvement Programs   | 47,887                      |
| Total Culture and Recreation   | <u>280,987</u>              |
| <br>Storm Water  | <br>1,597,830               |
| Noxious Weed Program   | 308,312                     |
| Total Utilities  | <u>1,906,142</u>            |
| <br>Net Pension Asset  | <br>3,067,304               |
| Total Restricted Net Position  | <u><u>\$ 17,161,667</u></u> |

**6. Capital Assets**

Capital assets include land, land improvements, buildings, building improvements, infrastructure, vehicles, software and equipment. Vehicles and equipment are capitalized if the individual cost is \$15,000 or more and estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed. Construction in progress is transferred to the appropriate capital asset category when the project is substantially complete and in use.

Building, equipment and improvements are depreciated using the straight-line method. Estimated useful lives are as follows:

| <u>Assets</u>         | <u>Years</u>  |
|-----------------------|---------------|
| Buildings             | 20 - 60 years |
| Building Improvements | 10 - 30 years |
| Light Vehicles        | 4 - 7 years   |
| Heavy Duty Vehicles   | 7 - 15 years  |
| Office equipment      | 5 - 10 years  |
| Infrastructure        | 15-100 years  |
| Intangible Assets     | 3-10 years    |

**7. Deferred Inflows of Resources**

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The County reports the following types of deferred inflows of resources: 1) amounts related to pensions, 2) deferred amount on refunding of debt, and 3) unavailable revenue, which qualifies for reporting in this category, under a modified accrual basis of accounting. Accordingly, unavailable revenue is recorded only in the governmental funds balance sheets. The unavailable revenue arises from three sources: property taxes, grants and court fees. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**8. Compensated Absences**

County employees may accumulate up to 248 hours of vacation pay. Accumulated unpaid employee vacation pay is payable upon resignation, termination, retirement or death. Sick leave may accumulate up to 1,200 hours. Fifty percent of accumulated sick leave is payable upon resignation, termination, death or retirement up to a maximum of 360 hours.

Sick leave to the extent it results in termination payments, and unused vacation as of year-end, are reported along with related benefits such as Social Security, Medicare and pension payments where applicable in the proprietary funds and in the government wide financial statements.

**9. Other Current Liabilities**

Accrued interest payable, wages payable, payroll taxes and benefits payable make up the other current liabilities.

**10. Long-term Obligations**

Revenue bonds and other long-term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other long-term debt of the County is reported in the governmental column of the government wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed in the period of issuance.

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 are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds received, are reported as debt service expenditures.

**11. Fund Balances**

The County fund balances are classified into five categories in accordance with Statement 54 from the Governmental Accounting Standards Board: non-spendable, restricted, committed, assigned, and unassigned. Committed, assigned, and unassigned categories are considered to be “unrestricted.”

When expenditures are incurred that could be paid from either restricted, committed, assigned, or unassigned resources, the County uses restricted resources first, committed resources second, assigned resources third, and unassigned resources last.

The fund balance would be committed if the Board of County Commissioners committed a revenue source to a specific purpose by formal resolution. There is currently no committed fund balance. The fund balance is assigned when the Board of County Commissioners or an official designated for that purpose, approve in writing, other than formal resolution, an intended use for a revenue source. The approved budget does not create committed or assigned amounts.

The County considers revenue for special revenue funds, debt service funds and the capital improvement fund to be assigned if not already non-spendable, restricted or committed.

**12. Pensions**

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

13. Other Postemployment Benefits

See Note 7, Postemployment Benefits Other than Pension Benefit.

14. Minimum Fund Balance Policy

The County shall strive to maintain a General Fund balance of no less than 8.3% of projected revenues in order to provide sufficient cash flow.

15. Detailed Fund Balance Constraints

|                          | General              | County Road          | Capital<br>Improvements | Other<br>Governmental<br>Funds | Total                |
|--------------------------|----------------------|----------------------|-------------------------|--------------------------------|----------------------|
| <b>Nonspendable for:</b> |                      |                      |                         |                                |                      |
| Long Term Receivable     | \$ 245,000           | \$ -                 | \$ -                    | \$ -                           | \$ 245,000           |
| <b>Restricted for:</b>   |                      |                      |                         |                                |                      |
| Transportation           | -                    | -                    | -                       | 457,295                        | 457,295              |
| Debt Service             | -                    | -                    | -                       | 1,889,312                      | 1,889,312            |
| REET Technology          | -                    | -                    | -                       | 2,338,363                      | 2,338,363            |
| Economic Environment     | -                    | -                    | -                       | 2,395,235                      | 2,395,235            |
| Culture & Recreation     | -                    | -                    | 47,887                  | 233,100                        | 280,987              |
| Judicial                 | -                    | -                    | -                       | 202,368                        | 202,368              |
| Treasurer's O&M          | -                    | -                    | -                       | 149,843                        | 149,843              |
| Auditor's O&M            | -                    | -                    | -                       | 408,175                        | 408,175              |
| Social Services          | -                    | -                    | -                       | 5,633,722                      | 5,633,722            |
| Public Safety            | -                    | -                    | -                       | 322,232                        | 322,232              |
| Utilities & Environment  | -                    | -                    | -                       | 1,906,142                      | 1,906,142            |
| <b>Assigned to:</b>      |                      |                      |                         |                                |                      |
| General Government       | 200,500              | -                    | -                       | 1,095,013                      | 1,295,513            |
| Economic Environment     | -                    | -                    | -                       | 1,517,372                      | 1,517,372            |
| Transportation           | -                    | 13,084,141           | -                       | 8,213                          | 13,092,354           |
| Capital Improvements     | -                    | -                    | 4,231,877               | -                              | 4,231,877            |
| Culture & Recreation     | -                    | -                    | -                       | 182,572                        | 182,572              |
| Social Services          | -                    | -                    | -                       | 2,251,821                      | 2,251,821            |
| Public Safety            | 606,541              | -                    | -                       | 687,585                        | 1,294,126            |
| Utilities & Environment  | -                    | -                    | -                       | 26,717                         | 26,717               |
| <b>Unassigned</b>        | 14,623,742           | -                    | -                       | -                              | 14,623,742           |
|                          | <u>\$ 15,675,783</u> | <u>\$ 13,084,141</u> | <u>\$ 4,279,764</u>     | <u>\$ 21,705,080</u>           | <u>\$ 54,744,768</u> |

**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 reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

|   |                      |
|---|----------------------|
| General Obligation Bonds Payable  | \$ 34,977,416        |
| Add: Deferred Amounts for Premiums  | 1,138,239            |
| Special Assessment Bonds Payable  | 229,998              |
| Revenue Bonds Payable   | 8,945,000            |
| Add: Deferred Amounts for Premiums  | 474,544              |
| Compensated Absences  | 3,813,654            |
| Notes Payable   | 4,360,726            |
| Capital Lease Payable   | 220,157              |
| Accrued Interest Payable  | 162,434              |
| Net Adjustment to Reduce <i>Fund Balance-Total Governmental Funds</i> to<br>Arrive at <i>Net Position-Governmental Activities</i> | <u>\$ 54,322,168</u> |

Another element of this reconciliation – net pension assets and liability and other items related to pension activity that are not financial resources or uses, therefore, not reported in the funds is detailed as follows:

|   |                       |
|---|-----------------------|
| Net Pension Asset   | \$ 3,067,304          |
| Net Pension Liability   | (11,989,204)          |
| Deferred Outflows Related to OPEB   | 106,134               |
| OPEB Liability  | (9,050,192)           |
| Deferred Outflows Related to Pension  | 2,449,403             |
| Deferred Inflows Related to Pension   | (5,669,242)           |
| Less: Internal Service Fund Amounts   | 989,235               |
| Net Adjustment to Reduce <i>Fund Balance-Total Governmental Funds</i> to<br>Arrive at <i>Net Position-Governmental Activities</i> | <u>\$(20,096,562)</u> |

**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 of 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. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the

statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the difference are as follows:

|   |                              |
|---|------------------------------|
| Capital Outlays   | \$ 1,215,358                 |
| Disposal of Capital Equipment   | (163,489)                    |
| Asset Transfer from Internal Service Fund   | 11,126                       |
| Depreciation Expense  | <u>(7,182,897)</u>           |
| Net Adjustment to Decrease <i>Net Changes in Fund Balances-Total</i>              |                              |
| <i>Governmental Funds</i> to Arrive at <i>Change in Net Position-Governmental</i> |                              |
| <i>Activities</i>   | <u><u>\$ (6,119,902)</u></u> |

Another element of the reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of the difference are as follows:

|  |                            |
|--|----------------------------|
| Principal Repayments:  |                            |
| General Obligation Bonds   | \$ 2,758,000               |
| Special Revenue Bonds  | 3,420,000                  |
| Governmental Loans   | 884,702                    |
| Notes Payable  | 17,500                     |
| Lease Payments   | 57,839                     |
| Transfer in Lease from Internal Service Funds                                      | (11,917)                   |
| Special Assessment Bonds   | <u>223,978</u>             |
| Net Adjustment to Increase <i>Net Changes in Fund Balances-Total</i>               |                            |
| <i>Governmental Funds</i> to Arrive at <i>Changes in Net Position-Governmental</i> |                            |
| <i>Activities</i>  | <u><u>\$ 7,350,102</u></u> |

Another element of the reconciliation states, “Governmental funds report revenue in current period for revenues deferred in prior periods since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned.” The details of the difference are as follows:

|  |                              |
|--|------------------------------|
| Revenue Recognized from Pension Activity   | \$ 130,868                   |
| Court Revenue Recognized on the Accrual Basis                                      | 89,040                       |
| Grant Revenue Recognized on the Accrual Basis                                      | (40,531)                     |
| Tax Revenue Recognized on the Accrual Basis  | (309,355)                    |
| Revenue Recognized from PFD and TRRWA Debt Payments                                | <u>(4,599,702)</u>           |
| Net Adjustment to Decrease <i>Net Changes in Fund Balances-Total</i>               |                              |
| <i>Governmental Funds</i> to Arrive at <i>Changes in Net Position-Governmental</i> |                              |
| <i>Activities</i>  | <u><u>\$ (4,729,680)</u></u> |

Another element of the reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable, net pension liability, OPEB, accrued compensation payable for year, change in inventory and deferred outflows of resources.” The details of the difference are as follows:

|   |                     |
|---|---------------------|
| Interest Payable  | \$ 149,514          |
| OPEB Expense  | 328,853             |
| Net Pension Expense   | 3,331,283           |
| Inventory   | (48,648)            |
| Amortization of Charges for Discount and Premium  | 310,560             |
| Amortization of Excess Consideration Provided for Acquisition   | (147,955)           |
| Amortization of Amount on Refunding   | (19,168)            |
| Compensated Absences  | 32,149              |
| Net Adjustment to Increase <i>Net Changes in Fund Balances-Total</i><br><i>Governmental Funds</i> to Arrive at <i>Changes in Net Position-Governmental</i><br><i>Activities</i> | <u>\$ 3,936,588</u> |

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance related legal or contractual provisions and expenditures have not exceeded legal appropriations in any funds of the County.

**BUDGETARY INFORMATION**

The annual budget for Cowlitz County is adopted in accordance with state statute, codified in Revised Code of Washington, Chapter 36.40, on a basis consistent with generally accepted accounting principles, with one exception. The County budgets the GIS Fund and Benefits Administration Fund activity as if they were special revenue funds. However, GAAP requires this activity to be reported with the General Fund, as it does not have significant streams of restricted resources. From a budgetary perspective, the County budgets activity within the GIS Fund and Benefits Administration Fund separately from the General Fund. From a GAAP perspective, the General Fund column of the fund statements contains General Fund and GIS Fund and Benefits Administration Fund activity. The Board of County Commissioners adopts the annual budgets for the general, special revenue and capital project funds. Budgetary constraints for debt services funds are determined by the terms of the debt instruments or enabling legislation.

The steps in the budgetary process are as follows:

- a. Prior to the first Tuesday in September the County Auditor and Budget Director submit a proposed budget to the County Commission. This budget is based on priorities established by the Commission and estimates provided by county departments during the preceding months, and offset with revenue estimates provided by county departments during the preceding months, and offset with revenue estimates made by the County Auditor and Budget Director.
- b. The Commission conducts workshops and public hearings on the proposed budget in October, November, and December.
- c. The Commission makes its adjustments to the proposed budget and adopts by resolution a final balanced budget no later than December 31.
- d. Amendments to the budget require either supplemental appropriation or emergency resolutions approved by the Board of County Commissioners at a public meeting following appropriate public notice. Any revisions that alter total expenditures of a fund or that affect the number of permanent employee positions, or other conditions of employment must be approved by the Commission.



The Board of County Commissioners at the fund level adopts annual appropriations, except in the General Fund where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. Also, total direct labor and benefits by department are controlled by the adopted budgetary amounts.

Budgets are amended during the year for increases or decreases to appropriations by resolutions, which are approved by a majority vote of the Commission after holding a public hearing. Budget amendments resulted in a net increase in the General Fund budgeted appropriations for expenditures by \$3,862,387. The amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at fiscal year-end.

#### **NOTE 4 – DETAILED NOTES ON ALL FUNDS**

##### **A. DEPOSITS AND INVESTMENTS**

As of December 31, 2018, the County (includes Component Unit) cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

|                                   |                       |
|-----------------------------------|-----------------------|
| Cash on hand                      | \$ 21,754,961         |
| State Treasurer's Investment Pool | 76,341,087            |
| US Government Agencies            | 10,426,192            |
| Total cash and investments        | <u>\$ 108,522,240</u> |

The County as of December 31, 2018 had investments of \$76,341,097 in the Washington State Local Government Investment Pool which are classified as cash equivalents. Additional cash & cash equivalents consist of \$21,754,961 held in interest bearing bank accounts, certificates of deposit, petty cash, and cash change drawers.

##### Deposits

Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The County has an adopted policy that addresses deposit custodial risk; however, the County's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the County's deposits would be satisfied by the FDIC.

##### Investments

Statutes authorize the County to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentality's, banker's acceptances, repurchase agreements, county investment pool and the state treasurer's investment pool. The County is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2018.

The County is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for

establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

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

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

The weighted average maturities of the LGIP are less than three (3) months, with cash available to the County on demand. The on demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee.

#### *Investments Measured at Amortized Cost*

As of December 31, 2018, the County had the following investments at amortized cost:

| Investment                      | Maturities | Investments<br>held by County<br>as an agent for               |   |                       |
|---------------------------------|------------|--|---|-----------------------|
|                                 |            | County's Own<br>Investments<br>(includes<br>Component<br>Unit) | local<br>governments,<br>individuals or<br>private<br>organizations | Total                 |
| State Investment Pool           | N/A        | \$ 104,673,051   | \$ 246,242,395  | \$ 350,915,446        |
| US Government Agency Securities | N/A        | 10,426,192   | 8,773,161   | 19,199,353            |
| Certificates of Deposit         | N/A        | -  | 40,654  | 40,654                |
| Total                           |            | <u>\$ 115,099,243</u>  | <u>\$ 255,056,210</u>   | <u>\$ 370,155,453</u> |

These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five day waiting period exists.

#### *Investments Measured at Fair Value*

The County measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;

- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available

As of December 31, 2018, the County had the following recurring fair value measurements:

| Investments by Fair Value Level       | Total         | Fair Value Measurements Using  |  |   |
|---------------------------------------|---------------|--|--|---|
|                                       |               | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| US Government Agency Securities       | \$ 10,426,192 |  | \$ 10,426,192  |   |
| Total Investments by Fair Value Level | \$ 10,426,192 | \$ -   | \$ 10,426,192  | \$ -  |

As of December 31, 2018, the County held the following recurring fair value measurements in a fiduciary manner:

| Investments by Fair Value Level       | Total        | Fair Value Measurements Using  |  |   |
|---------------------------------------|--------------|--|--|---|
|                                       |              | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| US Government Agency Securities       | \$ 8,773,161 |  | \$ 8,773,161   |   |
| Certificates of Deposit               | 40,654       |  | 40,654   |   |
| Total Investments by Fair Value Level | \$ 8,813,815 | \$ -   | \$ 8,813,815   | \$ -  |

*Interest rate risk.* County policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The County's intent is to purchase investments that may be held until maturity. This risk is measured using the weighted average to maturity method. Investment maturities at December 31, 2018 is as follows:

| Investment Type            | Weighted<br>Average<br>(Months) |
|----------------------------|---------------------------------|
| Federal Farm Credit Bank   | 1.31                            |
| Federal Home Loan Bank     | 0.43                            |
| Federal Home Loan Mtg Corp | 1.18                            |
| Federal National Mtg Assn  | 1.93                            |
| FICO Strip                 | 0.63                            |
| Resolution Funding Corp    | 1.92                            |
|                            | <u>1.23</u>                     |

*Credit risk.* Credit risk is the risk that an issuer or related party will not fulfill its obligations. The County has a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the County's funds

are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer's Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. The County invests in Federal Home Loan notes, Federal Farm Credit Bank, and Federal National Mortgage Association.

*Concentration of credit risk.* Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County has an adopted policy limiting the amount the County may invest in any one issuer. The investments held at year-end are listed below along with their percentage of the government's total investment:

| Investment Type                  | 12/31/2018           |                         |
|----------------------------------|----------------------|-------------------------|
|                                  | Fair Value           | Percentage of Portfolio |
| US Government Agency Securities: |                      |                         |
| Federal Farm Credit Bank         | \$ 338,530           | 3.25%                   |
| Federal Home Loan Bank           | 1,663,597            | 15.96%                  |
| Federal Home Loan Mtg Corp       | 1,635,791            | 15.69%                  |
| Federal National Mtg Assn        | 989,338              | 9.49%                   |
| FICO Strip                       | 4,799,020            | 46.03%                  |
| Resolution Funding Corp          | 999,916              | 9.58%                   |
|                                  | <u>\$ 10,426,192</u> | <u>100.00%</u>          |

*Custodial credit risk (investments).* Custodial risk is the risk that, in the event of a failure of the counterparty, the government will not be able to recover its investments that are in the possession of an outside party. The County uses US Bank as the custodial agent for safekeeping of the County's investments. US Bank provides monthly reports on the County's securities, all of which are held in the County's name. The investments held by the County at year-end are all book-entry, registered securities.

Total cash and investments are stated at \$384,779,248. This includes cash held in a fiduciary capacity. There is additional cash held in County accounts due to "float" of outstanding checks, which have not cleared the bank as of December 31, 2018. The County invests all temporarily idle funds.

## B. PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

### 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 installments is due   |
| May 31      | Assessed value of property established for next year's levy at 100 percent of market value |
| October 31  | Second installment is due.   |

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

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

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services.

The County assessed valuation, levy and taxes for 2018 were:

| Purpose                | Assessed<br>Valuation | 2018 Levy Rate<br>Per \$1,000 | Property Taxes<br>2018 |
|------------------------|-----------------------|-------------------------------|------------------------|
| General Fund           | \$ 10,793,891,294     | \$ 1.853544                   | \$ 20,006,952          |
| Human Svcs/Mental Hlth | \$ 10,793,891,294     | \$ 0.025000                   | \$ 269,847             |
| Veterans Relief        | \$ 10,793,891,294     | \$ 0.011250                   | \$ 121,431             |
| County Roads           | \$ 5,909,356,194      | \$ 1.607699                   | \$ 9,500,466           |

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

### **C. RECEIVABLES**

Notes receivable owed to an Other Governmental Fund (rural county public facilities department) of \$728,859 at December 31, 2018. These notes receivable are long-term and consist of the following:

|                         | Interest Rate | Quarterly/<br>Annual<br>Payments | Final Payment | 12/31/2018<br>Balance |
|-------------------------|---------------|----------------------------------|---------------|-----------------------|
| Port of Woodland        | 3.02%         | \$ 6,250.50                      | 3/31/2026     | \$ 184,959            |
| Port of Woodland        | 1.00%         | 33,333.33                        | 12/31/2019    | 33,333                |
| Port of Longview        | 3.00%         | 22,954.79                        | 6/30/2024     | 124,403               |
| City of Castle Rock     | 1.00%         | 5,309.60                         | 1/31/2019     | 5,257                 |
| City of Castle Rock     | 1.50%         | 10,390.65                        | 12/31/2029    | 130,907               |
| Cowlitz 2 Fire & Rescue | 1.00%         | 33,333.33                        | 12/31/2025    | 250,000               |
| Total Notes Receivable  |               |                                  |               | <u>\$ 728,859</u>     |

The Due from Component unit of \$3,621,831 represents a receivable of \$3,360,000 for bonds issued by Cowlitz County and a loan of \$261,831 from a Major Enterprise fund. The Bonds were issued on behalf of the Public Facilities District which received the proceeds and has agreed to pay the principal and interest on the debt service as it becomes due from proceeds of a 0.033% Retained Sales Tax collected by the District pursuant to RCW 82.14.390 as well as lodging taxes collected by the District pursuant to RCW 36.100.040 and authorized by voters on September 16, 2003. The interfund loan has no payment schedule, but must be paid by July 1, 2033.

The Due from Other Government of \$21,032,330 represents a receivable of \$13,305,726 from TRRWA. When TRRWA took over operations, they assumed liability for the debt issued to them while operating under the County. This also consists of \$7,726,604 due from various other government agencies through the normal course of business.

**D. CAPITAL ASSETS**

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

| <b>Governmental Activities</b>                     | <b>Beginning<br/>Balance<br/>12/31/2017</b> | <b>Transfers</b> | <b>Increases</b>      | <b>Decreases</b>    | <b>Ending<br/>Balance</b> |
|--|---|------------------|-----------------------|---------------------|---------------------------|
| Capital assets, not being depreciated:             |   |                  |                       |                     |                           |
| Land   | \$ 15,462,860                               | \$ -             | \$ -                  | \$ -                | \$ 15,462,860             |
| Construction in progress                           | 1,675,330                                   | -                | 2,184,861             | 2,086,489           | 1,773,702                 |
| Total capital assets, not being depreciated        | 17,138,190                                  | -                | 2,184,861             | 2,086,489           | 17,236,562                |
| Capital assets, being depreciated:                 |   |                  |                       |                     |                           |
| Buildings  | 46,673,102                                  | -                | -                     | -                   | 46,673,102                |
| Improvements other than buildings                  | 3,156,364                                   | -                | -                     | -                   | 3,156,364                 |
| Machinery and equipment                            | 20,488,409                                  | (482,585)        | 1,881,577             | 1,053,669           | 20,833,732                |
| Intangible   | 4,505,176                                   | -                | -                     | 321,765             | 4,183,411                 |
| Infrastructure                                     | 165,231,187                                 | -                | 1,681,411             | -                   | 166,912,598               |
| Total capital assets, being depreciated            | 240,054,238                                 | (482,585)        | 3,562,988             | 1,375,434           | 241,759,207               |
| Less accumulated depreciation for:                 |   |                  |                       |                     |                           |
| Buildings  | 21,009,915                                  | -                | 1,329,328             | -                   | 22,339,243                |
| Improvements other than buildings                  | 1,592,701                                   | -                | 134,194               | -                   | 1,726,895                 |
| Machinery and equipment                            | 11,963,208                                  | (482,585)        | 1,381,209             | 818,733             | 12,043,099                |
| Intangible   | 1,395,341                                   | -                | 397,287               | 200,111             | 1,592,517                 |
| Infrastructure                                     | 76,061,785                                  | -                | 5,385,118             | -                   | 81,446,903                |
| Total accumulated depreciation                     | 112,022,950                                 | (482,585)        | 8,627,136             | 1,018,844           | 119,148,657               |
| Total capital assets being depreciated, net        | 128,031,288                                 | -                | (5,064,148)           | 356,590             | 122,610,550               |
| <b>Governmental activities capital assets, net</b> | <b>\$ 145,169,478</b>                       | <b>\$ -</b>      | <b>\$ (2,879,287)</b> | <b>\$ 2,443,079</b> | <b>\$ 139,847,112</b>     |

| <b>Business-Type Activities</b>                     | <b>Beginning<br/>Balance<br/>12/31/2017</b> | <b>Transfers</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Ending<br/>Balance</b> |
|---|---|------------------|---------------------|---------------------|---------------------------|
| Capital assets, not being depreciated:              |   |                  |                     |                     |                           |
| Land  | \$ 1,148,600                                | \$ -             | \$ -                | \$ -                | \$ 1,148,600              |
| Construction in progress                            | 2,008,139                                   | -                | -                   | 2,008,139           | -                         |
| Total capital assets, not being depreciated         | 3,156,739                                   | -                | -                   | 2,008,139           | 1,148,600                 |
| Capital assets, being depreciated:                  |   |                  |                     |                     |                           |
| Buildings   | 6,603,862                                   | -                | -                   | 76,448              | 6,527,414                 |
| Improvements other than buildings                   | 6,106,913                                   | -                | -                   | -                   | 6,106,913                 |
| Machinery and equipment                             | 7,663,196                                   | 482,585          | 851,888             | 108,098             | 8,889,571                 |
| Intangible  | 2,460,972                                   | -                | -                   | -                   | 2,460,972                 |
| Infrastructure                                      | 32,597,584                                  | -                | 4,983,699           | -                   | 37,581,283                |
| Total capital assets, being depreciated             | 55,432,527                                  | 482,585          | 5,835,587           | 184,546             | 61,566,153                |
| Less accumulated depreciation for:                  |   |                  |                     |                     |                           |
| Buildings   | 3,871,075                                   | -                | 163,993             | 14,802              | 4,020,266                 |
| Improvements other than buildings                   | 5,803,914                                   | -                | 160,111             | -                   | 5,964,025                 |
| Machinery and equipment                             | 2,709,564                                   | 482,585          | 573,070             | 108,098             | 3,657,121                 |
| Intangible  | 1,353,646                                   | -                | 217,047             | -                   | 1,570,693                 |
| Infrastructure                                      | 17,327,071                                  | -                | 3,085,421           | -                   | 20,412,492                |
| Total accumulated depreciation                      | 31,065,270                                  | 482,585          | 4,199,642           | 122,900             | 35,624,597                |
| Total capital assets, being depreciated, net        | 24,367,257                                  | -                | 1,635,945           | 61,646              | 25,941,556                |
| <b>Business-type activities capital assets, net</b> | <b>\$ 27,523,996</b>                        | <b>\$ -</b>      | <b>\$ 1,635,945</b> | <b>\$ 2,069,785</b> | <b>\$ 27,090,156</b>      |

Depreciation expense was charged to the functions of the primary government as follows:

**Governmental Activities:**

|  |                     |
|--|---------------------|
| General Government   | 270,539             |
| Public Safety  | 1,229,953           |
| Judicial   | 42,450              |
| Utilities  | 379,066             |
| Transportation   | 5,145,052           |
| Economic Environment   | 24,173              |
| Social Services  | 41,337              |
| Culture & Recreation   | 50,327              |
| Capital assets held by the government's Internal Service funds are charged to the various functions based on their usage of the assets | 1,444,239           |
| Total Depreciation - Governmental Activities   | <u>\$ 8,627,136</u> |

**Business-Type Activities:**

|   |                     |
|---|---------------------|
| Water/Sewer                                   | \$ 359,135          |
| Solid Waste-Landfill                          | 3,427,326           |
| Public Safety                                 | 396,232             |
| Expo Center                                   | 16,949              |
| Total Depreciation - Business-Type Activities | <u>\$ 4,199,642</u> |

Commitments:

At the end of December 31, 2018, the county has active construction projects in process. The projects include road, culvert, drainage and bridge construction. Project costs totaled \$1,773,702 in progress as of year-end.

**Discretely Presented Component Unit – Public Facilities District**

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

| Business-Type Activities                     | Beginning<br>Balance<br>12/31/2017 | Increases         | Decreases   | Ending<br>Balance    |
|--|------------------------------------|-------------------|-------------|----------------------|
| Capital assets, not being depreciated:       |                                    |                   |             |                      |
| Construction in progress                     | \$ -                               | \$ 632,655        | \$ -        | \$ 632,655           |
| Total capital assets, not being depreciated  | -                                  | 632,655           | -           | 632,655              |
| Capital assets, being depreciated:           |                                    |                   |             |                      |
| Buildings                                    | \$ 6,068,006                       | \$ 38,157         | \$ -        | \$ 6,106,163         |
| Leasehold improvements                       | 11,167,291                         | -                 | -           | 11,167,291           |
| Improvements other than buildings            | 566,565                            | -                 | -           | 566,565              |
| Machinery and equipment                      | 662,587                            | -                 | -           | 662,587              |
| Total capital assets, being depreciated      | 18,464,449                         | 38,157            | -           | 18,502,606           |
| Less accumulated depreciation for:           |                                    |                   |             |                      |
| Buildings                                    | 1,545,164                          | 134,961           | -           | 1,680,125            |
| Leasehold improvements                       | 3,928,216                          | 500,685           | -           | 4,428,901            |
| Improvements other than buildings            | 394,902                            | 16,809            | -           | 411,711              |
| Machinery and equipment                      | 495,405                            | 22,415            | -           | 517,820              |
| Total accumulated depreciation               | 6,363,687                          | 674,870           | -           | 7,038,557            |
| Total capital assets, being depreciated, net | \$ 12,100,762                      | \$ (636,713)      | \$ -        | \$ 11,464,049        |
| <b>Total capital assets, net</b>             | <u>\$ 12,100,762</u>               | <u>\$ (4,058)</u> | <u>\$ -</u> | <u>\$ 12,096,704</u> |



**E. TRANSFERS, INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers** are funds provided to support other funds with no obligation for repayment and consisted of the following for 2018:

| <b>Fund</b>               | <b>Transfer In</b>   | <b>Transfer Out</b>  |
|---------------------------|----------------------|----------------------|
| General Fund              | \$ 1,470,919         | \$ 8,229,087         |
| Capital Improvement       | 846,826              | 520,239              |
| Nonmajor Governmental     | 7,611,681            | 1,977,834            |
| Nonmajor Enterprise Funds | 675,026              | -                    |
| Internal Service Funds    | 195,822              | 73,114               |
| <b>Total</b>              | <b>\$ 10,800,274</b> | <b>\$ 10,800,274</b> |

Interfund receivables and payables consisted of the following as of December 31, 2018:

| <b>Fund</b>         | <b>Due to<br/>Other Funds</b> | <b>Due from<br/>Other Funds</b> |
|---------------------|-------------------------------|---------------------------------|
| General Fund        | \$ 1,298,706                  | \$ 215,714                      |
| Road Fund           | 544,772                       | 183,003                         |
| Capital Improvement | 16,812                        | -                               |
| Nonmajor Gov't      | 139,869                       | 102,410                         |
| Solid Waste         | 234,949                       | 978                             |
| Water Sewer         | 26,449                        | 3,722                           |
| Nonmajor-Enterprise | 20,632                        | 1,650                           |
| Internal Service    | 268,490                       | 2,043,204                       |
| <b>Total</b>        | <b>\$ 2,550,679</b>           | <b>\$ 2,550,681</b>             |

Additionally, the General Fund provided a loan of \$245,000 to the Public Shooting Range for capital purposes and start-up costs. The interest rate is variable month to month based on the net interest rate from the LGIP. Total interfund loans outstanding at December 31, 2018 are \$245,000.

**NOTE 5 – INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS**

The accompanying Schedules of Financial Assistance provide a listing of all federal assistance programs in which the county participates.

**NOTE 6 – PENSION PLANS**

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

| <b>Aggregate Pension Amounts – All Plans</b> |                |
|--|----------------|
| Pension liabilities                          | \$(13,661,183) |
| Pension assets                               | \$ 3,067,304   |
| Deferred outflows of resources               | \$ 2,722,980   |
| Deferred inflows of resources                | \$ (6,343,022) |
| Pension expense/expenditures                 | \$ 200,899     |



**State Sponsored Pension Plans**

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

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

**Contributions**

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

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

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

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

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

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

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

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include

a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

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

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

The county's actual PERS plan contributions were \$1,503,454 to PERS Plan 1 and \$1,834,933 to PERS Plan 2/3 for the year ended December 31, 2018.

### **Public Safety Employees' Retirement System (PSERS)**

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

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in [RCW 10.93.020](#); or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

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

PSERS covered employers include:

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

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

### Contributions

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

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

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

The county's actual plan contributions were \$327,028 to PSERS Plan 2 and \$241,703 to PERS Plan 1 for the year ended December 31, 2018.

### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

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

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

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

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

#### **Contributions**

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

#### **Contributions**

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

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

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

| <b>LEOFF Plan 2</b>              |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates</b> | <b>Employer</b> | <b>Employee</b> |
| State and local governments      | 5.25%           | 8.75%           |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>5.43%</b>    | <b>8.75%</b>    |
| Ports and Universities           | 8.75%           | 8.75%           |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>8.93%</b>    | <b>8.75%</b>    |

The county's actual contributions to the plan were \$210,742 for the year ended December 31, 2018.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$130,868.

### **Actuarial Assumptions**

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

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

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

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

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



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

**Discount Rate**

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

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

**Long-Term Expected Rate of Return**

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

**Estimated Rates of Return by Asset Class**

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

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

### Sensitivity of the Net Pension Liability/(Asset)

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

|          | 1% Decrease<br>(6.4%) | Current Discount<br>Rate<br>(7.4%) | 1% Increase<br>(8.4%) |
|----------|-----------------------|------------------------------------|-----------------------|
| PERS 1   | \$11,964,065          | \$ 9,735,731                       | \$ 7,805,076          |
| PERS 2/3 | \$17,887,736          | \$ 3,910,722                       | \$(7,548,869)         |
| PSERS 2  | \$ 1,530,250          | \$ 14,730                          | \$(1,174,463)         |
| LEOFF 1  | \$ (557,646)          | \$ (700,983)                       | \$ (824,389)          |
| LEOFF 2  | \$ (314,676)          | \$(2,366,321)                      | \$(4,039,675)         |

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2018, the county reported a total pension liability of \$13,661,183 for its proportionate share of the net pension liabilities and a total net pension asset of \$3,067,304 for its proportionate share of the net position asset as follows:

|          | Liability (or Asset) |
|----------|----------------------|
| PERS 1   | \$ 9,735,731         |
| PERS 2/3 | \$ 3,910,722         |
| PSERS 2  | \$ 14,730            |
| LEOFF 1  | \$ (700,983)         |
| LEOFF 2  | \$(2,366,321)        |

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



|   | LEOFF 1 Liability<br>(or Asset) | LEOFF 2 Liability<br>(or Asset) |
|---|---------------------------------|---------------------------------|
| Employer's proportionate share  | \$ (700,983)                    | \$(2,366,321)                   |
| State's proportionate share of the net pension asset associated with the employer | \$(4,741,435)                   | \$(1,532,148)                   |
| TOTAL   | \$(5,442,418)                   | \$(3,898,469)                   |

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

|          | Proportionate<br>Share 6/30/17 | Proportionate<br>Share 6/30/18 | Change in<br>Proportion |
|----------|--------------------------------|--------------------------------|-------------------------|
| PERS 1   | 0.227081%                      | 0.217995%                      | -0.009086%              |
| PERS 2/3 | 0.238035%                      | 0.229044%                      | -0.008991%              |
| PSERS 2  | 1.254117%                      | 1.188836%                      | -0.065281%              |
| LEOFF 1  | 0.041059%                      | 0.038611%                      | 0.002448%               |
| LEOFF 2  | 0.112811%                      | 0.116555%                      | 0.003744%               |

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

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

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

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

### Pension Expense

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

|          | Pension Expense |
|----------|-----------------|
| PERS 1   | \$ 409,487      |
| PERS 2/3 | \$(283,880)     |
| PSERS 2  | \$ 247,655      |
| LEOFF 1  | \$ (79,006)     |
| LEOFF 2  | \$ (93,358)     |
| TOTAL    | \$ 200,899      |

### Deferred Outflows of Resources and Deferred Inflows of Resources

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

| PERS 1   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | -                                 | -                                |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                 | \$(386,892)                      |
| Changes of assumptions   | -                                 | -                                |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                                 | -                                |
| Contributions subsequent to the measurement date   | \$761,058                         | -                                |
| TOTAL  | \$761,058                         | \$(386,892)                      |

| PERS 2/3   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 479,352                        | \$ (684,696)                     |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                 | \$(2,399,800)                    |
| Changes of assumptions   | \$ 45,749                         | \$(1,112,960)                    |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                                 | \$ (514,841)                     |
| Contributions subsequent to the measurement date   | \$ 923,564                        | -                                |
| TOTAL  | \$1,448,665                       | \$(4,712,297)                    |

| <b>PSERS</b>   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$109,245                                 | \$ (15,112)                              |
| Net difference between projected and actual investment earnings on pension plan investments          | -   | \$(198,611)                              |
| Changes of assumptions   | \$ 1,576                                  | \$ (91,152)                              |
| Changes in proportion and differences between contributions and proportionate share of contributions | -   | \$ (20,374)                              |
| Contributions subsequent to the measurement date   | \$167,493                                 | -  |
| <b>TOTAL</b>   | <b>\$278,313</b>                          | <b>\$(325,248)</b>                       |

| <b>LEOFF 1</b>   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | -   | -  |
| Net difference between projected and actual investment earnings on pension plan investments          | -   | \$(56,910)                               |
| Changes of assumptions   | -   | -  |
| Changes in proportion and differences between contributions and proportionate share of contributions | -   | -  |
| Contributions subsequent to the measurement date   | -   | -  |
| <b>TOTAL</b>   | <b>-</b>                                  | <b>\$(56,910)</b>                        |

| <b>LEOFF 2</b>   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$126,759                                 | \$ (54,946)                              |
| Net difference between projected and actual investment earnings on pension plan investments          | -   | \$(414,138)                              |
| Changes of assumptions   | \$ 1,339                                  | \$(339,610)                              |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 1,362                                  | \$ (52,981)                              |
| Contributions subsequent to the measurement date   | \$105,483                                 | -  |
| <b>TOTAL</b>   | <b>\$234,944</b>                          | <b>\$(861,675)</b>                       |

| Ending Deferred Outflows:  | PERS 1            | PERS 2/3            | PSERS             | LEOFF 1     | LEOFF 2           | Total Plans         |
|--|-------------------|---------------------|-------------------|-------------|-------------------|---------------------|
| Differences between expected and actual experience   | \$ -              | \$ 479,352          | \$ 109,245        | \$ -        | \$ 126,759        | \$ 715,356          |
| Net difference between projected and actual investment earnings on pension plan investments          | -                 | -                   | -                 | -           | -                 | \$ -                |
| Changes of assumptions   | -                 | 45,749              | 1,576             | -           | 1,339             | \$ 48,664           |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                 | -                   | -                 | -           | 1,362             | \$ 1,362            |
| Contributions subsequent to the measurement date   | 761,058           | 923,564             | 167,493           | -           | 105,483           | \$ 1,957,598        |
| <b>Total Deferred Outflows</b>   | <b>\$ 761,058</b> | <b>\$ 1,448,665</b> | <b>\$ 278,313</b> | <b>\$ -</b> | <b>\$ 234,944</b> | <b>\$ 2,722,980</b> |

| Ending Deferred Inflows:   | PERS 1              | PERS 2/3              | PSERS               | LEOFF 1            | LEOFF 2             | Total Plans           |
|--|---------------------|-----------------------|---------------------|--------------------|---------------------|-----------------------|
| Differences between expected and actual experience   | \$ -                | \$ (684,696)          | \$ (15,112)         | \$ -               | \$ (54,946)         | \$ (754,754)          |
| Net difference between projected and actual investment earnings on pension plan investments          | (386,892)           | (2,399,800)           | (198,611)           | (56,910)           | (414,138)           | \$ (3,456,351)        |
| Changes of assumptions   | -                   | (1,112,960)           | (91,152)            | -                  | (339,610)           | \$ (1,543,722)        |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                   | (514,841)             | (20,374)            | -                  | (52,981)            | \$ (588,196)          |
| Contributions subsequent to the measurement date   | -                   | -                     | -                   | -                  | -                   | \$ -                  |
| <b>Total Deferred Inflows</b>  | <b>\$ (386,892)</b> | <b>\$ (4,712,297)</b> | <b>\$ (325,248)</b> | <b>\$ (56,910)</b> | <b>\$ (861,675)</b> | <b>\$ (6,343,023)</b> |

Deferred outflows of resources related to pensions resulting from the county's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | PERS 1             | PERS 2/3             | PSERS 2            | LEOFF 1           | LEOFF 2            |
|-------------------------|--------------------|----------------------|--------------------|-------------------|--------------------|
| 2019                    | \$ 16,927          | \$ (545,464)         | \$ (6,729)         | \$ 54             | \$ (57,300)        |
| 2020                    | \$ (84,577)        | \$ (875,557)         | \$ (27,974)        | \$(12,838)        | \$(120,003)        |
| 2021                    | \$(253,792)        | \$(1,531,020)        | \$ (70,058)        | \$(34,966)        | \$(250,130)        |
| 2022                    | \$ (65,451)        | \$ (606,066)         | \$ (35,592)        | \$ (9,159)        | \$ (97,597)        |
| 2023                    | -                  | \$ (263,454)         | \$ (10,317)        | -                 | \$ (38,884)        |
| Thereafter              | -                  | \$ (365,635)         | \$ (63,757)        | -                 | \$(168,301)        |
| <b>Total</b>            | <b>\$(386,893)</b> | <b>\$(4,187,196)</b> | <b>\$(214,427)</b> | <b>\$(56,909)</b> | <b>\$(732,215)</b> |

## NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

### Retired LEOFF I Employees Other Postemployment Benefits

The following table represents the aggregate other postemployment benefit amounts for the year 2018:

| Aggregate OPEB Amounts         |                |
|--------------------------------|----------------|
| OPEB liability                 | \$ (9,050,192) |
| Deferred outflows of resources | \$ 106,134     |
| OPEB expense                   | \$ (147,165)   |

**Plan Description**

The County administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All County LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County. The County has used the alternative measurement method permitted by GASB Statement 75.

There are 20 participants eligible to receive these benefits, all of whom have retired. The benefits are 100 percent provided by the County in order to meet State statutory requirements under the LEOFF I system and provided pursuant to RCW 41.20 and 41.26, whereby the County pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

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

|  |           |
|--|-----------|
| Active Employees   | 0         |
| Inactive Employees or Beneficiaries currently receiving benefits | 20        |
| Inactive Employees entitled to but not yet receiving benefits    | 0         |
|  | <u>20</u> |

**Contributions**

The County has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

For the year ending December 31, 2018, benefit payments made by the County were \$181,689.

**Actuarial Assumptions**

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The County's total LEOFF 1 OPEB liability of \$9,050,192 was measured as of June 30, 2018 with a valuation date of June 30, 2018. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

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

- Inflation: 3.0% total economic inflation
- Discount Rate: 3.58% beginning of measurement year, 3.87% end of measurement year
- Healthcare cost trend rate: for medical costs, 12.0% decreasing to 5.0% in 2080; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5%.

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the RP-2000 report's "+1 year Healthy Table" and "-2 years Disabled Table" published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB.

The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. Medicare participation is assumed at 100%.

#### Sensitivity of the Total OPEB Liability

The first table below presents the County's total OPEB liability calculated using the discount rate of 3.87 percent, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current rate. The table following presents the total OPEB liability of the County calculated using the health care cost trend rate of 12 percent decreasing to 5 percent and long term care rates of 4.5 percent, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (11% trending down to 4%, 3.5 % long term care trend rate) or 1-percentage point higher (13% trending down to 6%, 5.5 % long term care trend rate) than the current rate.

|                      |               | Current Discount |              |
|----------------------|---------------|------------------|--------------|
|                      | 1% Decrease   | Rate             | 1% Increase  |
| Total OPEB Liability | \$ 10,098,142 | \$ 9,050,192     | \$ 8,159,081 |

  

|                      |              | Current Healthcare Cost |               |
|----------------------|--------------|-------------------------|---------------|
|                      | 1% Decrease  | Trend Rate              | 1% Increase   |
| Total OPEB Liability | \$ 8,194,400 | \$ 8,050,192            | \$ 10,033,584 |

#### Changes in the Total OPEB Liability

At the measurement date June 30, 2018, the changes in the total OPEB liability are as follows:

|  |              |
|--|--------------|
| Total OPEB Liability at December 31, 2017  | \$ 9,378,625 |
| Changes for the Year:                      |              |
| Service Cost                               | -            |
| Interest                                   | 329,051      |
| Changes in Experience Data and Assumptions | (279,648)    |
| Estimated Benefit Payments                 | (377,836)    |
| Net Changes                                | (328,433)    |
| Total OPEB Liability at December 31, 2018  | \$ 9,050,192 |

The County reported \$(147,165) as LEOFF 1 OPEB expense for the calendar year 2018.

At December 31, 2018, the County reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$106,134. This will be recognized as expense in the period ending December 31, 2019.

**NOTE 8 - RISK FINANCING****A. WASHINGTON COUNTIES RISK POOL**

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

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

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

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

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles, and for their proportional shares of the entry year's assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any member may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement. The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the six staff members responsible for evaluating each claim for coverage, establishing reserves, and investigating for any risk-shared liability. The Pool does not contract with any third party administrators for claims adjustment or loss prevention services.



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

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

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

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

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

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

## **B. SELF-INSURANCE**

The County maintains insurance against most normal hazards. For general liability, the County retains the risk for general liability up to \$100,000 per claim (our "deductible" or "self-retention").

For workers compensation the County has elected to retain losses up to \$500,000 for all employees, per occurrence. Excess insurance has been purchased to cover claims above the deductible and self-retention. The County Risk Manager and independent claims managers' process claims. Based on the claims manager's estimates, the estimated ultimate loss report for general liability prepared by the Risk Pool and with management's judgment. Estimated Claims at December 31, 2018 were \$1,082,509 for general liability and \$457,000 for workers compensation.



The County's changes in aggregate liability were as follows:

|   | Risk<br>Management | Industrial<br>Insurance | Total        |
|---|--------------------|-------------------------|--------------|
| Claims Payable 12/31/2016                           | \$ 1,442,466       | \$ 464,040              | \$ 1,906,506 |
| Provision for 2017                                  | 65,010             | 82,765                  | 147,775      |
| Increase (Decrease) in<br>Provision for Prior Years | (259,129)          | 2,224                   | (256,905)    |
| Less:   |                    |                         |              |
| Payment of Claims in Current Yr. Events             | 40,374             | 40,989                  | 81,363       |
| Payment of Claims in Prior Yr. Events               | 144,522            | -                       | 144,522      |
| Claims Payable 12/31/2017                           | 1,063,451          | 508,040                 | 1,571,491    |
| Provision for 2018                                  | 69,353             | 58,022                  | 127,375      |
| Increase (Decrease) in<br>Provision for Prior Years | 292,272            | (51,040)                | 241,232      |
| Less:   |                    |                         |              |
| Payment of Claims in Current Yr. Events             | 67,681             | 32,663                  | 100,344      |
| Payment of Claims in Prior Yr. Events               | 274,886            | 25,359                  | 300,245      |
| Claims Payable 12/31/2018                           | \$ 1,082,509       | \$ 457,000              | \$ 1,539,509 |

Since 1988, when Cowlitz County joined the risk pool, settlements by the County have not exceeded the annual insurance coverage.

The County is required by the State to set aside a minimum of \$100,000 for protection of the Workers Compensation Fund. The Industrial Insurance Fund has cash and cash equivalents in the amount of \$41,069 at December 31, 2018 available to meet the projected future estimate of claims to be paid of \$457,000. This results in a December 31, 2018 total net position of (\$455,510).

The Risk Management Fund has \$1,131,371 at December 31, 2018 in net cash and investments to meet actual and projected claims to be paid of \$1,082,509. This results in a December 31, 2018 total net position of (\$99,272).

Claims settlements and loss expenses are accrued in the Risk Management Fund for the estimated settlement value of both reported and unreported claims (up to the aggregate stop-loss). This fund is responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements and for purchasing certain insurance policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

Also the county self-insures the Unemployment Compensation Fund. At December 31, 2018 the fund has a total net position balance of \$270,320 compared to total net position of \$334,440 at December 31, 2017.

## **NOTE 9 – LONG-TERM DEBT AND CAPITAL LEASES**

### **A. LONG-TERM DEBT**

Note 9 summarizes long-term debt as follows: 1) Description of primary government individual debt issues and related debt service requirements to maturity on general obligation bonds and notes, 2) Debt Service

Requirements to Maturity, 3) Discretely Presented Component Unit – Public Facilities District and its long-term debt, 4) summary of changes in long-term debt, 5) presents the County's legal debt margin, and 6) Debt service Coverage requirements.

### 1. Description of Primary Government Individual Long-term Liabilities

| <i>Bonds and Other Long Term Liabilities – Governmental Activities</i>   | <i>Debt Outstanding</i> |
|--|-------------------------|
| \$7,000,000 <b>1999 TRRWA Public Works Trust Fund Loan</b> from State of Washington - \$6,300,000 issued August 23, 1999 and \$700,000 issued May 12, 2004 for improvements to the sewer facilities. Interest is 1% per annum with \$375,329 future annual principal payments on June 30, 2005 through June 30, 2019.  | \$ 375,329              |
| \$3,000,000 <b>2001 TRRWA Public Works Trust Fund Loan</b> from State of Washington \$2,850,000 issued May 26, 2001 and \$150,000 issued May 10, 2004 for improvements to treatment plant. Interest is .05% per annum with \$158,333 future annual principal payments on June 30, 2005 through June 30 2021.   | \$ 475,000              |
| \$35,400,000 <b>2002 Special Revenue Refunding Bonds-</b> issued September 5, 2002 to pay the costs of the Central Sewer's (Three Rivers) portion of the County's outstanding Limited Tax General Obligation Bonds-1999. Interest varies from 2.5% to 5.5% on principal installments of \$1.6 million to \$2.79 million through November 1, 2019. Revenues from user fees collected by the Cities of Kelso, Longview and Beacon Hill Sewer District will service the debt on this issue. Up front money provided by the Central Sewer has paid for an insurance policy to fund the debt in case of default by the users. | \$ 2,790,000            |
| \$6,630,750 <b>2008 TRRWA Public Works Trust Fund Loan</b> from State of Washington by TRRWA to replace two clarifiers and associated piping. Interest is 0.5% per annum with annual principal payments of \$351,040 beginning July 1, 2009 through July 1, 2028.  | \$3,510,397             |
| \$2,500,000 <b>2011 Limited Tax General Obligation Bond</b> issued October 18, 2011 to provide to provide upgrades to certain heating and cooling facilities of the County and pay the administrative costs of issuing the bonds. Funds from this bond are drawn down as needed. The interest rate on the outstanding principal is 3.4% through November 30, 2016. On December 1, 2016, the bond has an interest rate of 4.55% on principal installments. Semiannual principal payments beginning December 1, 2013 through December 1, 2021.   | \$962,416               |
| \$3,690,000 <b>2012A Limited Tax General Refunding Bond</b> issued May 30, 2012 to refinance the 2002 Limited General Obligation bonds. The debt is serviced from the state sales tax authorized for distressed counties. Also, the County pledged its resources to the payment of the bonds to obtain a more favorable rate of interest. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments beginning April 1, 2013 through April 1, 2024.  | \$2,085,000             |
| \$4,880,000 <b>2012B Limited Tax General Refunding Bond</b> issued May 30, 2012 to refinance the 2003 Limited General Obligation bonds. The debt is serviced from the sales and hotel taxes received by the Cowlitz County Public Facilities District, a component unit of Cowlitz County. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments beginning April 1, 2013 through April 1, 2027.   | \$3,360,000             |

|   |              |
|---|--------------|
| \$34,040,000 <b>2014 A and B General Obligation Bonds.</b> The funds are being used for the Headquarters Landfill purchase and improvements. The bonds have 3% to 5% percent interest rate. Principal payments are due annually on December 1 ranging in amounts from \$1,175,000 to \$2,365,000. Interest payments are due semiannually on June 1 <sup>st</sup> and December 1 <sup>st</sup> . The final payment is due December 1, 2033.                            | \$27,175,000 |
| \$3,145,000 of the \$4,055,000 <b>2015 Limited Tax General Obligation Refunding Bonds</b> issued September 15, 2015 to refund the 2005 LTGO bonds and pay the administrative costs of refunding, issuance and sale of bonds. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments begin November 1, 2015 with the final payment on 11/1/2023. The remaining are special assessment bonds, to be paid by special assessment. | \$1,395,000  |
| \$8,495,000 <b>2015 TRRWA Special Revenue Bonds.</b> Issued December 15, 2015 to refund the 2006 portion of the County's outstanding Limited Tax General Obligation. Interest varies from 2.0% to 4.0% on principal installments of \$805,000 to \$970,000 through March 1, 2025. Revenues from user fees collected by the Cities of Kelso, Longview and Beacon Hill Sewer District will service the debt on this issue.  | \$6,155,000  |

|  |                         |
|--|-------------------------|
| <i>Special Assessment Debt</i>   | <i>Debt Outstanding</i> |
| \$845,000 of the \$4,055,000 <b>2015 Limited GO Refunding Bonds</b> issued September 15, 2015 to refund the 2005 LTGO bonds and pay the administrative costs of refunding, issuance and sale of bonds. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments begin November 1, 2015 with the final payment on 11/1/2023. The remaining of this issue is classified as general obligation bonds. | \$230,000               |

|   |                         |
|---|-------------------------|
| <i>Revenue Debt – Business Type Activity</i>  | <i>Debt Outstanding</i> |
| \$653,050 <b>2002 Water Sewer Washington State Department of Community Development Public Works Trust Fund (PWTF) Loan.</b> The funds were for improvements to the Toutle Wastewater Treatment Facility. Interest is 2 percent per annum through June 30, 2003, and 1% per annum thereafter with annual principal payments through June 30, 2020 of \$34,623. | \$69,245                |
| \$1,084,158 <b>2005 Water Sewer PWTF Loan.</b> The funds were for improvements to the Ryderwood Water Treatment Plant. The loan has a 1% interest rate. Eighteen equal annual principal payments of \$60,231 are due beginning October 1, 2006 with final maturity October 1, 2023.   | \$301,155               |
| \$322,035 <b>2008 Water-Sewer PWTF Loan.</b> The funds were for County Water Systems Reservoir Coating. The loan has an interest rate of .50% with annual principal payments of \$18,006 through July 1, 2027.  | \$162,053               |
| \$211,719 <b>2010 Water-Sewer DOE Loan.</b> The funds are being used for the Ryderwood Infiltration and Inflow Removal. The loan has a 1% percent interest rate. Payments are due bi-annually in the amount of \$6,273.50. The term of the loan is 20 years. As of December 31, 2012, \$211,719 has been drawn from the \$223,157 available.                  | \$147,064               |
| \$595,000 <b>2012 Water-Sewer PWTF Loan.</b> The funds are being used for the Toutle Sewer Lift Station Rehabilitation Project. The loan has a .5% percent interest rate. Principal payments are due annually in the amount of \$31,490. The term of the loan is 20 years.  | \$409,367               |

The County issued no new debt during 2018.

## **2. Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for **General Obligation Bonds** are as follows:

| <b>Year Ending<br/>December 31</b> | <b>Governmental Activities</b> |                      |
|------------------------------------|--------------------------------|----------------------|
|                                    | <b>Principal</b>               | <b>Interest</b>      |
| 2019                               | \$ 2,886,483                   | \$ 1,407,962         |
| 2020                               | 2,555,587                      | 1,304,508            |
| 2021                               | 2,690,346                      | 1,190,730            |
| 2022                               | 2,440,000                      | 1,104,356            |
| 2023                               | 2,540,000                      | 1,021,088            |
| 2024-2028                          | 10,930,000                     | 3,585,500            |
| 2029-2033                          | 10,935,000                     | 1,473,019            |
| <b>Total</b>                       | <b>\$ 34,977,416</b>           | <b>\$ 11,087,163</b> |

Annual debt service requirements for **Special Assessments Bonds** are as follows:

| <b>Year Ending<br/>December 31</b> | <b>Special Assessment Debt</b> |                  |
|------------------------------------|--------------------------------|------------------|
|                                    | <b>Principal</b>               | <b>Interest</b>  |
| 2019                               | \$ 229,998                     | \$ 12,075        |
| <b>Total</b>                       | <b>\$ 229,998</b>              | <b>\$ 12,075</b> |

Annual debt service requirements for the **Special Sewer Revenue Bonds**, which were assumed by the County when operations were transferred, are as follows:

| <b>Year Ending<br/>December 31</b> | <b>Special Sewer Revenue Bonds</b> |                   |
|------------------------------------|------------------------------------|-------------------|
|                                    | <b>Principal</b>                   | <b>Interest</b>   |
| 2019                               | \$ 3,590,000                       | \$ 345,150        |
| 2020                               | 825,000                            | 167,325           |
| 2021                               | 850,000                            | 142,200           |
| 2022                               | 875,000                            | 116,325           |
| 2023                               | 900,000                            | 89,700            |
| 2024-2028                          | 1,905,000                          | 76,900            |
| <b>Total</b>                       | <b>\$ 8,945,000</b>                | <b>\$ 937,600</b> |

Annual debt service requirements payable to the other governments for business type activities are as follows:

| Year Ending<br>December 31 | Intergovernmental Loans |                  |                          |                  |
|----------------------------|-------------------------|------------------|--------------------------|------------------|
|                            | Governmental Activities |                  | Business Type Activities |                  |
|                            | Principal               | Interest         | Principal                | Interest         |
| 2019                       | \$ 884,702              | \$ 23,680        | \$ 155,451               | \$ 6,983         |
| 2020                       | 509,373                 | 17,380           | 155,562                  | 5,754            |
| 2021                       | 509,373                 | 2,193            | 121,052                  | 4,525            |
| 2022                       | 351,040                 | 12,286           | 121,166                  | 3,640            |
| 2023                       | 351,040                 | 10,531           | 121,281                  | 2,754            |
| 2024-2028                  | 1,755,199               | 26,328           | 289,006                  | 6,463            |
| 2029-2031                  | -                       | -                | 125,370                  | 938              |
| <b>Total</b>               | <b>\$ 4,360,726</b>     | <b>\$ 92,399</b> | <b>\$ 1,088,887</b>      | <b>\$ 31,057</b> |

### 3. Discretely Presented Component Unit – Public Facilities District

The PFD is responsible for a portion of the bonds that were issued by other governments to finance the construction and improvements to the Regional Convention Center and the Columbia Theatre for the Performing Arts in the City of Longview. Additionally, the PFD is liable for operating loans used to cover tax shortfalls.

| Public Facilities Dist. – Due to Primary Government (Cowlitz County)   | Debt Outstanding<br>December 31, 2018 |
|--|---------------------------------------|
| Up to \$810,000 from Cowlitz County Solid Waste fund to cover shortfalls in retained sales tax receipts. Loan is to be paid back when funds are not restricted for other debt, but must be repaid by July 1, 2033. No scheduled payments, but interest accrues monthly at the Washington State Local Government Investment Pool rate. Interest payments are made annually.   | \$261,830                             |
| \$4,880,000 from Cowlitz County – issued <b>2012B Limited Tax General Refunding Bond</b> May 30, 2012 to refinance the 2003 Limited General Obligation bonds. The debt is serviced from the Retained Sales Tax of .033 percent, authorized by RCW 82.14.390, imposed by PFD Resolution 02-01 on March 20, 2002 and lodging taxes in the amount of 1% approved by the voters on September 16, 2003. The interest rate on the outstanding principal ranges from 2% to 4%. Annual principal payments are due April 1, 2013 through April 1, 2027. | \$3,360,000                           |

| Public Facilities Dist. - Notes Payable due to City of Longview   | Debt Outstanding<br>December 31, 2018 |
|---|---------------------------------------|
| \$5,775,000 from City of Longview, that issued bonds on December 27, 2017 to provide new bonds in the amount of \$965,000 and \$4,810,000 (to refund 2007 bonds which were used for improvements to Columbia Theatre for the Performing Arts in Longview). Sales and use tax received pursuant to RCW 82.14.390 in the amount of .020%, imposed by the PFD pursuant to Resolution # 07-02 dated July 23, 2007 are received to repay this loan. This tax will expire in July 2047. Interest varies from 3.0% to 4.0% with future annual principal payments of \$85,000 to \$330,000 beginning December 1, 2017 through June 1, 2047. | \$5,680,000                           |

At December 31, 2018, annual debt service for debt categorized as Due to Primary Government (Cowlitz County) for the Public Facilities District follows:

| <b>Due to Primary Government - Cowlitz County</b> |                     |                   |                     |
|---|---------------------|-------------------|---------------------|
|   | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
| 2019  | \$ 310,000          | \$ 122,025        | \$ 432,025          |
| 2020  | 330,000             | 110,825           | 440,825             |
| 2021  | 350,000             | 98,050            | 448,050             |
| 2022  | 375,000             | 85,425            | 460,425             |
| 2023  | 400,000             | 71,800            | 471,800             |
| 2024-2027   | 1,595,000           | 117,100           | 1,712,100           |
|   | <u>\$ 3,360,000</u> | <u>\$ 605,225</u> | <u>\$ 3,965,225</u> |

At December 31, 2018, annual debt service requirements payable to the City of Longview are as follows:

| <b>Public Facilities District<br/>City of Longview</b> |                     |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
| 2019   | \$ 85,000           | \$ 208,006          | \$ 293,006          |
| 2020   | 90,000              | 205,456             | 295,456             |
| 2021   | 95,000              | 202,756             | 297,756             |
| 2022   | 100,000             | 199,906             | 299,906             |
| 2023   | 105,000             | 196,906             | 301,906             |
| 2024-2028  | 625,000             | 933,381             | 1,558,381           |
| 2028-2032  | 830,000             | 805,231             | 1,635,231           |
| 2033-2038  | 1,100,000           | 618,831             | 1,718,831           |
| 2038-2042  | 1,430,000           | 373,231             | 1,803,231           |
| 2043-2047  | 1,220,000           | 95,850              | 1,315,850           |
|  | <u>\$ 5,680,000</u> | <u>\$ 3,839,554</u> | <u>\$ 9,519,554</u> |

The PFD's debt covenants require the district to maintain a depreciation reserve and a rate stabilization fund for the Regional Events Center, and revenue stabilization and depreciation reserve accounts for the Columbia Theatre Project. At December 31 2018, these funds were as follows:

| <b>Purpose</b>                              | <b>Amount</b>     |
|---|-------------------|
| Regional Events Center Rate Stabilization   | \$ 439,279        |
| Columbia Theatre Revenue Stabilization      | 110,447           |
| Regional Events Center Depreciation Reserve | 382,976           |
| Columbia Theatre Depreciation Reserve       | 1,014             |
|   | <u>\$ 933,716</u> |

Unspent loan proceeds in the amount of \$376,406 are also being presented as restricted cash.

**4. Changes in Long Term Debt****Changes in Governmental Activities General Long Term Debt**

|  | <b>Balance<br/>1/1/2018</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance<br/>12/31/2018</b> | <b>Due Within<br/>One Year</b> |
|--|-----------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| General Obligation Bonds                                 | \$ 37,735,416               | \$ -             | \$ 2,758,000      | \$ 34,977,416                 | \$ 2,886,483                   |
| Special Assessment Bonds with<br>Governmental Commitment | 453,976                     | -                | 223,978           | 229,998                       | 215,000                        |
| Plus: Premium on Bonds                                   | 1,269,426                   | -                | 131,187           | 1,138,239                     | 131,187                        |
| Subtotal GO Bonds  | 39,458,818                  | -                | 3,113,165         | 36,345,653                    | 3,232,670                      |
| Revenue Bonds  | 12,365,000                  | -                | 3,420,000         | 8,945,000                     | 3,590,000                      |
| Plus: Premium on Bond                                    | 653,917                     | -                | 179,373           | 474,544                       | 159,797                        |
| Subtotal Revenue Bonds                                   | 13,018,917                  | -                | 3,599,373         | 9,419,544                     | 3,749,797                      |
| Notes Payable  | 17,500                      | -                | 17,500            | -                             | -                              |
| Notes Payable-Other Govts.                               | 5,245,428                   | -                | 884,702           | 4,360,726                     | 884,702                        |
| Capital Lease  | 266,079                     | 11,917           | 57,839            | 220,157                       | 63,353                         |
| Capital Lease - Int Svc                                  | 34,491                      | -                | 25,051            | 9,440                         | 9,440                          |
| Other post employee benefits*                            | 10,363,258                  | -                | 450,198           | 9,913,060                     | -                              |
| Compensated Absences                                     | 3,845,803                   | -                | 32,149            | 3,813,654                     | -                              |
| Compensated Absences - Int Svc                           | 275,670                     | -                | 73,480            | 202,190                       | -                              |
| Claims/Judgements - Int Svc                              | 1,571,491                   | -                | 31,982            | 1,539,509                     | 205,513                        |
| Net Pension Liability                                    | 16,060,216                  | -                | 4,874,548         | 11,185,668                    | -                              |
| Net Pension Liability - Int Svc                          | 983,451                     | -                | 179,915           | 803,536                       | -                              |
| Total Long-Term Debt                                     | \$ 91,141,122               | \$ 11,917        | \$ 13,339,902     | \$ 77,813,137                 | \$ 8,145,475                   |

\*The beginning balance of other postemployment benefits was restated when the County implemented GASB 75.

For governmental activities, claims and judgments, other post-employment benefits, and compensated absences are generally liquidated by the general fund.

**Changes in Business Type Activities Long-Term Debt**

|                                       | <b>Balance<br/>1/1/2018</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance<br/>12/31/2018</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------------|-----------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| Notes Payable-Other Govts.            | 1,244,224                   | -                | 155,337           | 1,088,887                     | 155,451                        |
| Landfill Closure and Postclosure Care | 21,468,377                  | 1,288,420        | 45,296            | 22,711,501                    | 278,244                        |
| Capital Lease                         | 17,732                      | -                | 5,067             | 12,665                        | 2,756                          |
| Net Pension Liability                 | 2,247,801                   | -                | 575,822           | 1,671,979                     | -                              |
| Compensated Absences                  | 450,359                     | 24,640           | -                 | 474,999                       | -                              |
| Total Long-Term Debt                  | \$ 25,428,493               | \$ 1,313,060     | \$ 781,522        | \$ 25,960,031                 | \$ 436,451                     |

***Changes in Long-Term Debt Component Unit (Public Facilities District)***

|                                 | <b>Balance<br/>1/1/2018</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance<br/>12/31/2018</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|-----------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| Due to Primary Government Bonds | \$ 3,655,000                | \$ -             | \$ 295,000        | 3,360,000                     | \$ 310,000                     |
| Notes Payable                   | 392,736                     | -                | 130,906           | 261,830                       | -                              |
| Less deferred amounts:          |                             |                  |                   |                               |                                |
| For issuance premiums           | 243,798                     | -                | 25,890            | 217,908                       | 25,890                         |
| Due to Primary Government (net) | 4,291,534                   | -                | 451,796           | 3,839,738                     | 335,890                        |
| Notes Payable                   | 5,775,000                   | -                | 95,000            | 5,680,000                     | 85,000                         |
| Less deferred amounts:          |                             |                  |                   |                               |                                |
| For issuance premiums           | 324,105                     | -                | 19,830            | 304,275                       | 19,830                         |
| For issuance discounts          | (49,304)                    | -                | (3,020)           | (46,284)                      | (3,020)                        |
| Due to Other Governments (net)  | 6,049,801                   | -                | 111,810           | 5,937,991                     | 101,810                        |
| Total Long Term Debt            | \$ 10,341,335               | \$ -             | \$ 563,606        | \$ 9,777,729                  | \$ 437,700                     |

**5. Legal Debt Margin**

State law sets the County's limitation on external long-term debt and the remaining debt that may be incurred is as follows:

| <u>PURPOSE OF<br/>INDEBTEDNESS</u>       | <u>REMAINING<br/>CAPACITY</u> |
|--|-------------------------------|
| General Government<br>(No vote required) | \$ 121,009,081                |
| General Government<br>(Vote required)    | \$ 228,947,994                |

**6. Debt Coverage Requirements**

The 2002 special revenue refunding bonds resolution requires that net revenues of Three Rivers meet either 1.3 times the aggregate annual debt service when system development charges are included in the revenues or 1.2 times the aggregate annual debt service when the system development charges are not included in the revenues.

The ratio requirement was met at December 31, 2018. The aggregate annual debt service when system development charges are included in revenue was 1.3 and excluding system development charges coverage was 1.33 times the 2018 debt service on bonds.

In March of 2008, the County's Bond Insurer for the 2002 Revenue Bonds (FGIC) was downgraded to Baa3 from AAA. As a result, Three Rivers must meet Reserve Requirements for the Bonds issued through deposit into the Reserve Account. At December 31, 2018 \$2,519,986 is being held to satisfy this debt service covenant.

Additionally, Three Rivers is required to hold funds in a rate stabilization account. At December 31, 2018, \$328,081 was held in their account.

**B. CAPITALIZED LEASES**

The County has entered into separate lease agreements as lessee for computer servers and related equipment, and vehicles. These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of their future minimum lease payments as of the inception date. The value of assets acquired through capital lease for governmental activities is \$226,678.



The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

| <b>Year Ending</b>                      | <b>Governmental</b>      |
|---|--------------------------|
| <b><u>December 31</u></b>               | <b><u>Activities</u></b> |
|   | <b><u>Principal</u></b>  |
| 2019                                    | \$ 90,578                |
| 2020                                    | 169,655                  |
| 2021                                    | 7,338                    |
| Total minimum lease payments            | <u>267,571</u>           |
| Less amount representing interest       | <u>25,309</u>            |
| Present value of minimum lease payments | <u>\$ 242,262</u>        |

#### NOTE 10 –CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require municipal solid waste landfills to place a cover on their landfills and perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and post closure costs will be paid near or after designated areas of the landfill are filled, the County is required to report a portion of these closure and post closure care costs as an expense and as a liability in each period that the landfill accepts waste.

As of March 2014, the County owns two landfills; the Tennant Way Landfill and the Headquarters Landfill. The County reported \$22.7 million as landfill closure and post closure care liability at December 31, 2018. This represents the cumulative amount reported to date based on the capacity used. This cost is an estimate; actual costs may be higher due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

##### Tennant Way

The Tennant Way landfill consists of two separate regulatory units, the unlined landfill and the lined landfill.

The unlined landfill was at full capacity in 1992 and is monitored under WAC 173-304, which requires a 20 year monitoring period. This landfill was treated separately under Washington State regulations. As a result, 100% of the post-closure care costs have been included as a liability, in the amount of \$1.16 million. Although monitoring requirements for this section are 20 years, the County is recognizing 30 years of post-closure monitoring voluntarily, due to the difficulties of monitoring this site separately from the lined site. The voluntary post-closure costs for the additional ten years is included in the liability. Three years of post-closure has been completed, therefore, the liability represents the remaining 27 years.

The lined landfill was closed in April 2014, thus, the lined landfill is at 100% percent of the estimated refuse capacity at December 31, 2018. As a result, \$6.07 million is reported as landfill closure and post closure care liability, related to this section of the landfill. These amounts are based on what it would cost to perform all closure and post closure care at the end of 2018. This landfill has closed under WAC 173-351 requirements implemented by the Washington State Department of Ecology and the Cowlitz County Environmental Health Department. The lined landfill is required to be monitored for 30 years after closure. Three years of post-closure has been completed, therefore, the liability represents the remaining 27 years.

**Headquarters Landfill**

This landfill was purchased by the County in March 2014. At the time of the purchase, the landfill was at 7.9% capacity. The closure and post closure liability at the time of purchase was \$7.7 million dollars, which was assumed by the County. This is presented as excess consideration provided for acquisition on the statement of net position. At December 31, 2018, the landfill was at 13.9% capacity. Based on the capacity used thru December 31, 2018, the closure and postclosure liability is \$15.48 million. The estimated total current cost of closure and postclosure care remaining to be recognized is \$84,224,482. It is estimated that the landfill will be closed in September 2120 under WAC 173-351 Criteria for Municipal Solid Waste Landfills.

Cowlitz County is required by state regulations to accumulate funds over the remaining life of the landfill to provide for the closure and post closure care. The County is in compliance with these requirements. At December 31, 2018 the County had \$22.7 million in cash and investments held for these purposes for both landfills. The amounts are reported as restricted cash and investment on the statement of net position.

**NOTE 11 – CONTINGENT LIABILITIES**

Cowlitz 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 self-insurance reserves are adequate to pay all known or pending claims.

Cowlitz County participates in a number of federal and state assisted programs. The grants are subject to an annual audit, principally the federal programs. The audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the contracts. At this time there are no known disallowed expenditures and if any disallowed expenditures should result it is estimated that such amounts, if any to be immaterial.

**NOTE 12 – OTHER DISCLOSURES****A. RELATED PARTY TRANSACTIONS**

The PFD and Cowlitz County (County) entered into an interlocal agreement in 2003 for the financing, construction, and operation of a Regional Conference and Special Events Center (center). As the primary government, the county issued bonds in the amount of \$4.9 million for the construction of the center. The PFD also has a loan with Cowlitz County Solid Waste in the amount of \$810,000, but only borrowed \$392,736 (see note 9). The center was constructed on property owned by the county. The county has a long-term lease with the PFD for the site. The PFD retains ownership of the facility. RCW 35.57.020 requires that retained sales tax used for prescribed center purposes is matched 33 percent from other public or private sources. The county provides an "in-kind" match as required by forgiving the annual fair market rental value of the site to the PFD. The match for 2018 was \$246,272. Additionally, in-kind match is provided by Cowlitz County from lodging and sales tax in the amount of \$180,627 for 2018.

The PFD is obligated to cover the operating losses of the regional conference and special events center. Payments to Cowlitz County to cover these losses were \$120,000 for 2018.

**B. JOINT VENTURE****Southwest Washington Regional Airport Board:**

The cities of Longview and Kelso along with Cowlitz County and the Port of Longview entered into an agreement in February of 2012 to establish an Airport Board (Board) to jointly fund and manage the operations, maintenance, improvement and regulation of the Southwest Washington Regional Airport. Prior to the agreement the Airport had been owned and operated by the City of Kelso. This agreement took effect in January of 2013 with noncapital assets and liabilities transferred to the board which consists of a member from each party and an at large member to be appointed by majority vote of the other members.

The Board formulates its preliminary annual budget and submits it to each participating jurisdiction prior to August 1, of each year. Estimated expenses for maintenance and operations, repairs and replacements to existing facilities, capital projects, and debt service are netted against estimated airport operating revenues to determine the amount of annual subsidy required by the participating jurisdictions. Each jurisdiction is responsible for 25% of the estimated subsidy. Payments made to the airport by the County in 2018 were \$76,000.

This agreement may be terminated at any time upon the approval by a super-majority of the entities. All assets and liabilities acquired by the Board will remain the property of the airport and used for airport maintenance and operations consistent with FAA's Revenue Use Policy. In the event the airport ceases to operate, any assets or liabilities remaining from such property acquired after the commencement of this agreement, and after the full satisfaction of all federal obligations, grant repayments to the FAA, and satisfaction of FAA's Revenue Use Policy, shall be distributed to the parties in the same proportion as the financial contribution of the parties for its acquisition.

The County's ongoing financial responsibility is minimal at the end of December 31, 2018. The airport has less than \$25,000 in outstanding obligations. The airport is not accumulating significant resources or experiencing fiscal stress that would cause additional financial benefit or burden on the County in the future. The airport does not issue stand-alone financial statements.

**C. SUBSEQUENT EVENTS**

As of January 1, 2019, 911 Communications (an Enterprise Fund) has become its own legal entity, Cowlitz 911. As a result, all of operations were transferred from the County to Cowlitz 911.

**D. CHANGE IN CLASSIFICATION OF FUNDS**

During 2018 the County reclassified some capital project funds to special revenue funds. This resulted in a fund balance reclassification between fund types in the amount of \$4,333,679 between Capital Improvements and non-major other governmental funds.

**E. DEFICIT NET POSITION/FUND BALANCE**

At December 31, 2018, the following funds reported deficits in the fund balances or fund net position:

| <u>Fund</u>  | <u>Deficit</u> |
|--|----------------|
| Public Shooting Range - non major enterprise fund          | 153,178        |
| Risk Management - internal service fund                    | 99,272         |
| Industrial Accident Insurance Fund - internal service fund | 455,510        |

The Public Shooting Range deficit net position results from the fund's interfund loan payable to the general fund, which was borrowed to provide capital for construction of a public shooting range. Use Fees are collected from shooters for payment of the loan. This fund has accumulated \$94,714 in cash to use towards payment of this liability.

The Risk Management fund had a deficit net position due to recognition of an estimate for projected future year's pay out on the claims incurred of \$1,082,509. At December 31, 2018 the fund had \$1,131,371 in cash and investments to meet these liabilities.

The Industrial Accident Insurance fund had a deficit net position due to recognition of an estimate for projected future year's pay out on the industrial accidents incurred of \$457,000. At December 31, 2018 the fund had \$41,069 in cash and investments to meet current payables of \$39,579.

**Cowlitz County**  
**Required Supplementary Information - Other Postemployment Benefits**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Defined Benefit OPEB - LEOFF 1**  
**For the Year Ended December 31**  
**Last Calendar Year**

|  |                            |
|--|----------------------------|
| Total OPEB liability   | 2018                       |
| Interest   | \$ 329,051                 |
| Changes of assumptions or other inputs                           | (279,648)                  |
| Estimated benefit payments                                       | <u>(377,836)</u>           |
| Net change in total OPEB liability                               | (328,433)                  |
| Total OPEB liability beginning                                   | 9,378,625                  |
| Total OPEB liability ending                                      | <u><u>\$ 9,050,192</u></u> |
| Covered employee payroll   | NA                         |
| Total OPEB liability as a percentage of covered employee payroll | NA                         |

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

|      |       |
|------|-------|
| 2017 | 3.58% |
| 2018 | 3.87% |

2. The County implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Cowlitz County**

**Schedule of Proportionate Share of the Net Pension Liability**

PERS 1

As of June 30

Last 5 Fiscal Years

| Year<br>Ended<br>June 30, | Employer's<br>proportion of the<br>net pension<br>liability (asset) | Employer's<br>proportionate<br>share of the net<br>pension liability | Employer's<br>covered<br>employee<br>payroll | Employer's proportionate<br>share of the net pension<br>liability as a percentage of<br>covered employee payroll | Plan fiduciary net<br>position as a<br>percentage of the<br>total pension liability |
|---------------------------|---|--|--|--|---|
| 2018                      | 0.217995%   | \$ 9,735,731   | \$ 28,752,943                                | 34%  | 63.22%  |
| 2017                      | 0.227081%   | 10,775,171   | 28,316,963                                   | 38%  | 61.24%  |
| 2016                      | 0.229672%   | 12,334,468   | 27,920,036                                   | 44%  | 57.03%  |
| 2015                      | 0.236004%   | 12,345,204   | 26,364,423                                   | 47%  | 59.10%  |
| 2014                      | 0.249000%   | 12,543,492   | 24,269,736                                   | 52%  | 61.19%  |

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Cowlitz County**

**Schedule of Proportionate Share of the Net Pension Liability**

PERS 2/3

As of June 30

Last 5 Fiscal Years

| Year<br>Ended<br>June 30, | Employer's<br>proportion of the<br>net pension<br>liability (asset) | Employer's<br>proportionate<br>share of the net<br>pension liability | Employer's<br>covered<br>employee<br>payroll | Employer's proportionate<br>share of the net pension<br>liability as a percentage of<br>covered employee payroll | Plan fiduciary net<br>position as a<br>percentage of the<br>total pension liability |
|---------------------------|---|--|--|--|---|
| 2018                      | 0.229044%   | \$ 3,910,722   | \$ 23,836,200                                | 16.41%   | 95.77%  |
| 2017                      | 0.238035%   | 8,270,578  | 23,336,865                                   | 35.44%   | 90.97%  |
| 2016                      | 0.240895%   | 12,128,873   | 23,437,513                                   | 51.75%   | 85.82%  |
| 2015                      | 0.247671%   | 8,849,426  | 21,977,689                                   | 40.27%   | 89.20%  |
| 2014                      | 0.254713%   | 5,148,669  | 20,044,875                                   | 25.69%   | 93.29%  |

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Cowlitz County**

**Schedule of Proportionate Share of the Net Pension Liability**

PSERS

As of June 30

Last 5 Fiscal Years

| Year<br>Ended<br>June 30, | Employer's<br>proportion of the<br>net pension<br>liability (asset) | Employer's<br>proportionate<br>share of the net<br>pension liability | Employer's<br>covered<br>employee<br>payroll | Employer's proportionate<br>share of the net pension<br>liability as a percentage of<br>covered employee payroll | Plan fiduciary net<br>position as a<br>percentage of the<br>total pension liability |
|---------------------------|---|--|--|--|---|
| 2018                      | 1.188836%   | \$ 14,730  | \$ 4,676,650                                 | 0.31%  | 99.79%  |
| 2017                      | 1.254117%   | 245,719  | 4,607,516                                    | 5.33%  | 96.26%  |
| 2016                      | 1.263375%   | 536,909  | 4,095,348                                    | 13.11%   | 90.41%  |
| 2015                      | 1.307756%   | 238,692  | 3,829,065                                    | 6.23%  | 95.08%  |
| 2014                      | 1.414900%   | (204,892)  | 3,474,694                                    | -5.90%   | 105.01%   |



REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County

Schedule of Proportionate Share of the Net Pension Liability

LEOFF 1

As of June 30

Last 5 Fiscal Years

| Year<br>Ended<br>June 30, | Employer's<br>proportion of the<br>net pension<br>liability (asset) | Employer's<br>proportionate<br>share of the net<br>pension liability | State's proportionate<br>share of the net<br>pension liability<br>(asset) associated<br>with the employer | Employer's<br>covered<br>employee<br>payroll | Employer's proportionate<br>share of the net pension<br>liability as a percentage of<br>covered employee payroll | Plan fiduciary net<br>position as a<br>percentage of the<br>total pension liability |
|---------------------------|---|--|---|--|--|---|
|                           |   | \$   | \$  |  |  |   |
| 2018                      | 0.038611%   | (700,983)  | (4,741,435)   | N/A  | N/A  | 144.42%   |
| 2017                      | 0.041059%   | (622,955)  | (4,213,655)   | N/A  | N/A  | 135.96%   |
| 2016                      | 0.040909%   | (421,480)  | (2,850,878)   | N/A  | N/A  | 123.74%   |
| 2015                      | 0.040473%   | (487,789)  | (3,299,393)   | N/A  | N/A  | 127.36%   |
| 2014                      | 0.041280%   | (500,640)  | (3,386,317)   | N/A  | N/A  | 126.91%   |

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Cowlitz County  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 2  
As of June 30  
Last 5 Fiscal Years

| Year Ended June 30, | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability | State's proportionate share of the net pension liability (asset) associated with the employer | Employer's covered employee payroll | Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|---|-------------------------------------|---|--|
| 2018                | 0.116555%  | \$ (2,366,321)  | \$ (1,532,148)  | \$ 3,795,844                        | -62.34%   | 118.50%  |
| 2017                | 0.112811%  | (1,565,451)   | (1,015,479)   | 3,975,652                           | -39.38%   | 113.36%  |
| 2016                | 0.111561%  | (648,872)   | (423,018)   | 3,379,628                           | -19.20%   | 106.04%  |
| 2015                | 0.111898%  | (1,150,088)   | (760,439)   | 3,247,188                           | -35.42%   | 111.67%  |
| 2014                | 0.108588%  | (1,441,009)   | (941,528)   | 2,754,089                           | -52.32%   | 116.75%  |

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Cowlitz County**  
Schedule of Employer Contributions  
PERS 1  
As of December 31  
Last 5 Fiscal Years

| Year Ended<br>December<br>31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|-------------------------------|--|---|--|--------------------------------|--|
| 2018                          | \$ 1,503,454   | \$ (1,503,454)  | \$ -                                   | \$ 29,422,467                  | 5.11%  |
| 2017                          | 1,417,419  | (1,417,419)   | -                                      | 30,902,920                     | 4.59%  |
| 2016                          | 1,331,327  | (1,331,327)   | -                                      | 27,377,520                     | 4.86%  |
| 2015                          | 1,254,343  | (1,254,343)   | -                                      | 26,426,575                     | 4.75%  |
| 2014                          | 1,120,168  | (1,120,168)   | -                                      | 26,433,719                     | 4.24%  |

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

**Cowlitz County**  
Schedule of Employer Contributions  
PERS 2/3  
As of December 31  
Last 5 Fiscal Years

| Year Ended<br>December 31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|----------------------------|--|---|--|--------------------------------|--|
| 2018                       | \$ 1,834,933   | \$ (1,834,933)  | \$ -                                   | \$ 24,466,101                  | 7.50%  |
| 2017                       | 1,623,824  | (1,623,824)   | -                                      | 26,108,562                     | 6.22%  |
| 2016                       | 1,412,392  | (1,412,392)   | -                                      | 22,670,773                     | 6.23%  |
| 2015                       | 1,307,583  | (1,307,583)   | -                                      | 21,939,117                     | 5.96%  |
| 2014                       | 1,124,609  | (1,124,609)   | -                                      | 22,077,469                     | 5.09%  |

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

**Cowlitz County**  
Schedule of Employer Contributions  
PSERS  
As of December 31  
Last 5 Fiscal Years

| Year Ended<br>December 31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|----------------------------|--|---|--|--------------------------------|--|
| 2018                       | \$ 327,028   | \$ (327,028)  | \$ -                                   | \$ 4,773,429                   | 6.85%  |
| 2017                       | 298,753  | (298,753)   | -                                      | 4,482,527                      | 6.66%  |
| 2016                       | 284,835  | (284,835)   | -                                      | 4,308,901                      | 6.61%  |
| 2015                       | 275,108  | (275,108)   | -                                      | 4,009,775                      | 6.86%  |
| 2014                       | 239,028  | (239,028)   | -                                      | 3,708,261                      | 6.45%  |

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Cowlitz County**  
Schedule of Employer Contributions  
LEOFF 1  
As of December 31  
Last 5 Fiscal Years

| Year Ended<br>December 31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|----------------------------|--|---|--|--------------------------------|--|
|                            | \$   | \$  | \$                                     | \$                             |  |
| 2018                       | -  | -   | -                                      | N/A                            | N/A  |
| 2017                       | -  | -   | -                                      | N/A                            | N/A  |
| 2016                       | -  | -   | -                                      | N/A                            | N/A  |
| 2015                       | -  | -   | -                                      | N/A                            | N/A  |
| 2014                       | -  | -   | -                                      | N/A                            | N/A  |

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Cowlitz County**  
Schedule of Employer Contributions  
LEOFF 2  
As of December 31  
Last 5 Fiscal Years

| Year Ended<br>December 31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|----------------------------|--|---|--|--------------------------------|--|
| 2018                       | \$ 210,742   | \$ (210,742)  | \$ -                                   | \$ 3,881,820                   | 5.43%  |
| 2017                       | 188,138  | (188,138)   | -                                      | 3,651,547                      | 5.15%  |
| 2016                       | 172,782  | (172,782)   | -                                      | 3,410,641                      | 5.07%  |
| 2015                       | 184,226  | (184,226)   | -                                      | 3,391,340                      | 5.43%  |
| 2014                       | 158,386  | (158,386)   | -                                      | 3,027,915                      | 5.23%  |

**Cowlitz County**  
Notes to Required Supplemental Information - Pension  
As of December 31  
Last 5 Fiscal Years

**Note 1:** Information Provided

The County implemented GASB 68 for the year ended December 31, 2015. There is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3:** Change in Contribution Rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 12.70% to 12.83% for pay periods beginning September 2018.

The employer contribution rates for PSERS plans increased from 11.95% to 12.38% for pay periods beginning September 2018.

**Note 4:** LEOFF 1

For LEOFF 1, there is a net pension asset for the County; however, there are no active employees participating in the plan, and no required contributions because the plan is fully funded. Therefore, covered payroll and contributions as a percent of covered payroll are displayed as N/A.

**Note 5:** Covered Payroll

Covered Payroll has been presented in accordance with GASB 82, Pension Issues. Covered payroll includes all payroll on which contribution is based.



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

| Federal Agency<br>(Pass-Through Agency)  | Federal Program   | CFDA<br>Number | Other Award<br>Number  | Expenditures                    |                       |        | Passed through<br>to<br>Subrecipients | Note |
|--|---|----------------|------------------------|---------------------------------|-----------------------|--------|---------------------------------------|------|
|  |   |                |                        | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total  |                                       |      |
| Child Nutrition Cluster  |   |                |                        |                                 |                       |        |                                       |      |
| FOOD AND NUTRITION<br>SERVICE, AGRICULTURE,<br>DEPARTMENT OF (via Dept of<br>Agriculture)                                      | School Breakfast<br>Program   | 10.553         | 08-458-6808            | 13,827                          | -                     | 13,827 | -                                     |      |
| FOOD AND NUTRITION<br>SERVICE, AGRICULTURE,<br>DEPARTMENT OF (via Dept of<br>Agriculture)                                      | National School Lunch<br>Program  | 10.555         | 08-458-6808            | 21,806                          | -                     | 21,806 | -                                     |      |
| FOOD AND NUTRITION<br>SERVICE, AGRICULTURE,<br>DEPARTMENT OF (via Dept of<br>Agriculture)                                      | Summer Food Service<br>Program for Children   | 10.559         | 20180361               | 903                             | -                     | 903    | -                                     |      |
| Total Child Nutrition Cluster:   |   |                |                        | 36,537                          | -                     | 36,537 | -                                     |      |
| Forest Service Schools and Roads Cluster   |   |                |                        |                                 |                       |        |                                       |      |
| FOREST SERVICE,<br>AGRICULTURE, DEPARTMENT<br>OF   | Schools and Roads -<br>Grants to States   | 10.665         | 14-PA-<br>11060300-011 | -                               | 40,194                | 40,194 | -                                     | 3    |
| FOREST SERVICE,<br>AGRICULTURE, DEPARTMENT<br>OF   | Schools and Roads -<br>Grants to States   | 10.665         | 17-SA-<br>11060300-012 | -                               | 40,817                | 40,817 | -                                     |      |
| FOREST SERVICE,<br>AGRICULTURE, DEPARTMENT<br>OF   | Schools and Roads -<br>Grants to States   | 10.665         | 14-PA-<br>10060300-011 | -                               | 335                   | 335    | -                                     |      |
| Total Forest Service Schools and Roads Cluster:  |   |                |                        | -                               | 81,346                | 81,346 | -                                     |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 16-62210-020           | 5,091                           | -                     | 5,091  | -                                     |      |

*The accompanying notes are an integral part of this schedule.*

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

| Federal Agency<br>(Pass-Through Agency)  | Federal Program   | CFDA<br>Number | Expenditures          |                                 |                       |         | Passed through<br>to<br>Subrecipients | Note |
|--|---|----------------|-----------------------|---------------------------------|-----------------------|---------|---------------------------------------|------|
|  |   |                | Other Award<br>Number | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total   |                                       |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 16-62210-021          | 666                             | -                     | 666     | -                                     |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 17-62210-004          | 3,500                           | -                     | 3,500   | -                                     |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 16-62210-021          | 106,459                         | -                     | 106,459 | 106,459                               |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 17-62210-023          | 27,668                          | -                     | 27,668  | 27,668                                |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 17-62210-004          | 49,020                          | -                     | 49,020  | 49,020                                |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 18-62210-004          | 22,039                          | -                     | 22,039  | 22,039                                |      |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via DOC) | Community<br>Development Block<br>Grants/State's program<br>and Non-Entitlement<br>Grants in Hawaii | 14.228         | 16-62210-020          | 30,119                          | -                     | 30,119  | 30,119                                |      |

*The accompanying notes are an integral part of this schedule.*

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

| Federal Agency<br>(Pass-Through Agency)   | Federal Program  | CFDA<br>Number | Other Award<br>Number     | Expenditures                    |                       |                | Passed through<br>to<br>Subrecipients | Note |
|---|--|----------------|---------------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
|   |  |                |                           | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |                                       |      |
|   |  |                | <b>Total CFDA 14.228:</b> | <b>244,562</b>                  | <b>-</b>              | <b>244,562</b> | <b>235,305</b>                        |      |
| OFFICE ON VIOLENCE<br>AGAINST WOMEN (OVW),<br>JUSTICE, DEPARTMENT OF<br>(via DOC) | Violence Against<br>Women Formula Grants                     | 16.588         | F17-31103-065             | 16,326                          | -                     | 16,326         | -                                     |      |
| OFFICE ON VIOLENCE<br>AGAINST WOMEN (OVW),<br>JUSTICE, DEPARTMENT OF<br>(via DOC) | Violence Against<br>Women Formula Grants                     | 16.588         | F17-31103-103             | 64,685                          | -                     | 64,685         | -                                     |      |
|   |  |                | <b>Total CFDA 16.588:</b> | <b>81,011</b>                   | <b>-</b>              | <b>81,011</b>  | <b>-</b>                              |      |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF                          | State Criminal Alien<br>Assistance Program                   | 16.606         | 2018-H0093-<br>WA-AP      | -                               | 9,745                 | 9,745          | -                                     |      |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF (via DOJ)                | Edward Byrne Memorial<br>Justice Assistance<br>Grant Program | 16.738         | F16-31440-032             | 36,545                          | -                     | 36,545         | 36,545                                |      |
| <b>Highway Planning and Construction Cluster</b>                                  |  |                |                           |                                 |                       |                |                                       |      |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT)  | Highway Planning and<br>Construction                         | 20.205         | LA 8520                   | 110,741                         | -                     | 110,741        | -                                     |      |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT)  | Highway Planning and<br>Construction                         | 20.205         | LA 8958                   | 4,523                           | -                     | 4,523          | -                                     |      |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT)  | Highway Planning and<br>Construction                         | 20.205         | LA 9036                   | 240,303                         | -                     | 240,303        | -                                     |      |

*The accompanying notes are an integral part of this schedule.*

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

| Federal Agency<br>(Pass-Through Agency)   | Expenditures                         |                |                       |                                 |                       | Passed through<br>to<br>Subrecipients | Note |
|---|--------------------------------------|----------------|-----------------------|---------------------------------|-----------------------|---------------------------------------|------|
|   | Federal Program                      | CFDA<br>Number | Other Award<br>Number | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total                                 |      |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT)  | Highway Planning and<br>Construction | 20.205         | LA 9335               | 6,526                           | -                     | 6,526                                 | -    |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT)  | Highway Planning and<br>Construction | 20.205         | LA 9336               | 499                             | -                     | 499                                   | -    |
| FEDERAL HIGHWAY<br>ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT)  | Highway Planning and<br>Construction | 20.205         | LA 9337               | 1,131                           | -                     | 1,131                                 | -    |
| <b>Total Highway Planning and Construction Cluster:</b>   |                                      |                |                       |                                 | -                     | <b>363,722</b>                        | -    |
| <b>Highway Safety Cluster</b>   |                                      |                |                       |                                 |                       |                                       |      |
| NATIONAL HIGHWAY TRAFFIC<br>SAFETY ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via Traffic<br>Safety Commission) | National Priority Safety<br>Programs | 20.616         | N/A                   | 952                             | -                     | 952                                   | -    |
| NATIONAL HIGHWAY TRAFFIC<br>SAFETY ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via Traffic<br>Safety Commission) | National Priority Safety<br>Programs | 20.616         | N/A                   | 563                             | -                     | 563                                   | -    |
| NATIONAL HIGHWAY TRAFFIC<br>SAFETY ADMINISTRATION,<br>TRANSPORTATION,<br>DEPARTMENT OF (via Traffic<br>Safety Commission) | National Priority Safety<br>Programs | 20.616         | N/A                   | 442                             | -                     | 442                                   | -    |
| <b>Total Highway Safety Cluster:</b>  |                                      |                |                       |                                 | -                     | <b>1,957</b>                          | -    |

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

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |              | Passed through<br>to<br>Subrecipients | Note |
|--|--|----------------|-----------------------|---------------------------------|-----------------------|--------------|---------------------------------------|------|
|  |  |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total        |                                       |      |
| PIPELINE AND HAZARDOUS<br>MATERIALS SAFETY<br>ADMINISTRATOR,<br>TRANSPORTATION,<br>DEPARTMENT OF (via DOT) | Interagency Hazardous<br>Materials Public Sector<br>Training and Planning<br>Grants    | 20.703         | E18-190               | 10,251                          | -                     | 10,251       | -                                     |      |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS) | Public Health<br>Emergency<br>Preparedness   | 93.069         | CLH18242              | 58,705                          | -                     | 58,705       | -                                     | 3    |
| FOOD AND DRUG<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via HHS)                  | Food and Drug<br>Administration<br>Research  | 93.103         | G-SP-1709-<br>05091   | 2,500                           | -                     | 2,500        | -                                     |      |
| FOOD AND DRUG<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via HHS)                  | Food and Drug<br>Administration<br>Research  | 93.103         | G-SP-1709-<br>05092   | 2,728                           | -                     | 2,728        | -                                     |      |
| <b>Total CFDA 93.103:</b>  |  |                |                       | <b>5,228</b>                    | <b>-</b>              | <b>5,228</b> | <b>-</b>                              |      |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS) | Injury Prevention and<br>Control Research and<br>State and Community<br>Based Programs | 93.136         | CLH18242              | 38,057                          | -                     | 38,057       | -                                     | 3    |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS) | Immunization<br>Cooperative<br>Agreements  | 93.268         | CLH18242              | 4,248                           | -                     | 4,248        | -                                     | 3    |
| <b>TANF Cluster</b>  |  |                |                       |                                 |                       |              |                                       |      |

*The accompanying notes are an integral part of this schedule.*

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

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |                | Passed through<br>to<br>Subrecipients | Note |
|--|--|----------------|-----------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
|  |  |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |                                       |      |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS)   | Temporary Assistance<br>for Needy Families   | 93.558         | 1763-91103            | 3,475                           | -                     | 3,475          | -                                     |      |
| <b>Total TANF Cluster:</b>   |  |                |                       | <b>3,475</b>                    | <b>-</b>              | <b>3,475</b>   | <b>-</b>                              |      |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS)   | Child Support<br>Enforcement   | 93.563         | 2110-80610            | 454,581                         | -                     | 454,581        | -                                     | 3    |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS)   | Child Support<br>Enforcement   | 93.563         | 2110-80610            | 109,468                         | -                     | 109,468        | -                                     |      |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS)   | Child Support<br>Enforcement   | 93.563         | 1663-67572            | 16,444                          | -                     | 16,444         | -                                     |      |
| <b>Total CFDA 93.563:</b>  |  |                |                       | <b>580,493</b>                  | <b>-</b>              | <b>580,493</b> | <b>-</b>                              |      |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS) | State and Local Public<br>Health Actions to<br>Prevent Obesity,<br>Diabetes, Heart<br>Disease and Stroke<br>(PPHF)         | 93.757         | CB022936              | 3,804                           | -                     | 3,804          | -                                     | 3    |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS) | Preventive Health and<br>Health Services Block<br>Grant funded solely with<br>Prevention and Public<br>Health Funds (PPHF) | 93.758         | N/A                   | 914                             | -                     | 914            | -                                     |      |

*The accompanying notes are an integral part of this schedule.*

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

| Federal Agency<br>(Pass-Through Agency)   | Federal Program   | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |               | Passed through<br>to<br>Subrecipients | Note |
|---|---|----------------|-----------------------|---------------------------------|-----------------------|---------------|---------------------------------------|------|
|   |   |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total         |                                       |      |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via HHS) | Block Grants for<br>Prevention and<br>Treatment of Substance<br>Abuse | 93.959         | 1763-94247            | 20,977                          | -                     | 20,977        | -                                     |      |
|   | Block Grants for<br>Prevention and<br>Treatment of Substance<br>Abuse | 93.959         | 1763-94247            | 30,466                          | -                     | 30,466        | -                                     |      |
|   | Block Grants for<br>Prevention and<br>Treatment of Substance<br>Abuse | 93.959         | 1763-94247            | 1,678                           | -                     | 1,678         | -                                     |      |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via HHS) | Block Grants for<br>Prevention and<br>Treatment of Substance<br>Abuse | 93.959         | 1763-94247            | 2,177                           | -                     | 2,177         | -                                     |      |
|   |   |                |                       |                                 |                       |               |                                       |      |
|   |   |                |                       |                                 |                       |               |                                       |      |
| <b>Total CFDA 93.959:</b>   |   |                |                       | <b>55,298</b>                   | <b>-</b>              | <b>55,298</b> | <b>-</b>                              |      |
| HEALTH RESOURCES AND<br>SERVICES ADMINISTRATION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via HHS)              | Maternal and Child<br>Health Services Block<br>Grant to the States    | 93.994         | CLH18242              | 78,854                          | -                     | 78,854        | -                                     | 3    |
|   |   |                |                       |                                 |                       |               |                                       |      |
|   |   |                |                       |                                 |                       |               |                                       |      |
| EXECUTIVE OFFICE OF THE<br>PRESIDENT, EXECUTIVE<br>OFFICE OF THE PRESIDENT  | High Intensity Drug<br>Trafficking Areas<br>Program                   | 95.001         | 9001700074            | -                               | 30,000                | 30,000        | -                                     |      |
|   | High Intensity Drug<br>Trafficking Areas<br>Program                   | 95.001         | G18NW0011A            | -                               | 27,963                | 27,963        | -                                     |      |
|   |   |                |                       |                                 |                       |               |                                       |      |

*The accompanying notes are an integral part of this schedule.*

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

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number     | Other Award<br>Number | Expenditures                    |                       |         | Passed through<br>to<br>Subrecipients | Note |
|--|--|--------------------|-----------------------|---------------------------------|-----------------------|---------|---------------------------------------|------|
|  |  |                    |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total   |                                       |      |
| EXECUTIVE OFFICE OF THE<br>PRESIDENT, EXECUTIVE<br>OFFICE OF THE PRESIDENT               | High Intensity Drug<br>Trafficking Areas<br>Program                              | 95.001             | G17NW003A             | -                               | 49,134                | 49,134  | -                                     |      |
|  |  | Total CFDA 95.001: |                       |                                 | 107,097               | 107,097 | -                                     |      |
| U.S. COAST GUARD,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via<br>Homeland Security)      | Boating Safety Financial<br>Assistance   | 97.012             | 3318FAS18015<br>3     | 14,580                          | -                     | 14,580  | -                                     |      |
|  |  |                    |                       |                                 |                       |         |                                       |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via DHS) | Disaster Grants - Public<br>Assistance<br>(Presidentially Declared<br>Disasters) | 97.036             | PW97                  | 56,471                          | -                     | 56,471  | -                                     |      |
|  |  |                    |                       |                                 |                       |         |                                       |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via DHS) | Disaster Grants - Public<br>Assistance<br>(Presidentially Declared<br>Disasters) | 97.036             | PW104                 | 37,593                          | -                     | 37,593  | -                                     |      |
|  |  |                    |                       |                                 |                       |         |                                       |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via DHS) | Disaster Grants - Public<br>Assistance<br>(Presidentially Declared<br>Disasters) | 97.036             | PW105                 | 106,130                         | -                     | 106,130 | -                                     |      |
|  |  |                    |                       |                                 |                       |         |                                       |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via DHS) | Disaster Grants - Public<br>Assistance<br>(Presidentially Declared<br>Disasters) | 97.036             | PW119                 | 389,115                         | -                     | 389,115 | -                                     |      |
|  |  |                    |                       |                                 |                       |         |                                       |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via DHS) | Disaster Grants - Public<br>Assistance<br>(Presidentially Declared<br>Disasters) | 97.036             | PW120                 | 46,276                          | -                     | 46,276  | -                                     |      |
|  |  |                    |                       |                                 |                       |         |                                       |      |
| Total CFDA 97.036:   |  |                    |                       | 635,585                         | -                     | 635,585 | -                                     |      |

The accompanying notes are an integral part of this schedule.



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

| Federal Agency<br>(Pass-Through Agency)   | Federal Program                               | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |                  | Passed through<br>to<br>Subrecipients | Note |
|---|---|----------------|-----------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
|   |   |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total            |                                       |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via<br>Homeland Security) | Emergency<br>Management<br>Performance Grants | 97.042         | E18-062               | 38,365                          | -                     | 38,365           | -                                     |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via<br>Homeland Security) | Emergency<br>Management<br>Performance Grants | 97.042         | E19-068               | 20,472                          | -                     | 20,472           | -                                     |      |
| <b>Total CFDA 97.042:</b>   |   |                |                       | <b>58,837</b>                   | <b>-</b>              | <b>58,837</b>    | <b>-</b>                              |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via<br>Homeland Security) | Homeland Security<br>Grant Program            | 97.067         | E17-069               | 71,453                          | -                     | 71,453           | -                                     |      |
| FEDERAL EMERGENCY<br>MANAGEMENT AGENCY,<br>HOMELAND SECURITY,<br>DEPARTMENT OF (via<br>Homeland Security) | Homeland Security<br>Grant Program            | 97.067         | E18-158               | 19,199                          | -                     | 19,199           | -                                     |      |
| <b>Total CFDA 97.067:</b>   |   |                |                       | <b>90,652</b>                   | <b>-</b>              | <b>90,652</b>    | <b>-</b>                              |      |
| <b>Total Federal Awards Expended:</b>   |   |                |                       | <b>2,403,315</b>                | <b>198,188</b>        | <b>2,601,503</b> | <b>271,850</b>                        |      |

*The accompanying notes are an integral part of this schedule.*

**Cowlitz County**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2018**

**NOTE 1 – BASIS OF ACCOUNTING**

The schedule is prepared on the same basis of accounting as the county's financial statements. The county uses the modified accrual basis of accounting for governmental funds and full accrual basis for proprietary funds.

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

The amount expended includes amounts claimed as indirect cost recovery using an approved indirect rate provided by individual contracts to the following programs:

|        |    |         |
|--------|----|---------|
| 10.665 | \$ | 478     |
| 93.069 |    | 15,758  |
| 93.136 |    | 7,387   |
| 93.268 |    | 1,211   |
| 93.563 |    | 72,688  |
| 93.563 |    | 3,002   |
| 93.757 |    | 642     |
| 93.994 |    | 21,294  |
|        |    | <hr/>   |
|        | \$ | 122,460 |

The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



## Carolyn Fundingsland AUDITOR

### CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

#### Cowlitz County

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

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

|   |  |
|---|--|
| <b>Finding ref number:</b><br>2018-001  | <b>Finding caption:</b><br>The County's internal controls over financial statement preparation were not adequate to ensure accurate financial reporting. |
| <b>Name, address, and telephone of County contact person:</b><br>Brooke Quick, Accounting Manager<br>207 Fourth Avenue North<br>Kelso, WA 98626<br>(360) 577-3002   |  |
| <b>Corrective action the auditee plans to take in response to the finding:</b><br><i>Cowlitz County appreciates the Office of the Washington State Auditor's review of our 2018 Financial Statements. In response, Cowlitz County will take the following corrective actions:</i> <ul style="list-style-type: none"><li><i>The County has updated our process for calculating investment contributions and distributions of fiduciary funds, which were originally reported incorrectly due to unclear GASB guidance. The County Auditor's Office will also do a detailed review of the calculations.</i></li><li><i>In an effort to become less decentralized, the County is in the process of rebuilding our grant worksheets and instructions provided to departments that are used to prepare our Schedule of Expenditures of Federal Awards.</i></li></ul> |  |

- *Going forward, the County will ensure that the proper LEOFF 1 retiree listing is used and that it is updated before calculating its OPEB balances.*
- *The system used for the prior year revenue reversal entry is no longer being used and the new system's fund numbers are in line with the County's current financial reporting system.*

**Anticipated date to complete the corrective action: 9/30/2019**

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

| Contact information for the State Auditor's Office |  |
|--|--|
| Public Records requests                            | <a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a> |
| Main telephone                                     | (360) 902-0370   |
| Toll-free Citizen Hotline                          | (866) 902-3900   |
| Website  | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>                     |