COLUMBIA COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
For the Year Ending December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Columbia County was incorporated in November 1885 and operates under the laws of the State of Washington applicable to a seventh-class county with a commissioner form of government. The county is a general purpose government and provides public safety, road improvement, parks and recreation, judicial administration, health and social services, and general administrative services.

The county reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

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

Special Revenue Funds
These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the county.

Debt Service Funds
These funds account for the financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds
These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds
These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds
These funds account for operations that provide goods or services to other departments or funds of the county on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the county in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds
These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds
These funds are used to account assets that the county holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Budgets

The county adopts annual appropriated budgets for all governmental and proprietary funds, except the debt service fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001-Current Expense	$5,456,310	$4,190,012	$1,266,298
101-County Road	$7,596,404	$5,414,025	$2,182,379
102-Mental Health	$121,500	$92,221	$29,279
103-Growth Management	$24,000	$8,789	$15,211
104-Co Capital Improvement	$146,551	$11,875	$134,676
105-Fair	$145,500	$82,884	$62,616
106-Soldier/Sailor Relief	$22,225	$5,123	$17,102
107-Weed Control	$109,000	$106,336	$2,664
108-Rural Co Sales/Use Tax	$73,230	$52,644	$20,586
110-Snowmobile	$14,250	$0	$14,250
111-Alcohol	$111,172	$92,170	$19,002
115-EMSTCC	$16,100	$2,717	$13,383
118-Crime Victim/Witness	$49,033	$25,995	$23,038
119-Domestic Violence A/P/P	$19,250	$15,060	$4,190
120-Reet Technology	$25,000	$23,223	$1,777
121-Trial Court Improvements	$29,500	$14,594	$14,906
122-Special Purpose Paths/Trails	$25,751	$11,847	$13,904
123-Treasurer’s O&M	$2,000	$387	$1,613
124-Affordable Housing	$154,100	$21,909	$132,191
125-Law & Justice	$846,400	$330,339	$516,061
126-Auditor’s O&M	$516,900	$19,426	$497,474
127-Hotel/Motel	$35,520	$5,322	$30,198
128-E-911	$588,418	$577,743	$10,675
129-Sheriff Reserve Officers	$59,930	$5,315	$54,615
130-Senior Citizen’s Center	$19,800	$9,661	$10,139
133-Homeland Security	$14,094	$12,985	$1,109
135-Public Health	$418,545	$350,768	$67,777
137-Col Co Park & Rec	$296,548	$298,448	($1,900)
138-Planner’s Spec Assessment	$284,000	$229,376	$54,624
139-Meth Cleanup	$19,994	$245	$19,749
140-Boating Safety	$42,397	$0	$42,397
401-Solid Waste Management	$734,415	$688,172	$46,243
501-Equipment Rent & Revolving	$1,530,887	$1,027,051	$503,836
502-Risk Pool	$214,000	$138,868	$75,132
503-Server Maintenance	$161,110	$158,212	$2,898
504-Unemployment	$219,335	$4,590	$214,745

Budget amounts are authorized to transfer budgeted amounts between object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the county commissioners.

D. Cash and Investments

See Note 3. Deposits and Investments

E. Capital Assets

Capital assets are assets with an initial individual cost of more than $5000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 120 days, of which 50% is payable upon retirement, death or separation for employees with five years of service. Employees hired on or after January 1, 2002, will be paid on a 3 to 1 basis upon retirement or death.

Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 6. Debt Service Requirements

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the county commissioners and a resolution. When expenditures that meet restrictions are incurred, the county intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of $ 38,119.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

The Park and Recreation Fund exceeded their approved budget by $1900.00.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is the county's policy to invest all temporary cash surpluses. Of the earned interest on the investments (in bold print) 5% is deducted and receipted into Current Expense as an investment service fee.

All deposits and certificates of deposit are covered by the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the county or its agent in the government's name.

Investments are reported at original cost. Investments by type as of December 31, 2017 are as follows:

Type of Investment	County	Other Districts	Total
County Residual			
HomeStreet (Sweep Acct)	$250,000.00		$250,000.00
Banner Bank (Sweep Acct)	$120,352.32		$120,352.32
Umpqua Bank	$2,345,000.59		$2,345,000.59
Short-term Investments			
LGIP (WPDPC Secure)	$305,000.00	$1,815,000.00	$2,120,000.00
Umpqua Bank	$750,000.00	$50,000.00	$800,000.00
WA Federal Bank	$1,300,000.00		$1,300,000.00
Long-term Investments			
Time Value	$401,172.16	$197,029.34	$598,201.50
Totals	$5,471,525.07	$2,062,029.34	$7,533,554.41

NOTE 4 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the county. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The county's regular levy for 2017 was $1.565629 per $1,000 on an assessed valuation of $868,138,777 for a total regular levy of $1,359,184.31

The county is also authorized to levy $2.108479 per $1,000 assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general governmental services. The county's road levy for 2017 was $1.967856 per $1,000 on an assessed valuation of $711,121,603 for a total road levy of $1,399,384.94. The County diverted $100,000 of the total road levy into Current Expense as authorized by RCW 84.52.043(1)(d) of which $25,000 was diverted to Solid Waste through Current Expense with $75,000 remaining in Current Expense.

NOTE 5 - INTERFUND LOANS

The following table displays interfund loan activity during 2017:

Borrowing Fund	Lending Fund	Balance 1/1/2017	New Loans	Repayments	Balance 12/31/2017
Solid Waste	ER&R	$65,500	$.00	$.00	$65,500
County Road	ER&R	$.00	$50,000	$.00	$50,000
Solid Waste	County Road	$350,000	$.00	$350,000	$.00
Totals		$415,500	$50,000	$350,000	$115,500

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarized the county's debt transactions for the year ending December 31, 2017. The debt service requirements for general obligation bonds are as follows:

	Principle	Interest	Total
2018	$118,688	$51,150	$169,838
2019	$120,035	$46,509	$166,544
2020	$126,437	$41,607	$168,045
2021	$ 95,000	$36,450	$131,450
2022	$100,000	$32,425	$132,425
2023-2027	$555,000	$92,963	$647,963
2028	$130,000	$ 2,925	$132,925
Totals	$1,245,160	$304,029	$1,549189

NOTE 7 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS and LEOFF.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2017, the county proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	EMPLOYER CONTRIBUTIONS	ALLOCATION %	LIABILITY (ASSET)
PERS 1	$145,280.10	0.000242	$1,146,031
PERS 2/3	$175,976.60	0.000288	$1,001,045
LEOFF 1		0.000016	($24,518)
LEOFF 2	$17,018.90	0.000108	($149,494)

The county also participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

The county also participates in the LEOFF Plan 2. 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.

NOTE 8 - RISK MANAGEMENT

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are $20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. For losses occurring in 2017, Columbia County selects a per-occurrence deductible of $10,000.

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 2016-17, the "corridor" increased the SIR to $2 million, with an aggregated stop loss of $4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of $40 million (lowest reinsured layer), $20 million, (second layer), $30 million (third layer) and $50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles, and for their proportional shares of the entry year's assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any member may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the six staff members responsible for evaluating each claim for coverage, establishing reserves, and investigating for any risk-shared liability. The Pool does not contract with any third party administrators for claims adjustment or loss prevention services.

During 2016-17, Columbia 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.

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

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

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

During 2016-17, the WCRP's assets remained stable at $46.8 million while its liabilities decreased slightly to $28.6 million. The Pool's net position increased slightly from $17.9 million to $18.1 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2017 was zero ($0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

For current Risk Pool financial statements, go to their website at www.wcrp.info.

Columbia County is self-insured for unemployment compensation.. See Schedule 21.

NOTE 9 - DEFERRED COMPENSATION PLAN

The county offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans are with independent plan administrators. The plans are available to eligible employees and allow them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Compensation deferred under the plans and all income attributable to the plans is solely the property of the county. The county's rights to this property are subject only to the claims of the county's general creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan. Participants' rights under the plan are equal to those of general creditors of the county in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the county's legal counsel that the county has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The county believes that it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

In June 1998, the State of Washington Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since the county is no longer the owner of these assets, as of December 31, 1998, the plan assets and liabilities are no longer reported as an Agency Fund.

NOTE 10 – FIDUCIARY ACTIVITIES

Washington State law requires counties to act as a fiscal agent on behalf of special purpose districts. The resources collected and held for these districts in a custodial capacity were previously omitted from the financial statements. Starting in fiscal year 2017, counties are required to report the custodial amounts on their financial statements.

This requirement resulted in addition of $30,820,996 in custodial deposits reported in the statement of *Fiduciary Fund Resources and Uses Arising from Cash Transactions* for the year ended December 31, 2017. In addition, these amounts are now required to be presented by fund type rather than by individual fund.

NOTE 11 - CONTINGENCIES AND LITIGATION

The county participates in a number of federal and state assisted programs. These grants are subject to audit by the grantor agencies for expenditures disallowed under the terms of the grants.