



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Chelan County

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

Published August 22, 2016

Report No. 1017181





Washington State Auditor's Office

August 22, 2016

Board of Commissioners
Chelan County
Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Chelan County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Chelan County January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Chelan 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, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.665	Schools and Roads – Grants to States
20.205	Highway Planning and Construction

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Chelan County January 1, 2015 through December 31, 2015

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

Audit Period: January 1, 2013 – December 31, 2013	Report Ref. No: 1012652	Finding Ref. No: 1	CFDA Number: 10.923
Federal Program Name and Granting Agency: Emergency Protection Watershed Program, U.S. Department of Agriculture		Pass-Through Agency Name: Natural Resources Conservation Service	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.			
Background: During the 2013 audit, the county spent \$532,855 in federal grant funds for two projects to prevent flooding. Federal requirements prohibit grant recipients from contracting with or making sub-awards to vendors who have been suspended or debarred from doing business with the federal government. The County is required to verify that all vendors receiving \$25,000 or more in federal funds have not been suspended or debarred. The County did not have internal controls to ensure compliance with the suspension and debarment requirements. For one of the Emergency Watershed Protection Program Projects, the County paid one vendor \$88,363 for aerial seeding services and another vendor \$52,206 for construction services without verifying whether the vendors were suspended or debarred.			
Status of Corrective Action: <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>When hiring a vendor/contractor paid over \$25,000 a sam.gov search will be performed to find if there is an active exclusion. The search will be performed before the contract is awarded or payments are made (whichever is first). A PDF of the search will be saved, the date of the search will be printed on the bottom of the page.</i>			

Audit Period: January 1, 2014 – December 31, 2014	Report Ref. No: 1015226	Finding Ref. No: 2014-001	CFDA Number: 11.438
Federal Program Name and Granting Agency: Salmon Restoration Award – National Oceanic and Atmospheric Administration		Pass-Through Agency Name: Department of Commerce: Recreation and Conservation Office	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.			
Background: The County is required to verify that all vendors receiving \$25,000 or more in federal funds have not been suspended or debarred. One contract with an engineering firm for \$75,582 did not include necessary clauses in the contract and the County did not take other measures to ensure federal suspension and debarment requirements were met prior to entering into this contract. The County was unaware that suspension and debarment requirements applied to contracts with professional services. We recommend the County establish internal controls to comply with suspension and debarment requirements for all vendors paid over \$25,000 with federal funds prior to entering into contracts.			
Status of Corrective Action: <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>When hiring a vendor/contractor paid over \$25,000 a sam.gov search will be performed to find if there is an active exclusion. The search will be performed before the contract is awarded or payments are made (whichever is first). A PDF of the search will be saved, the date of the search will be printed on the bottom of the page.</i>			
Audit Period: January 1, 2014 – December 31, 2014	Report Ref. No: 1015226	Finding Ref. No: 2014-002	CFDA Number: 10.665
Federal Program Name and Granting Agency: Schools and Roads Grants to States – U.S. Department of Agriculture – U.S. Forest Service		Pass-Through Agency Name: Office of the State Treasurer	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal grant requirements for allowable costs and the public comment period.			

Background:

The County did not have adequate controls to ensure costs charged to the Title III grant were allowable under program requirements. We determined that the County spent \$13,484 on an ATV and related accessories that were not permitted under grant regulations and also that \$49,457 in payroll costs were not supported by appropriate records. Lastly, we found that the County did not provide the required 45 day public comment period regarding proposed use of Title III funds. We recommend the County establish an effective internal control process over Title III grant compliance.

Status of Corrective Action:

☐ Fully
Corrected

☒ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

While the county disagreed with the finding concerning the ATV purchase, the county will not charge these types of costs to Title III. The county will not charge Community Development payroll costs to Title III. While the county felt that the budget hearing and notification procedures met the 45-day comment period, the county will provide specific notice in the local newspaper about the 45-day comment period for Title III expenditures.

**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**

**Chelan County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Chelan County
Wenatchee, 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, each major fund and the aggregate remaining fund information of Chelan County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 18, 2016.

As discussed in Note 14 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. As discussed in Note 1 to the financial statements, the County reclassified approximately \$9 million of internal service fund revenues as charges for services in 2015. These revenues were reported as miscellaneous revenues in prior years.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we will report to the management of the County in a separate letter dated July 29, 2016.

COMPLIANCE AND OTHER MATTERS

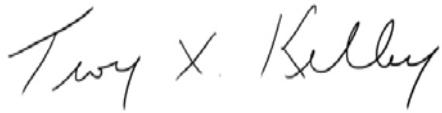
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 18, 2016

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

**Chelan County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Chelan County
Wenatchee, Washington

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

We have audited the compliance of Chelan County, Chelan County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

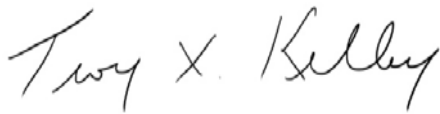
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 18, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Chelan County **January 1, 2015 through December 31, 2015**

Board of Commissioners
Chelan County
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chelan County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 19.

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, each major fund and the aggregate remaining fund information of Chelan County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Roads and Regional Justice Center 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 14 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the County reclassified approximately \$9 million of internal service fund revenues as charges for services in 2015. These revenues were reported as miscellaneous revenues in prior years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 24, information on postemployment benefits other than pensions on page 59, and pension plan information on pages 60 through 61 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.

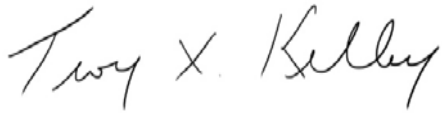
Supplementary and Other Information

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 July 18, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 18, 2016

FINANCIAL SECTION

Chelan County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

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

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– General Fund – 2015

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– County Roads Special Revenue Fund – 2015

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– Regional Justice Center Special Revenue Fund – 2015

Statement of Net Position – Proprietary Funds – 2015

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

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Notes to the Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – 2015

Schedule of Proportionate Share of the Net Pension Liability – 2015

Schedule of Employer Contributions – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Chelan County's discussion and analysis presents the readers of the County's annual financial report a narrative overview of the County's financial performance during the fiscal year that ended on December 31, 2015. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The government-wide financial statements are comprised of the statement of net position (assets and liabilities) and the statement of activities (revenues and expenses). These statements present the entire financial position of Chelan County. The government-wide financial statements use full accrual accounting, which reports both current and long-term liabilities and assets. The upper section of the statement of activities shows how general government activities do not support themselves based on charges for services. Rather the lower section of this statement shows the tax revenue that is required to support the general government functions.

The fund financial statements are presented immediately following the government-wide financial statements. There are three categories of the fund financial statements, 1) governmental, 2) proprietary, and 3) fiduciary. 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. Chelan County, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The governmental fund financial statements are prepared using the modified accrual basis of accounting, which does not include long-term liabilities and assets, focusing on current resources. Therefore a reconciliation is provided alongside the government fund financial statements to bridge the differences between the governmental fund financial statements and the government-wide financial statements. The major differences between the two types of financial statements are due to the capitalization and depreciation of assets, recognition of bonds payable, and the inclusion of the internal service net position. The county reports its major funds separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. A budgetary comparison statement is also provided for the general fund and each of the major special revenue funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

The proprietary fund financial statements are prepared using the same basis of accounting as the government-wide financial statements. Chelan County's proprietary funds include only internal service funds, which support the county government by accounting for the accumulation of assets for vehicle/equipment replacement and insurance functions. Because these services predominately benefit governmental functions, they have been included with the governmental funds in the government-wide financial statements. Individual fund data for each of the internal service funds is provided in the form of combining statements after the notes to the financial statements.

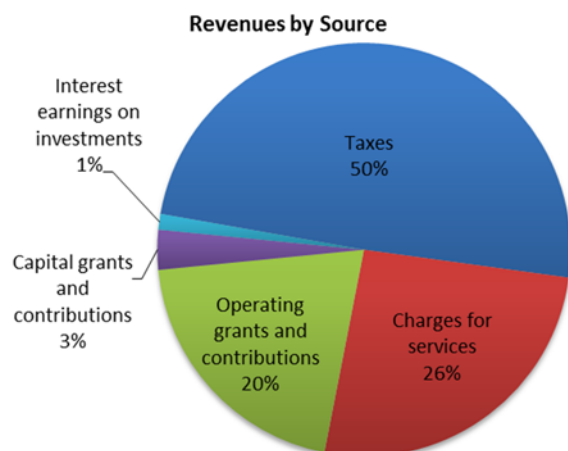
Fiduciary fund are used to account for resources held for the benefit of parties outside the government, which consists mostly of special purpose districts within Chelan County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Chelan County's progress in funding its obligation to provide other post-employment benefits to its LEOFF 1 retirees as well as information regarding pension liabilities. Required supplementary information can be found immediately following the notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Chelan County, assets exceeded liabilities by \$88,209,994 at the close of the most recent fiscal year. This decreased by \$5,916,032 over the previous year. The implementation of GASB 68 added pension assets, liabilities and deferred resources that required a \$15,761,125 reduction of beginning net position. While the changes in accounting principle reduced the total net position, there was a partially offsetting increase in net position from regular operations. The largest contribution to this fiscal year growth was the purchase and capitalization of Public

Chelan County's Changes in Net Position		
Revenues		
Program revenues:	2015	2014
Charges for services	18,516,974	19,006,582
Operating grants and contrib.	14,552,515	14,298,573
Capital grants and contributions	2,223,322	3,806,554
General revenues:		
Taxes	35,284,159	34,235,749
Interest earnings on invest.	876,720	838,571
Total revenues	71,453,690	72,186,029
Program Expenses		
General government	10,794,604	8,100,052
Judicial	3,682,693	3,489,911
Public safety	27,540,791	26,043,568
Utilities	2,030,413	2,410,244
Transportation	13,124,102	15,774,299
Natural environment	2,397,473	4,414,562
Social services	1,411,139	1,945,330
Economic environment	2,594,136	2,476,334
Culture and recreation	1,411,628	1,619,255
Interest on long term debt	550,679	717,991
Total expenses	65,537,658	66,991,546
Change in net position	5,916,032	5,194,483
Net position as of Jan 1	96,914,765	91,720,283
Change in accounting principle	(14,620,803)	-
Net position as of Dec 31	88,209,994	96,914,765

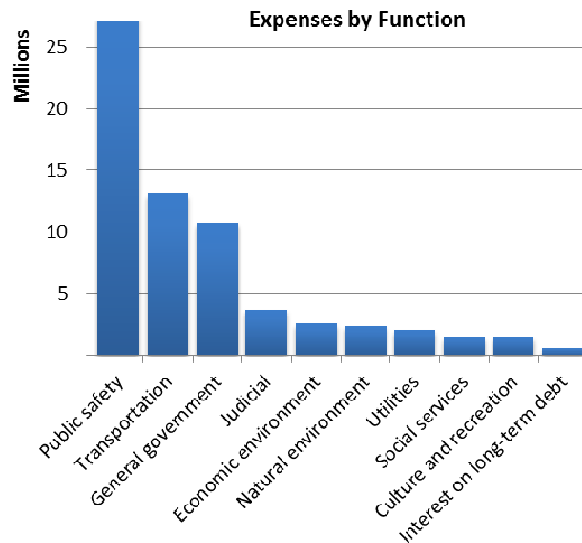


Chelan County's Net Position		
	2015	2014
Current & other assets	42,994,319	37,955,290
Capital assets (net of depr.)	85,610,396	82,119,496
Total assets	128,604,715	120,074,786
Deferred outflow s of resources	2,495,586	-
Long-term liabilities	33,506,613	18,335,804
Other liabilities	5,915,782	4,824,217
Total liabilities	39,422,395	23,160,021
Deferred inflow s of resources	3,467,912	-
Net position:		
Net investment in capital assets	73,895,396	69,087,607
Restricted	16,308,657	14,517,215
Unrestricted	(1,994,059)	13,309,943
Total net position	88,209,994	96,914,765

Works infrastructure. Local sales tax and the building permits continued to show strong signs of recovery. These continue to provide increased revenues and general county expenses have been held low ever since the 2009 recession.

A large portion of the County's net position (84%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure). The County uses these capital assets to provide services to 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.

An additional portion of the County's net position (18%) represents resources that are subject to external restrictions on how they may be used. The resulting negative balance of unrestricted net position (-2%) is due to the implementation of GASB 68 recognizing a large pension liability.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The General fund, County Roads, and Regional Justice Center funds were the County's major governmental funds. Together these four funds account for 51% of total governmental fund balance.

The General fund is the chief operating fund of Chelan County. At the end of the current fiscal year, unassigned fund balance of the General fund was \$7,999,728, which represents 24% of total General fund expenditures. The fund balance of General fund increased by \$382,115 during the current fiscal year and is larger than it has been since Chelan County has had comparable financial statements. The tremendous growth is primarily due to an increase in sales tax revenue driven by a one-time projects within the County. The Holden Mine project, which has generated unprecedented sales tax for the General fund, is not expected to bring in nearly the same amount of sales tax after 2016. The housing industry has also picked up and helped bring in more building permit revenue. These revenue increases combined with holding expenditures tight has built a healthy fund balance for the General fund. At the beginning of 2016, the City of Wenatchee annexed a portion of Chelan County, which is expected to decrease sales tax by \$1 million annually. This will certainly slow the growth of the past 7 years and may even decrease the fund balance over the coming years.

The fund balance of the County Roads special revenue fund decreased by \$1,950,827 during the current fiscal year. The County is working on a major infrastructure update that is spending its current fund balance. However, the present infrastructure should reap benefits to future maintenance and future cost savings should grow the fund balance again. Because property taxes in this fund are collected for the explicit purpose of road construction and maintenance, these funds are restricted for that purpose.

The Regional Justice Center fund balance increased by \$1,011,480, giving it a positive ending fund balance of \$21,809. This fund balance had been reduced over the past few years due to fewer contracted inmates being housed, which reduced the revenue brought in by this fund. Until the end of 2015, the Regional Justice Center had been borrowing from other funds to meet cash flow needs. It was determined that this fund would not be able to pay off the loans so the General fund transferred \$992,000 to help the Regional Justice Center pay off its loans. Increased contributions by the General fund and increased contract rates should help the Regional Justice Center maintain a positive cash flow.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures are generally less than final budgeted expenditures. The main reason for this is that employee turnover and unfilled positions leave budget authority that goes unspent. In addition, since elected officials are legally required to operate within their given budget, they typically spend their budgets conservatively in case something unexpected comes up. The actual revenues were greater than budgeted revenues due to the slight turnaround of the local economy and generally conservative budgeting. Sales tax, building and planning fees, and election reimbursements all came in greater than budgeted.

Differences between the original and the final amended expenditure budget amounted to increases of \$1,605,185. Of this budget increase, \$446,931 was to be funded out of unexpected grants and increased reimbursements. The remaining \$1,158,254 was to be spent from the available fund balance.

Department	Amount	Explanation
Civil Service	2,000	For increased office supplies and testing. From available fund balance.
Commissioners	44,000	For increased wages and labor relations services. From available fund balance.
Facilities Maintenance	22,000	For increased capital outlay. From available fund balance.
District Court	11,525	For increased salaries. From available fund balance.
Juvenile	2,341	To increase training services. From available fund balance.
Non-Departmental	1,010,000	For a transfer to the Regional Justice Center. From available fund balance.
Prosecuting Attorney	56,388	For increased wages and small equipment. From available fund balance.
Sheriff	446,931	For overtime, extra help, small equipment and motor pool. From increased grant revenue.
Superior Court	10,000	For additional interpreter services. From available fund balance.
Total	1,605,185	

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Chelan County's investment in capital assets as of December 31, 2015, amounts to \$85,610,395 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges. The County's investment in capital assets Increased by 4%. The increase was mostly due to infrastructure projects such as \$4.5 million for the countywide pavement preservation project and \$1.75 million for the bridge repairs. There was also a \$331,448 upgrade to the cooling system on the main County campus and the construction of a \$278,091 moderate risk waste facility.

Additional information on the County's capital assets can be found in note 4.

Chelan County's Capital Assets (net of depreciation)		
	2015	2014
Land	5,637,769	5,553,017
Construction in progress	8,161,602	1,562,262
Other improvements	607,110	646,429
Buildings	26,779,674	27,613,200
Equipment	6,302,081	5,743,540
Infrastructure	38,122,159	41,001,047
Total	85,610,395	82,119,495

Long-term Debt. At the end of the current fiscal year, Chelan County had total bonded debt outstanding of \$12,880,000. The total amount of this debt is backed by the full faith and credit of the government. Chelan County's total bonded debt decreased by \$805,000 (6%) during the current fiscal year. This was due solely to the regularly scheduled bond payments. See note 7 for further information about long term debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chelan 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 Chelan County Auditor's Office, 350 Orondo Avenue, Suite 306, Wenatchee, WA 98801. Financial information requests can also be emailed to accounting@co.chelan.wa.us

CHELAN COUNTY, WASHINGTON

Statement of Net Position December 31, 2015

Assets

Cash and cash equivalents	25,777,646
Deposits with fiscal agents	57,902
Investments	8,392,155
Accounts receivable	130,028
Property tax receivable	798,894
Court judgements receivable	1,225,821
Due from other governments	1,692,199
Inventory	977,944
Equity interest in joint venture	1,732,577
Net pension asset	2,209,153
Capital assets not being depreciated:	
Land	5,637,769
Construction in progress	8,161,602
Capital assets, net of accumulated depreciation:	
Other improvements	607,110
Buildings	26,779,674
Equipment	6,302,081
Infrastructure	38,122,160
Total assets	<u>128,604,715</u>

Deferred Outflows of Resources

Deferred outflows related to pensions	2,495,586
Total deferred outflows of resources	<u>2,495,586</u>

Liabilities

Accounts payable	1,450,155
Due to other governments	125,345
Accrued payroll liabilities	2,985,539
Deposits payable	17,902
Noncurrent liabilities:	
Due within one year	1,336,841
Due in more than one year	33,506,613
Total liabilities	<u>39,422,395</u>

Deferred Inflows of Resources

Deferred inflows related to debt refunding	298,592
Deferred inflows related to pensions	3,169,320
Total deferred inflows of resources	<u>3,467,912</u>

Net Position

Net investment in capital assets	73,895,396
Restricted for:	
Capital projects	4,755,000
Transportation	1,410,959
Public safety	4,661,602
Natural environment	2,654,469
Economic environment	1,503,459
General government technology	785,047
Judicial improvements	381,056
Health services	157,065
Unrestricted	(1,994,059)
Total net position	<u>88,209,994</u>

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

CHELAN COUNTY, WASHINGTON

Statement of Activities

For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
General government	10,794,604	3,198,570	4,743,598	-	(2,852,436)
Judicial	3,682,693	1,677,437	319,510	-	(1,685,746)
Public safety	27,540,791	7,900,951	3,486,266	-	(16,153,574)
Utilities	2,030,413	2,169,513	487,223	-	626,323
Transportation	13,124,102	151,458	2,930,206	2,223,322	(7,819,116)
Natural environment	2,397,473	361,426	1,836,735	-	(199,312)
Social services	1,411,139	120,440	527,282	-	(763,417)
Economic environment	2,594,136	2,102,605	121,850	-	(369,681)
Culture and recreation	1,411,628	834,574	99,845	-	(477,209)
Interest on long-term debt	550,679	-	-	-	(550,679)
Total primary government	65,537,658	18,516,974	14,552,515	2,223,322	(30,244,847)
General revenues					
Taxes:					
Property					19,384,615
Sales and use					10,224,278
Emergency communication tax					2,548,786
Other taxes					3,126,480
Interest and investment earnings					876,720
Total general revenues					36,160,879
Change in net position					5,916,032
Net position - beginning					96,914,765
Prior period adjustment - GASB 65					(347,214)
Change in accounting principle - joint venture interest					1,487,536
Change in accounting principle - GASB 68					(15,761,125)
Net position - ending					88,209,994

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

CHELAN COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	County Roads	Regional Justice Center	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	9,268,407	3,179,213	307,365	8,218,558	20,973,543
Deposits with fiscal agents	-	-	-	17,902	17,902
Investments	376,251	-	-	5,762,625	6,138,876
Accounts receivable	20,260	630	187	108,951	130,028
Property tax receivable	441,036	332,493	-	25,365	798,894
Court judgements receivable	1,225,821	-	-	-	1,225,821
Due from other funds	46,503	-	425	10,285	57,213
Interfund loan receivable	-	-	-	416,000	416,000
Due from other governments	585,271	3,645	269,622	833,661	1,692,199
Total assets	<u>11,963,549</u>	<u>3,515,981</u>	<u>577,599</u>	<u>15,393,347</u>	<u>31,450,476</u>
Liabilities					
Accounts payable	256,323	477,018	49,829	445,583	1,228,753
Due to other funds	132,746	621,531	3,500	34,943	792,720
Interfund loan payable	-	-	-	459,350	459,350
Due to other governments	72,817	10,355	2,756	38,764	124,692
Accrued payroll	1,835,078	447,631	499,705	119,907	2,902,321
Deposits payable	-	-	-	17,902	17,902
Total liabilities	<u>2,296,964</u>	<u>1,556,535</u>	<u>555,790</u>	<u>1,116,449</u>	<u>5,525,738</u>
Deferred Inflows of Resources					
Unavailable revenue - property tax	441,036	332,493	-	25,365	798,894
Unavailable revenue - court judgements	1,225,821	-	-	-	1,225,821
Total deferred inflows of resources	<u>1,666,857</u>	<u>332,493</u>	<u>-</u>	<u>25,365</u>	<u>2,024,715</u>
Fund Balances					
Restricted	-	1,626,953	-	12,933,169	14,560,122
Committed	-	-	21,809	1,318,364	1,340,173
Unassigned	7,999,728	-	-	-	7,999,728
Total fund balances	<u>7,999,728</u>	<u>1,626,953</u>	<u>21,809</u>	<u>14,251,533</u>	<u>23,900,023</u>
Total liabilities, fund balances, and deferred inflows of resources	<u>11,963,549</u>	<u>3,515,981</u>	<u>577,599</u>	<u>15,393,347</u>	<u>31,450,476</u>

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

CHELAN COUNTY, WASHINGTON

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

Amounts reported in the statement of net position are different because:

Fund balances of governmental funds:		23,900,023
Capital assets are not financial resources, and therefore not reported in the fund financial statements.		
Capital assets	156,458,940	
Depreciation	(75,249,852)	
Capital assets net of depreciation		81,209,088
Deferred inflows of resources that are not available to finance current liabilities are excluded from the government-wide statements.		
Property tax	798,894	
Court judgements	1,225,821	
Deferred inflows of resources		2,024,715
Assets that are not available financial resources are not reported in the fund financial statements.		
Equity interest in joint venture		1,732,577
Long-term liabilities that have not been included in governmental fund activity		
Bonds payable	(12,880,000)	
Plus: Deferred charge on refunding	(298,592)	
Compensated absences	(2,289,681)	
OPEB benefit for LEOFF	(2,350,250)	
Working capital loan for Substance Abuse	(110,394)	
Pension related debt	(15,106,132)	
Long-term liabilities		(33,035,049)
Internal service funds are used by management to charge the cost of certain activities, such as equipment management and insurance to individual funds. These assets and liabilities of certain internal service funds are included in the statement of net position.		
Assets	13,256,193	
Deferred outflows of resources - pensions	56,899	
Liabilities	(857,805)	
Deferred intflows of resources - pensions	(76,647)	
Internal service net position		12,378,640
Net position		<u>88,209,994</u>

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

CHELAN COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2015

	General Fund	County Roads	Regional Justice Center	Nonmajor Governmental Funds	Total
Revenues					
Taxes	19,275,712	7,268,325	-	8,740,122	35,284,159
Licenses and permits	1,182,405	-	-	-	1,182,405
Intergovernmental revenues	6,941,903	5,142,332	45,018	4,302,389	16,431,642
Charges for services	5,463,321	97,957	8,026,327	3,382,749	16,970,354
Fees and fines	1,446,274	-	15,775	25,220	1,487,269
Miscellaneous	952,650	11,160	87,084	1,227,669	1,337,422
Total revenues	<u>35,262,265</u>	<u>12,519,774</u>	<u>8,174,204</u>	<u>17,678,149</u>	<u>73,634,392</u>
Expenditures					
Current:					
General government	13,212,185	26,212	-	311,247	13,549,644
Public safety	18,455,633	-	8,091,976	3,760,834	30,308,443
Utilities	-	-	-	1,928,311	1,928,311
Transportation	-	9,396,804	-	30,129	9,426,933
Natural environment	-	-	-	2,240,617	2,240,617
Social services	546,740	-	-	805,972	1,352,712
Economic environment	1,208,508	-	-	1,758,547	2,967,055
Culture and recreation	282,802	-	-	877,943	1,160,745
Debt service:					
Principal	85,004	-	-	719,996	805,000
Interest and other charges	27,208	-	42,710	599,720	669,638
Capital outlay	139,764	7,332,949	20,038	1,280,047	8,772,798
Total expenditures	<u>33,957,844</u>	<u>16,755,965</u>	<u>8,154,724</u>	<u>14,313,363</u>	<u>73,181,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,304,421</u>	<u>(4,236,191)</u>	<u>19,480</u>	<u>3,364,786</u>	<u>452,496</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	5,364	-	-	5,364
Transfers in	149,694	2,400,000	992,000	746,520	4,288,214
Transfers out	(1,072,000)	(120,000)	-	(3,096,214)	(4,288,214)
Total other financing sources and uses	<u>(922,306)</u>	<u>2,285,364</u>	<u>992,000</u>	<u>(2,349,694)</u>	<u>5,364</u>
Net change in fund balances	382,115	(1,950,827)	1,011,480	1,015,092	457,860
Fund balances - beginning	7,617,613	3,577,780	(989,671)	13,236,441	23,442,163
Fund balances - ending	<u>7,999,728</u>	<u>1,626,953</u>	<u>21,809</u>	<u>14,251,533</u>	<u>23,900,023</u>

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

CHELAN COUNTY, WASHINGTON

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, 2015

Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds 457,860

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	8,681,722	
Disposition of capital assets	(768,956)	
Depreciation expense	<u>(4,468,151)</u>	
		3,444,615

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Decreases in governmental fund court judgements receivable	(17,733)	
Increases in governmental fund taxes receivable	75,104	
Increase in Rivercom joint venture equity interest	<u>245,040</u>	
		302,411

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Decreases in governmental fund bonds payable	<u>805,000</u>	
		805,000

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 the governmental funds.

Increase in liability for OPEB benefit for LEOFF	(726,468)	
Contributions toward OPEB benefit for LEOFF	293,814	
Increases in governmental fund compensated absences payable	(533,365)	
Decreases in governmental fund compensated absences payable	512,820	
Amortization of deferred charge on bond refunding	48,622	
Decrease in pension expense	<u>347,252</u>	
		(57,325)

The net revenue of certain activities of internal service funds is reported on the statement of activities

963,471

Change in net position

5,916,032

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

CHELAN COUNTY, WASHINGTON**General Fund**

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary and Actual
For the Year Ended December 31, 2015

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Assessor	1,170	1,170	5,152	3,982
Auditor	885,171	885,171	1,094,292	209,121
Community Development	1,438,807	1,438,807	1,589,926	151,119
Clerk	802,995	802,995	827,898	24,903
Commissioners	11,442,725	11,442,725	12,717,300	1,274,575
Coroner	15,000	15,000	24,298	9,298
Information Technology	128,094	128,094	128,094	-
Facilities Maintenance	601,848	601,848	608,258	6,410
District Court	1,317,460	1,317,460	1,243,029	(74,431)
District Court Probation	366,285	366,285	386,417	20,132
Extension	35,500	35,500	22,172	(13,328)
Juvenile	646,370	646,370	656,004	9,634
Non-Departmental	381,808	381,808	398,437	16,629
Child Support Enforcement	397,098	397,098	359,469	(37,629)
Prosecuting Attorney	500,032	500,032	509,111	9,079
Sheriff	2,954,372	3,401,303	3,497,430	96,127
Superior Court	97,139	97,139	87,457	(9,682)
Treasurer	1,354,341	1,354,341	1,317,764	(36,577)
Taxes	11,381,564	11,381,564	11,360,958	(20,606)
Traffic Safety	170,380	170,380	178,258	7,878
Total revenues	34,918,159	35,365,090	37,011,724	1,646,634
Expenditures				
Assessor	1,269,374	1,269,374	1,218,905	(50,469)
Auditor	1,250,792	1,250,792	1,200,357	(50,435)
Community Development	1,678,432	1,678,432	1,524,566	(153,866)
Civil Service Commission	11,097	13,097	13,192	95
Clerk	1,197,575	1,197,575	1,179,610	(17,965)
Commissioners	740,420	784,420	772,625	(11,795)
Coroner	232,508	232,508	226,149	(6,359)
Information Technology	826,791	826,791	834,931	8,140
Facilities Maintenance	1,595,692	1,617,692	1,571,850	(45,842)
District Court	1,297,825	1,309,350	1,258,266	(51,084)
District Court Probation	454,820	454,820	449,065	(5,755)
Extension	342,803	342,803	272,305	(70,498)
Juvenile	2,761,080	2,763,421	2,734,043	(29,378)
Non-Departmental	8,101,840	9,111,840	9,079,032	(32,808)
Child Support Enforcement	346,564	346,564	328,339	(18,225)
Prosecuting Attorney	1,974,775	2,031,163	2,016,308	(14,855)
Sheriff	9,786,593	10,233,524	10,109,518	(124,006)
Superior Court	1,121,780	1,131,780	1,091,261	(40,519)
Treasurer	621,185	621,185	598,100	(23,085)
Taxes	30,000	30,000	30,000	-
Traffic Safety	125,687	125,687	121,187	(4,500)
Total expenditures	35,767,633	37,372,818	36,629,609	(743,209)
Excess (deficiency) of revenues over (under) expenditures	(849,474)	(2,007,728)	382,115	2,389,843
Fund balances - beginning	6,703,456	6,703,456	7,617,613	914,157
Fund balances - ending	5,853,982	4,695,728	7,999,728	3,304,000

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

CHELAN COUNTY, WASHINGTON

County Roads Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	7,262,891	7,262,891	7,268,325	5,434
Intergovernmental revenues	4,937,010	4,937,010	5,142,332	205,322
Charges for services	116,600	116,600	127,850	11,250
Miscellaneous	5,000	5,000	11,160	6,160
Total revenues	12,321,501	12,321,501	12,549,667	228,166
Expenditures				
Current:				
General government	51,219	51,219	26,212	(25,007)
Transportation	9,672,095	9,672,095	9,426,697	(245,398)
Capital outlay	6,871,807	6,871,807	7,332,949	461,142
Total expenditures	16,595,121	16,595,121	16,785,858	190,737
Excess (deficiency) of revenues over (under) expenditures	(4,273,620)	(4,273,620)	(4,236,191)	37,429
Other Financing Sources (Uses)				
Sale of capital assets	-	-	5,364	5,364
Intergovernmental loan proceeds	3,000,000	3,000,000	-	(3,000,000)
Transfers in	520,000	520,000	2,400,000	1,880,000
Transfers out	(120,000)	(120,000)	(120,000)	-
Total other financing sources and uses	3,400,000	3,400,000	2,285,364	(1,114,636)
Net change in fund balances	(873,620)	(873,620)	(1,950,827)	(1,077,207)
Fund balances - beginning	4,780,746	4,780,746	3,577,780	(1,202,966)
Fund balances - ending	3,907,126	3,907,126	1,626,953	(2,280,173)

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

CHELAN COUNTY, WASHINGTON

Regional Justice Center Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	63,000	63,000	45,018	(17,982)
Charges for services	8,277,809	8,277,809	8,026,327	(251,482)
Fees and fines	12,200	12,200	15,775	3,575
Miscellaneous	90,805	90,805	87,084	(3,721)
Total revenues	<u>8,443,814</u>	<u>8,443,814</u>	<u>8,174,204</u>	<u>(269,610)</u>
Expenditures				
Current:				
Public safety	7,909,258	8,216,548	8,091,976	(124,572)
Debt service:				
Interest and other charges	-	42,710	42,710	-
Capital outlay	50,000	50,000	20,038	(29,962)
Total expenditures	<u>7,959,258</u>	<u>8,309,258</u>	<u>8,154,724</u>	<u>(154,534)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>484,556</u>	<u>134,556</u>	<u>19,480</u>	<u>(115,076)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	992,000	992,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>992,000</u>	<u>992,000</u>
Net change in fund balances	484,556	134,556	1,011,480	876,924
Fund balances - beginning	-	-	(989,671)	(989,671)
Fund balances - ending	<u>484,556</u>	<u>134,556</u>	<u>21,809</u>	<u>(112,747)</u>

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

CHELAN COUNTY, WASHINGTON

Statement of Net Position Proprietary Funds December 31, 2015

	<u>Internal Service Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	4,804,103
Deposits with fiscal agents	40,000
Investments	2,253,279
Due from other funds	736,209
Interfund loan receivable	43,350
Inventory	977,944
Total current assets	<u>8,854,885</u>
Noncurrent assets:	
Capital assets: net of accumulated depreciation)	
Buildings	24,353
Equipment	4,376,955
Total noncurrent assets	<u>4,401,308</u>
Total assets	<u>13,256,193</u>
Deferred Outflows of Resources - Pensions	<u>56,899</u>
Liabilities	
Current liabilities:	
Accounts payable	221,406
Due to other funds	701
Due to other governments	653
Accrued payroll liability	83,218
Compensated absences	8,395
Total current liabilities	<u>314,373</u>
Noncurrent liabilities:	
Compensated absences	30,559
Claims reserve	225,754
Net pension liability	287,119
Total noncurrent liabilities	<u>543,432</u>
Total liabilities	<u>857,805</u>
Deferred Inflows of Resources - Pensions	<u>76,647</u>
Net Position	
Investment in capital assets	4,401,308
Unrestricted	7,977,332
Total net position	<u>12,378,640</u>

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

CHELAN COUNTY, WASHINGTON

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Year Ending December 31, 2015

	<u>Internal Service Funds</u>
Operating Revenues	
Charges for services	<u>11,075,913</u>
Total operating revenues	<u>11,075,913</u>
Operating Expenses	
Salaries	652,556
Personnel benefits	283,405
Supplies	1,917,055
Other services & charges	6,179,210
Interfund payments for services	135,575
Depreciation	<u>895,901</u>
Total operating expenses	<u>10,063,702</u>
Operating income (loss)	1,012,211
Nonoperating Revenues (Expenses)	
Gain (loss) on disposal of capital assets	<u>(48,740)</u>
Total nonoperating revenues (expenses)	<u>(48,740)</u>
Change in net position	963,471
Net position - beginning	11,722,912
Change in accounting principles-GASB 68	<u>(307,743)</u>
Net position - ending	<u><u>12,378,640</u></u>

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

CHELAN COUNTY, WASHINGTON

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2015

	Internal Service Funds
Cash Flows From Operating Activities:	
Cash received from customers and users	10,887,343
Cash payments to suppliers	(8,512,551)
Cash payments to employees and retirees	(933,620)
Net cash provided (used) by operating activities	<u>1,441,172</u>
Cash Flows From Noncapital Financing Activities	
Interfund loan payment received	129,586
Interfund loan provided	(172,936)
Net cash provided (used) by noncapital financing activities	<u>(43,350)</u>
Cash Flows From Capital Financing Activities	
Proceeds from sale of capital assets	181,195
Acquisition and construction of capital assets	(1,172,123)
Net cash provided (used) by capital financing activities	<u>(990,928)</u>
Cash Flows From Investing Activities	
Purchase of investments	(3,241)
Net cash provided (used) by investing activities	<u>(3,241)</u>
Net increase (decrease) in cash and cash equivalents	403,653
Cash and cash equivalents, January 1	<u>4,400,450</u>
Cash and cash equivalents, December 31	<u><u>4,804,103</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>1,012,211</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) operating activities:	
Depreciation	895,901
(Increase) decrease in accounts receivable	360
(Increase) decrease in due from other funds/gov	(188,930)
(Increase) decrease in inventory	23,360
Increase (decrease) in vouchers/contracts payable	(239,172)
Increase (decrease) in due to other funds/gov	(64,899)
Increase (decrease) in accrued payroll liabilities	4,039
Increase (decrease) in accrued employee leave benefits	(1,698)
Total adjustments	<u>428,961</u>
Net cash provided (used) by operating activities	<u><u>1,441,172</u></u>

The County did not have any material noncash transactions.

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

CHELAN COUNTY, WASHINGTON

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2015

	<u>Agency Funds</u>
Assets	
Cash	17,125,351
Investments	152,704,500
External trust deposits	1,823,836
Accounts receivable	863
Taxes receivable	2,968,128
Total assets	<u>174,622,678</u>
Liabilities	
Accounts payable	488,108
Other accrued liabilities	706,978
Custodial accounts	173,427,592
Total liabilities	<u>174,622,678</u>

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

CHELAN COUNTY, WASHINGTON

Notes to the Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Chelan County, Washington, was incorporated in 1899 and operates under the laws of the State of Washington applicable to third-class counties with commissioner form of government. As required by the generally accepted accounting principles the financial statements present Chelan County, the primary government.

Chelan County is a general purpose government and provides the following services: law enforcement and public safety; juvenile, superior and district court systems; legal prosecution and indigent defense; jails and corrections; construction and maintenance of county roads, bridges, and drainage systems; community planning, development, and code compliance; and parks and recreation activities management. In addition, the County provides general government services such as property assessment, tax services, issuance of permits and licenses, and elections.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

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

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

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

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

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

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

Chelan County reports the following major governmental funds:

- The General fund (Current Expense) is the County's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The County Roads special revenue fund accounts for the finance, design, construction, and maintenance of Chelan County roads. The majority of its funding comes from property taxes, motor vehicle fuel taxes, and state and federal grants.
- The Regional Justice Center fund accounts for the operation of the Chelan County regional correction facility. It receives its funding from providing Jail bed space to other entities as well as the Chelan County General fund.

Additionally, Chelan County reports the following fund types:

- Internal service funds account for equipment and fleet management as well as insurance management services to other departments or funds of the County or to other governmental units on a cost-reimbursement basis.
- Agency funds account for the cash balances maintained by the local taxing districts. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. An exception to this rule is that interfund charges for services are not excluded when elimination would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Data

1. Budgetary Basis of Accounting

Annual appropriated budgets are adopted for general, special revenue, debt service, capital project, and proprietary funds on the modified accrual basis of accounting. However, interfund activity is also budgeted and must be removed (see note 1(D)(3) for a reconciliation to GAAP basis). These budgets are adopted at the fund and department levels. Appropriations for all budgeted funds lapse at year-end. Major capital projects are also included in the County's capital financing plan, which carries forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Excess of Expenditures Over Appropriations

The following excess of expenditures over appropriations were not anticipated in the original 2015 budget and the expenditures occurred late in 2015 after any supplemental budget appropriations could be legally made. In each instance, the funds had sufficient cash balances to cover their expenditures.

The Civil Service Commission department of the General fund had expenditures that exceeded appropriation by \$95. This department has a very small budget and incurred civil service testing expenses at the end of the year that sent it over budget.

The Information Technology department of the General fund had expenditures that exceeded appropriation by \$8,140 due to unbudgeted salary increases for several employees in the department.

The Solid Waste fund expenses exceeded appropriations by \$30,232 higher waste disposal costs and under budgeted B&O taxes.

The County Roads fund expenses exceeded appropriations by \$190,737 due to larger road project costs than originally budgeted.

The Law Library fund expenditures exceeded appropriations by \$284 due to reference material purchases that were greater than what was budgeted.

The Mental Health fund expenditures exceeded appropriations by \$42. This fund operates as a pass-through fund, so the excess expenditures were covered with corresponding revenues received.

The RJC Prisoner fund expenditures exceeded appropriation by \$4,661 due to unbudgeted interfund postage expenditures.

3. Reconciliation of Budgetary and Actual Statements

The total revenues and expenditures of the General fund from the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budgetary and Actual do not tie to the total revenues and total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances due to the elimination of interfund activity and separation of other financing sources and uses.

	General Fund		County Roads	
	Revenues	Expenditures	Revenues	Expenditures
Budgetary basis	37,011,724	36,629,609	12,549,667	16,785,858
Interfund activity	(1,599,765)	(1,599,765)	(29,893)	(29,893)
Transfers	(149,694)	(1,072,000)		
GAAP basis	35,262,265	33,957,844	12,519,774	16,755,965

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

It is the County's policy to invest all temporary cash surpluses. At December 31, 2015, the Treasurer was holding \$21,275,006 in residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is credited to the general fund.

For purposes of the statement of cash flows, the county considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, banker's acceptances, and certain other government agency obligations. Investments are reported at fair value.

2. Receivables

Taxes receivable consist of property taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Court judgments receivable consist of fines and penalties assessed by the Superior and District Court Judges.

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

3. Amounts Due To and From Other Funds and Governmental Units, and Interfund Loans Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund loans receivable/payable”. All other outstanding balances between funds are reported as “due to/from other funds.” A separate schedule of interfund loans receivable and payable is furnished in Note 11.

4. Inventories

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000, or in the case of infrastructure assets with an initial cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The cost for normal maintenance and repairs are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives: Buildings for 31.5 years, land improvements over 10 years, equipment varies between 3 and 10 years; infrastructure between 20 and 45 years.

6. Other Accrued Liabilities

These accounts consist of accrued wages, accrued employee benefits, and accrued use tax.

7. Deferred Inflows of Resources

Deferred inflows of resources in the governmental fund financial statements include delinquent taxes and court judgments that are earned, but not yet available under the modified accrual basis of accounting.

8. 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.

9. Fund Balance Policies

Chelan County fund balances are classified into five categories in accordance with Statement 54 from the Governmental Accounting Standards Board: nonspendable, 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's policy varies by fund type. In the General fund, the county uses restricted resources first, committed resources second, assigned resources third, and unassigned resources last. In the special revenue and capital projects funds, the county uses assigned resources first, committed resources second, and restricted resources last.

The fund balance is committed when the Board of County Commissioners commits a revenue source to a specific purpose by formal resolution. The fund balance is assigned when the Board of County Commissioners approve in writing, other than formal resolution, an intended use for a revenue source. The approved budget does not create committed or assigned amounts.

F. Revenues and Expenditures/Expense

1. Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Property taxes are levied and become an enforceable lien against properties on January 1st. Tax bills are mailed on February 14th, and the first of two equal installment payments is due on April 30. The second installment payment is due on October 31st.

In governmental funds, property taxes are recorded as a receivable when levied, offset by unavailable revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 60 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

2. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave, sick leave, and compensation time. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay, which may be accumulated up to 240 hours, is payable upon resignation, retirement or death.

Chelan County allows employees to accumulate up to 960 hours of sick leave after which time it lapses or is paid out at year-end (depending on union affiliation). Upon setting an official date of retirement, an employee is paid out all accumulated sick leave hours in excess of 720 hours to a maximum of 240 hours.

The County also allows 80 or 120 hours (depending on union affiliation) of compensatory leave after which time it is paid out month by month. In addition, any compensatory leave accumulated in excess of 40 or 80 hours (depending on union affiliation) is paid out at year-end.

3. Internal Service Revenue Classification

Recent changes to the statewide accounting manual changed internal service fund revenue classifications from miscellaneous revenue to charges for services. Although total internal service fund revenues between years will be comparable, the charges for services classification is not comparable to prior year financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 1.D.2 describes budgetary violations that occurred for the year ended December 31, 2015. It also addresses the action taken to cover the expenses.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

The County's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments

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

Investments	Weighted average maturity of Chelan County's own investments	Fair value of Chelan County's own investments	Fair value of investments held by Chelan County as an agent for other local governments	Total
State investment pool	less than 90 days	402,492	123,465,538	123,868,030
U.S. government securities	16 months	7,989,663	27,425,266	35,414,929
Certificate of deposit	N/A	-	1,753,556	1,753,556
Municipal money market	N/A	-	60,140	60,140
Total		8,392,155	152,704,500	161,096,655

Surplus cash pooled and invested, listed as cash and cash equivalents in the financial statements

See Note 1(E)

Municipal money market	less than 90 days	1,003,448
Certificate of deposit	4 months	254,282

State investment pool. The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Through its investment policy, the County manages its exposure to the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The policy also states that no single security will be purchased with a maturity date of more than five years from the date of purchase.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The state investment pool does not have a credit rating. Chelan County holds municipal bonds with Moody's ratings of A3. The County also holds federal securities all holding a Moody's rating of Aaa and Aa1 and S&P rating of AA+ and AA-. Chelan County does not have a policy related to credit risk.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance 01/01/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital assets, not being depreciated:				
Land	5,553,017	84,752	-	5,637,769
Construction in progress	1,562,262	7,019,727	420,388	8,161,602
Total capital assets, not being depreciated	7,115,279	7,104,479	420,388	13,799,371
Capital assets, being depreciated:				
Other improvements	2,319,061	49,750	157,378	2,211,433
Buildings and structures	54,363,501	278,091	-	54,641,592
Machinery and equipment	23,756,958	1,981,619	1,612,436	24,126,142
Infrastructure	79,376,195	597,282	-	79,973,477
Total capital assets being depreciated	159,815,716	2,906,742	1,769,814	160,952,645
Less accumulated depreciation for:				
Other improvements	1,515,255	89,068	-	1,604,323
Buildings and structures	26,750,301	1,111,617	-	27,861,918
Machinery and equipment	18,013,418	1,260,088	1,449,445	17,824,061
Infrastructure	38,532,526	3,318,793	-	41,851,318
Total accumulated depreciation	84,811,500	5,779,566	1,449,445	89,141,620
Total capital assets, being depreciated, net	75,004,216	(2,872,823)	320,369	71,811,024
Total capital assets, net	82,119,495	4,231,656	740,756	85,610,395

Depreciation expense was charged to functions as follows:

General Government	804,848
Public Safety	585,530
Utilities	111,035
Transportation	4,030,539
Natural Environment	14,406
Economic environment	53,583
Culture and recreation	179,624
Total depreciation	5,779,566

NOTE 5 - PENSION PLANS

A. State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov or obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380.

The table to the right presents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015.

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 16,948,421
Pension assets	\$ 2,209,153
Deferred outflows of resources	\$ 2,495,586
Deferred inflows of resources	\$ 3,169,320
Pension expense/expenditures	\$ 2,172,595

B. 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.

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 are displayed on the chart to the right. The County's actual contributions to the plan were \$80,133 for the year ended December 31, 2015.

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

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

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.

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative

expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 are presented on the chart above. The County's actual contributions to the plan were \$1,775,315 for the year ended December 31, 2015.

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

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

C. Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and: have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or have primary responsibility to supervise eligible members who meet the above criteria.

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

PSERS covered employers include: Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol), Washington State Counties, Washington State Cities (except for Seattle, Spokane, and Tacoma), and 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.

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 are displayed on the chart to the right. The County's actual contributions to the plan were \$225,142 for the year ended December 31, 2015.

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

D. 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.

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 1 had no required employer or employee contributions for fiscal year 2015. 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.

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 are presented on the chart to the right.

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

The County's actual contributions to the plan were \$268,014 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2. Chelan County share of the special funding contribution was \$172,116. This amount was recognized as revenue in the government-wide financial statements.

E. Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

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

Inflation: 3% total economic inflation; 3.75% salary inflation. **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity. **Investment rate of return:** 7.5%

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.

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

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

Estimated Rates of Return by Asset Class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table to the right. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL.

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

Pension Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 11,870,821	\$ 9,750,140	\$ 7,926,548
PERS 2/3	\$ 20,696,368	\$ 7,077,976	\$ (3,349,117)
PSERS 2	\$ 914,153	\$ 120,305	\$ (444,395)
LEOFF 1	\$ (245,531)	\$ (383,791)	\$ (501,631)
LEOFF 2	\$ 1,827,982	\$ (1,825,362)	\$ (4,574,643)

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

F. 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.

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

At June 30, 2015, the County reported a total pension liability of \$16,948,421 and a total pension asset of \$2,209,153. The proportionate share of its net pension liabilities/(assets) for each plan is presented in the chart to the right.

Pension Plan	Liability (or Asset)
PERS 1	\$ 9,750,140
PERS 2/3	\$ 7,077,976
PSERS 2	\$ 120,305
LEOFF 1	\$ (383,791)
LEOFF 2	\$ (1,825,362)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the County are displayed in the chart to the right.

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	\$ (1,825,362)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	\$ (1,206,930)
TOTAL	\$ (3,032,292)

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

Pension Plan	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.180347%	0.186394%	3.35%
PERS 2/3	0.192221%	0.198093%	3.05%
PSERS 2	0.662335%	0.659134%	(0.48%)
LEOFF 1	0.034190%	0.031844%	(6.86%)
LEOFF 2	0.164498%	0.177599%	7.96%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

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

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

H. Pension Expense

For the year ended December 31, 2015, the County recognized pension expense as displayed on the chart to the right.

Pension Plan	Pension Expense
PERS 1	\$ 122,717
PERS 2/3	\$ 1,741,204
PSERS 2	\$ 244,701
LEOFF 1	\$ (57,986)
LEOFF 2	\$ 121,959
TOTAL	\$ 2,172,595

I. Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments		\$ 533,439
Contributions subsequent to the measurement date	\$ 512,725	
TOTAL	\$ 512,725	\$ 533,439

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 752,391	
Net difference between projected and actual investment earnings on pension plan investments		\$ 1,889,484
Changes of assumptions	\$ 11,404	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 188,940	
Contributions subsequent to the measurement date	\$ 548,687	
TOTAL	\$ 1,501,422	\$ 1,889,484

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 112,712	
Net difference between projected and actual investment earnings on pension plan investments		\$ 59,671
Changes of assumptions	\$ 744	
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 195
Contributions subsequent to the measurement date	\$ 70,701	
TOTAL	\$ 184,157	\$ 59,866

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments		\$ 64,791
TOTAL		\$ 64,791

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,841	
Net difference between projected and actual investment earnings on pension plan investments		\$ 553,075
Changes of assumptions	\$ 4,815	
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 68,665
Contributions subsequent to the measurement date	\$ 132,626	
TOTAL	\$ 297,282	\$ 621,740

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	PSERS	LEOFF 1	LEOFF 2
2016	(206,743)	(457,432)	(4,937)	(25,141)	(197,746)
2017	(206,743)	(457,432)	(4,937)	(25,141)	(197,746)
2018	(206,743)	(457,432)	(4,937)	(25,141)	(197,746)
2019	86,789	435,550	30,657	10,633	114,002
2020			18,879		18,461
Thereafter			18,872		3,692

NOTE 6 - RISK MANAGEMENT

A. Liability Insurance - Risk Pool

The County maintains insurance against most normal hazards such as torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Claim settlements and loss expenses are accrued in the Insurance Admin & Purchasing 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. Settlements have not exceeded insurance coverage during the past three years.

Chelan County was one of the twenty-six county members of the Washington Counties Risk Pool ("Pool") during 2015. The Pool was formed August 18, 1988 when several Washington counties signed an Interlocal (Cooperative) Agreement. It was established to provide its member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The Pool operates under Washington's "pooling" laws, more specifically Chapters 48.62 RCW and 82.60 WAC and implemented via Chapter 39.34 RCW. It is overseen by the State Risk Manager and is subject to fiscal audits performed annually by the State Auditor.

New members may be required to pay the Pool modest admittance fees to cover the members' share of organizational expenses and the costs to analyze their loss data and risk profile. Members contract initially to remain in the Pool for at least five years. Counties may terminate their memberships at the conclusion of any Pool fiscal year following the initial term if the county timely files its required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, a former member remains responsible for reassessments from the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The Pool is governed by a board of directors consisting of one director (and at least one alternate director) designated by each member county. The Pool's board of directors, made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Annual Meeting. The board of directors is responsible for determining the 3rd-party liability coverage to be offered (approving the insuring agreement or coverage document), the reinsurance program to acquire, the excess insurances to be jointly purchased or offered for optional purchase, and approving the Pool's annual operating budgets and work programs, and the member deposit assessment formulas.

Pool member counties presently acquire \$20 million (with another \$5 million optional) of joint liability coverage on a "per occurrence" basis for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, and includes public officials' errors and omissions. Annually, members select a per occurrence deductible amount of \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. The initial \$10 million of coverage, less the retention (the greater of the member's deductible or \$100,000), is fully reinsured by superior-rated commercial carriers. The remaining insurance, up to \$15 million, is acquired from superior-rated commercial carriers as "following form" excess insurance. There are no aggregate limits to the payments made for any one member county or all member counties combined.

As an individual county option, the Pool provides property insurance, with composite limits of \$500 million for normal (all other perils) exposures and \$200 million for catastrophe (flood / earthquake) exposures and participant deductibles between \$5,000 and \$50,000. Coverage is for structures, vehicles, mobile equipment, EDP equipment,

and equipment breakdown, etc. Participants are responsible for their claims' deductibles. Commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. The Washington Counties Risk Pool is a cooperative program, so there is joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Pool member counties are required to timely submit their 3rd party liability claims which are handled by the Pool's staff. This includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year's membership. The Pool's reassessments receivable balance as of December 31, 2015 was zero, as no contingent liabilities were known to exist at that time.

B. Self-Insurance

1. Unemployment Compensation

Chelan County reimburses the Employment Security Department for individual unemployment compensation claims. The County pays actual claims on a pay-as-you-go basis.

2. Workers Compensation

Chelan County is self-insured for Workers Compensation claims. The County maintains excess Workers Compensation insurance of \$400,000 per claim for regular employees and \$500,000 per claim for public safety employees.

3. Medical Insurance

Chelan County is self-insured for medical insurance. Premera provides the administration of the medical insurance claims for the County. The County has a \$100,000 stop-loss policy to mitigate risk of large individual claims. It also maintained an annual aggregate claims limit of \$4,486,956. Per the Washington Administrative Code, the County must maintain a reserve equal to 16 weeks of program expenses. Based on 2015's average weekly medical plan costs, this amount equals \$1,222,417. As of 12/31/2015, the Health Insurance fund was adequately funded with an ending net position of \$3,448,581.

<u>Unemployment Compensation</u>	
Claims liability at 12/31/2013	\$ 0
Claims incurred	\$ 31,718
Claims paid	\$ (31,718)
Claims liability at 12/31/2014	\$ 0
Claims incurred	\$ 32,113
Claims paid	\$ (32,113)
Claims liability at 12/31/2015	\$ 0

<u>Workers Compensation</u>	
Claims liability at 12/31/2013	\$ 761,622
Claims incurred	\$ 278,044
Claims paid	\$ (585,839)
Claims adjustments	\$ (139,927)
Claims liability at 12/31/2014	\$ 313,900
Claims incurred	\$ 20,007
Claims paid	\$ (305,379)
Claims adjustments	\$ 197,226
Claims liability at 12/31/2015	\$ 225,754

<u>Medical Insurance</u>	
Claims liability at 12/31/2013	\$ 0
Claims incurred	\$ 3,627,989
Claims paid	\$ (3,627,989)
Claims liability at 12/31/2014	\$ 0
Claims incurred	\$ 3,075,117
Claims paid	\$ (3,075,117)
Claims liability at 12/31/2015	\$ 0

NOTE 7 - LONG-TERM DEBT

A. Long-Term Debt

The County issues general obligation bonds to finance the purchase and construction of buildings and other capital assets. Bonded indebtedness has also been entered into to advance refund general obligation bonds. General obligation bonds have been issued for general government activities and are being repaid from the General, Criminal Justice Sales Tax, Distressed Counties Tax funds. These bonds are set to mature between 2022 and 2036. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
2002 LTGO E911 bonds for acquisition and construction of a multi-jurisdictional public safety answering point for use by the county and other governmental agencies, original issue \$2,560,000	Not to exceed 5.0%	1,165,000
2003 LTGO 2003A bonds to make improvements to certain county facilities, original issue \$3,445,000	2.0% - 4.5%	1,670,000
2007 LTGO and refunding bonds to advance refund the county's 1998 and 2000 G.O. bonds and \$1,200,000 for technology projects, original issue \$5,735,000	4.0% - 5.0%	2,395,000
2009 LTGO bonds for the law and justice facility renovation, original issue \$8,150,000	2.0% - 5.0%	7,650,000
Total		12,880,000

The annual debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2016	835,000	585,859
2017	870,000	548,852
2018	920,000	509,731
2019	740,000	472,447
2020	765,000	441,700
2021-2025	2,795,000	1,749,908
2026-2030	2,335,000	1,210,475
2031-2035	2,945,000	588,508
2036	675,000	31,725
Total	12,880,000	6,139,205

B. Refunded Debt

In 2007 Chelan County issued the 2007 LTGO refunding bonds to defease the 1998 and 2000 G.O bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the county's financial statements.

The reacquisition price was less than the carrying amount of the old debt by \$715,000. This difference has been classified as a deferred inflow of resources on the Statement of Net Position and is being amortized as a component of interest expense over the remaining life of the refunding debt. See note 14 for additional information on the prior period adjustment related to the amortization.

NOTE 8 – CHANGES IN LONG TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/15	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
Bonds payable	13,685,000	-	805,000	12,880,000	835,000
Net pension liability	12,970,545	3,977,876	-	16,948,421	
OPEB benefit for LEOFF	1,917,596	726,468	293,814	2,350,250	-
DSHS Working capital advance	110,394	-	-	110,394	-
Claims reserve	313,900	217,233	305,379	225,754	-
Compensated absences	2,308,914	541,531	521,810	2,328,635	501,841
Long-term liabilities:	31,306,349	5,463,108	1,926,003	34,843,454	1,336,841

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals. At year end, \$38,954 of internal service funds compensated absences are included in the above amounts. The majority of the compensated absences above are liquidated by the General, County Roads, and Regional Justice Center funds. The OPEB benefit for LEOFF is liquidated by the General fund. The net pension liability will be liquidated by funds that have personnel costs, which are predominately the major governmental funds.

NOTE 9 – CONTINGENCIES AND LITIGATIONS

Chelan County is named as defendant in a few legal actions. Although the outcomes of these lawsuits are not presently known, the County is of the opinion that the present insurance policy and reserves are adequate to cover the potential settlements without adversely affecting the financial viability of the County.

Chelan County participates in several federal and state grant programs. These grants are subject to an annual audit examination which includes compliance with granting agency terms and provisions, and with pertinent federal and state regulations. Failure to adequately comply with these provisions could result in a requirement to repay funds to the granting agency. Disallowed expenditures cannot be determined at this time, although it is expected that such amounts, if any, will be immaterial.

During 2008 and 2009, Chelan County received a loan of \$773,203 from the Department of Community, Trade and Economic Development (CTED) for the express purpose of the construction of restroom, shower, and laundry facilities for the Monitor Park temporary farm worker camp. Repayment of the non-interest bearing loan principal has been deferred until the change of use, noncompliance with agreement, or until it is fully forgiven on December 31, 2017, whichever occurs first. During 2013, the loan agreement was modified to forgive the loan at a rate of 1/15th per year over the first 5 year period, and a rate of 2/15th per year over the second 5 year period. Upon completion of the deferral period, the entire loan will be forgiven. Since the probability of repayment is remote, loan proceeds were recorded as a capital grant in 2008 and 2009. The potential liability for the unamortized balance on December 31, 2015 was \$206,187.

NOTE 10 – FUND BALANCE

A. Minimum Fund Balance Policy

Maintenance of an adequate fund balance for the General fund to ensure sufficient resources for cash flow and to mitigate revenue shortages or emergencies shall be a priority.

The General fund shall maintain a minimum year-end unassigned fund balance of 8% of its annual expenditures. In the event the fund balance is not at that level, the county shall create a plan to restore the fund balance to 8% within two years. The General fund's long-term fund balance target is a year-end unassigned fund balance of 15% of annual expenditures.

B. Detailed Fund Balance Constraints

Fund Balances:	Special Revenue Funds				Nonmajor Capital Projects Funds	Total
	General Fund	County Roads	Regional Justice Center	Nonmajor Special Revenue Funds		
Restricted for:						
Roads & transportation	-	1,626,953	-	85,145	-	1,712,098
Drug enforcement	-	-	-	303,407	-	303,407
Law enforcement	-	-	-	2,149,042	-	2,149,042
Archiving	-	-	-	426,610	-	426,610
Housing	-	-	-	397,122	-	397,122
Pest control	-	-	-	70,488	-	70,488
Technology	-	-	-	224,261	-	224,261
Weed control	-	-	-	3,615	-	3,615
Courts	-	-	-	381,056	-	381,056
Veterans	-	-	-	108,208	-	108,208
Foreclosure costs	-	-	-	134,176	-	134,176
Tourism	-	-	-	1,107,721	-	1,107,721
Natural resources	-	-	-	151,746	-	151,746
Flood control	-	-	-	2,476,321	-	2,476,321
Substance abuse	-	-	-	159,251	-	159,251
Capital projects	-	-	-	2,211,768	2,543,232	4,755,000
Committed to:						
Drug enforcement	-	-	-	18,775	-	18,775
Prison	-	-	21,809	61,228	-	83,037
Parks & recreation	-	-	-	621,904	-	621,904
Education	-	-	-	118,434	-	118,434
Airport	-	-	-	46,799	-	46,799
Utilities	-	-	-	444,339	-	444,339
Elections	-	-	-	6,885	-	6,885
Unassigned	7,999,728	-	-	-	-	7,999,728
	7,999,728	1,626,953	21,809	11,708,301	2,543,232	23,900,023

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

A. Due To/From Other Funds

"Due from other funds" and "due to other funds" are created from interfund transactions which usually involve the exchange of goods or services in a normal business relationship. The majority of these are due to interfund billing of equipment rental and motor pool charges. Due from other funds and due to other funds as of December 31, 2015 are as follows:

	Due From					Total
	General Fund	County Roads	Regional Justice Center	Nonmajor govern- mental	Internal service	
Due To						
General Fund		29,766	2,812	13,925		46,503
Regional Justice Center	314			7	103	424
Nonmajor governmental				10,285		10,285
Internal service	132,432	591,765	688	10,726	598	736,209
Total	132,746	621,531	3,500	34,943	701	793,421

B. Interfund Loans Payable/Receivable

Interfund loans have arisen from certain funds requiring cash flow to manage their operations. The following table displays interfund loan activity during 2015:

Borrowing Fund	Lending Fund	Interfund Loans and Advances Payable			
		1/1/2015	New Loans	Repayments	12/31/2015
Flood Control	General Fund	2,068	1,858	3,926	-
Solid Waste Planning	ER&R	-	172,936	129,586	43,350
Noxious Weeds	General Fund	-	17,000	17,000	-
Natural Resources	REET I	600,000	266,000	450,000	416,000
Regional Justice Center	Distressed Counties Tax	464,000	28,000	492,000	-
Regional Justice Center	Criminal Justice Sales Tax	500,000	-	500,000	-
Total		1,566,068	485,794	1,592,512	459,350

C. Interfund Transfers

During 2015, interfund transfers were used to move General funds property tax revenues to support Law Library and Natural Resources operations. The General fund also transferred cash to the Regional Justice Center so it could pay off its interfund loans. REET funds were transferred to County Roads so that an equal portion of the road property tax levy could be shifted to the General fund. Distressed Counties Tax fund also transferred funds to County Roads to support a large project. County Roads transferred funds to the General fund to support county road traffic safety initiatives by the Sheriff. A couple capital projects funds were closed and the proceeds went to the funds paying the debt. The following table displays interfund transfers during 2015:

	Transfers Out			
	General	County Roads	Nonmajor Governmental	Total
Transfers In				
General	-	120,000	29,694	149,694
County Roads	-	-	2,400,000	2,400,000
Regional Justice Center	992,000	-	-	992,000
Nonmajor governmental	80,000	-	666,520	746,520
Total transfers	1,072,000	120,000	3,096,214	4,288,214

NOTE 12 – JOINT VENTURES

A. Rivercom

Chelan County participates in Rivercom, a joint venture, which was created with an interlocal agreement to build and operate a regional 911 communications center. The other participants in this venture include: Douglas County, the City of East Wenatchee and the City of Wenatchee. Rivercom charges the participants a fee based on the volume of calls generated by each participant. The fees are designed to cover Rivercom's costs. In addition to the fees, the participants provide their 911 tax revenues to the organization. Based on the interlocal agreement, Chelan County has a 25% equity interest in Rivercom. During 2015, Rivercom received total revenues of \$6,918,768 and incurred total expenses of \$5,938,606 resulting in an increase in fund balance of \$980,162, and ending fund balance of \$6,930,308. Rivercom produces financial statements using a cash basis of accounting. One-quarter of revenues, expenses, and fund balance are included in the full accrual government-wide financial statements. A copy of Rivercom's financial statements can be obtained from Rivercom at: PO Box 3344, Wenatchee, WA 98807 or (509) 662-4650. See note 14 for further information regarding a prior period adjustment related to reporting this joint venture.

NOTE 13 – RELATED ORGANIZATIONS

A. Mosquito Districts

The Chelan County Board of Commissioners appoint the majority of board members for three legally separate mosquito districts. After appointment, the districts are not accountable to Chelan County. Their combined financial information is included with the agency fund combining financial statements.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES

A. Refunding of Debt - GASB 65

Statement 65 of the Governmental Accounting Standards Board requires that the difference between the reacquisition price of the new debt and the net carrying amount of the refunded debt should be reported as a deferred outflow or inflow of resources and amortized as an adjustment to interest expense over the remaining life of the debt. The implementation of this standard resulted in a \$347,214 reduction of net position on the government-wide statement of activities.

B. Pensions - GASB 68

Statement 68 of the Governmental Accounting Standards Board requires the County to report its share of the state retirement plan's net pension liability or asset. It also requires reporting deferred outflows and inflows of resources related to pensions as well as adjustments to pension expense. The implementation of this standard resulted in a \$15,761,126 reduction in net position on the government-wide statement of activities and a \$307,743 reduction in net position on the proprietary funds statement of revenues, expenses, and changes in net position.

C. Rivercom Joint Venture Equity Interest

A measureable equity interest in the Rivercom joint venture was identified in 2015 and should have been reflected on prior financial statements. Rivercom produces financial statements using a cash basis of accounting. Therefore, amounts used to calculate the joint venture equity interest in the government wide financial statements were prepared on a cash basis. The prior period adjustment increased the beginning net position by 1,487,537 on the government-wide statement of activities.

NOTE 15 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

During March 2016 the City of Wenatchee was presented with a petition to annex the Old Station area of unincorporated Chelan County. This annexation is likely to be completed during 2016 and is estimated to reduce General fund sales tax revenues by \$500,000 in 2016 and \$1 million annual starting in 2017.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. Plan Description

In addition to the pension benefits described in Note 5, the County provides single-employer defined benefit health insurance for retired public safety employees who are vested in LEOFF 1. All the County's LEOFF 1 employees retired and became eligible for these benefits when they reached normal retirement age while working for the County. There are 20 participants eligible to receive these benefits. The benefits are 100 percent provided by the County in order to meet state statutory requirements under the LEOFF 1 system whereby the County pays for their medical and dental premiums and out-of-pocket medical costs for life.

B. Funding Policy

The County has the authority to establish and amend OPEB contribution policy. The County funds its OPEB obligation on a pay-as-you-go basis, i.e. from the General fund. For the fiscal year ending December 31, 2015, the County's combined plan contributions were \$293,814.

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on an annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB costs for the fiscal year ending December 31, 2015, the amount actually contributed to the plans, and changes in the County's net OPEB obligation:

Annual required contribution	822,235
Interest on net OPEB contribution	76,704
Adjustments to the annual required contribution	(172,471)
Annual OPEB cost/expense	726,468
Contributions made	(293,814)
Increase in the net OPEB obligation	432,654
Net OPEB obligation, beginning of year	1,917,596
Net OPEB obligation, end of year	2,350,250

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Actual Plan Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$726,468	\$293,814	40%	\$2,350,250
12/31/2014	\$604,217	\$277,588	46%	\$1,917,596
12/31/2013	\$645,415	\$311,650	48%	\$1,590,967

D. Funding Status and Funding Progress

The funded status of the plan as of December 31, 2015, was as follows:

Actuarial accrued liability (AAL)	9,141,925
Actuarial value of plan assets	0
Unfunded actuarial accrued liability	9,141,925
Funded ratio (actuarial value of plan assets / AAL)	0%

E. Methods and Assumptions

Due to the size of the plan (less than 100 participants) the County elected to use the alternative measurement method permitted under GASB Statement No. 45. Actuarial valuations involve estimates of the value of benefits and assumptions about the probability of events far into the future. Calculations are based on the current level of benefits provided by the employer. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and as new estimates are made about the future. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. Medical inflation rates were expected to start at 7% and generally decreasing to an ultimate rate of 4.9% in 2100. A return on investment earnings rate of 4.0% was assumed. General inflation was projected at 3.0%. General salary increases (including inflation) were projected at 3.75%. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

CHELAN COUNTY, WASHINGTON

Required Supplementary Information

Schedule of Funding Progress

December 31, 2015

LEOFF 1 Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2015	0	9,141,925	9,141,925	0%	0	N/A
12/31/2014	0	7,601,327	7,601,327	0%	0	N/A
12/31/2013	0	7,874,055	7,874,055	0%	0	N/A
12/31/2012	0	5,690,805	5,690,805	0%	0	N/A
12/31/2011	0	6,428,952	6,428,952	0%	0	N/A
12/31/2010	0	6,227,653	6,227,653	0%	0	N/A
12/31/2009	0	6,472,713	6,472,713	0%	0	N/A
12/31/2008	0	6,844,736	6,844,736	0%	0	N/A

CHELAN COUNTY, WASHINGTON**Required Supplementary Information****Schedule of Proportionate Share of the Net Pension Liability**

June 30, 2015

PERS 1	2015	2014
County's proportion of the net pension liability	0.186394%	0.180347%
County's proportionate share of the net pension liability	9,750,140	9,085,065
County's covered employee payroll	839,085	782,374
County's proportionate share of the net pension liability as a percentage of covered employee payroll	1162.00%	1161.22%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	61.19%
PERS 2/3	2015	2014
County's proportion of the net pension liability	0.198093%	0.192221%
County's proportionate share of the net pension liability	7,077,976	3,885,480
County's covered employee payroll	17,600,742	16,606,855
County's proportionate share of the net pension liability as a percentage of covered employee payroll	40.21%	23.40%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	93.29%
PSERS	2015	2014
County's proportion of the net pension liability	0.659134%	0.662335%
County's proportionate share of the net pension liability	120,305	(95,913)
County's covered employee payroll	1,929,680	1,785,782
County's proportionate share of the net pension liability as a percentage of covered employee payroll	6.23%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	105.01%
LEOFF 1	2015	2014
County's proportion of the net pension liability	0.031844%	0.034190%
County's proportionate share of the net pension liability	(383,791)	(414,653)
County's covered employee payroll	-	-
County'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	127.36%	126.91%
LEOFF 2	2015	2014
County's proportion of the net pension liability	0.177599%	0.164498%
County's proportionate share of the net pension liability	(1,825,362)	(2,182,959)
State's proportionate share of the net pension liability (asset) associated with the county	(1,206,930)	(1,426,307)
Total proportionate share of the net pension liability (asset)	(3,032,292)	(3,609,266)
County's covered employee payroll	5,155,068	4,576,780
County's proportionate share of the net pension liability as a percentage of covered employee payroll	-35.41%	-47.70%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	116.75%

Notes: GASB 68 was implemented for the 2015 financial statements so only two years of data is available.

Up to ten years of history will be presented over time as the data is generated.

CHELAN COUNTY, WASHINGTON

Required Supplementary Information
Schedule of Employer Contributions
December 31, 2015

PERS 1	2015	2014
Statutorily or contractually required contributions	80,133	75,094
Contributions in relation to the statutorily or contractually required contributions	80,133	75,094
Contribution deficiency (excess)	-	-
Covered County payroll	839,085	782,374
Contributions as a percentage of covered County payroll	9.55%	9.60%

PERS 2/3	2015	2014
Statutorily or contractually required contributions	1,775,315	1,536,898
Contributions in relation to the statutorily or contractually required contributions	1,775,315	1,536,898
Contribution deficiency (excess)	-	-
Covered County payroll	17,600,742	16,606,855
Contributions as a percentage of covered County payroll	10.09%	9.25%

PSERS	2015	2014
Statutorily or contractually required contributions	225,142	196,819
Contributions in relation to the statutorily or contractually required contributions	225,142	196,819
Contribution deficiency (excess)	-	-
Covered County payroll	1,929,680	1,785,782
Contributions as a percentage of covered County payroll	11.67%	11.02%

LEOFF 1	2015	2014
Statutorily or contractually required contributions	-	-
Contributions in relation to the statutorily or contractually required contributions	-	-
Contribution deficiency (excess)	-	-
Covered County payroll	-	-
Contributions as a percentage of covered County payroll	-	-

LEOFF 2	2015	2014
Statutorily or contractually required contributions	268,014	260,369
Contributions in relation to the statutorily or contractually required contributions	268,014	260,369
Contribution deficiency (excess)	-	-
Covered County payroll	5,155,068	4,576,780
Contributions as a percentage of covered County payroll	5.20%	5.69%

Notes: GASB 68 was implemented for the 2015 financial statements so only two years of data is available.
Up to ten years of history will be presented over time as the data is generated.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Agricultural Marketing Service, Department Of Agriculture (via North Yakima Conservation District)	Specialty Crop Block Grant Program - Farm Bill	10.170	k1512	16,152	-	16,152	-	
National Institute Of Food And Agriculture, Department Of Agriculture (via WA State University)	Cooperative Extension Service	10.500	122560- G003309	39,442	-	39,442	-	
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via Office of the Superintendent of Public Instruction)	School Breakfast Program	10.553	04-246-9777	6,443	-	6,443	-	
Food And Nutrition Service, Department Of Agriculture (via Office of the Superintendent of Public Instruction)	National School Lunch Program	10.555	04-246-9777	1,748	-	1,748	-	
Food And Nutrition Service, Department Of Agriculture (via Office of the Superintendent of Public Instruction)	National School Lunch Program	10.555	04-246-9777	10,975	-	10,975	-	
Total CFDA 10.555:				12,723	-	12,723	-	
Total Child Nutrition Cluster:				19,166	-	19,166	-	
Forest Service, Department Of Agriculture	Cooperative Forestry Assistance	10.664	14-LE- 11061720-013	-	68,747	68,747	-	
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	N/A	-	652,508	652,508	-	3
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	N/A	-	20,539	20,539	-	3

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	11-PA- 11061700-022	-	2,069	2,069	-
Total Forest Service Schools and Roads Cluster:				-	675,116	675,116	-
Forest Service, Department Of Agriculture (via Upper Columbia Salmon Recovery Board)	Watershed Restoration and Enhancement Agreement Authority	10.693	N/A	10,600	-	10,600	3
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via WA State Recreation and Conservation Office)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	14-1723P	117	-	117	-
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via WA State Recreation and Conservation Office)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	12-1438R	7,017	-	7,017	-
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via WA State Recreation and Conservation Office)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	12-1447	54,000	-	54,000	-
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Upper Columbia Salmon Recovery Board)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	N/A	40,119	-	40,119	3
Total CFDA 11.438:				101,253	-	101,253	-

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400 & 14- 65400	56,761	-	56,761	56,761	
Bureau Of Reclamation, Department Of The Interior	Fish and Wildlife Coordination Act	15.517	R14AC00013	-	146,135	146,135	-	
Bureau Of Reclamation, Department Of The Interior	Fish and Wildlife Coordination Act	15.517	R14AC00014	-	189,378	189,378	-	
Bureau Of Reclamation, Department Of The Interior	Fish and Wildlife Coordination Act	15.517	R14AC00078	-	154,851	154,851	-	
Total CFDA 15.517:				-	490,364	490,364	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA Dept of Social and Health Services)	Juvenile Accountability Block Grants	16.523	1363-83989	5,981	-	5,981	-	
Bureau Of Justice Statistics, Department Of Justice (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K10512	9,009	-	9,009	-	
Violence Against Women Office, Department Of Justice (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F13-31103-043	17,407	-	17,407	-	
Violence Against Women Office, Department Of Justice (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-044	17,420	-	17,420	-	
Total CFDA 16.588:				34,827	-	34,827	-	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2015-AP-BX- 0602	-	32,618	32,618	-	4

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2015BUBX1508 0100	-	17,580	17,580	-	
Bureau Of Justice Assistance, Department Of Justice (via WA State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F15-31440-003	61,755	-	61,755	-	
Bureau Of Justice Assistance, Department Of Justice (via WA State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-004	87,337	-	87,337	-	
Total CFDA 16.738:				149,092	-	149,092	-	
U.S. Department of Justice	US Marshals Service Support	16.999	M-15-D85-O- 000042	-	1,527	1,527	-	5
U.S. Department of Justice (via WA State Patrol)	Domestic Cannabis Eradication/Suppression Program	16.999	K10953	13,000	-	13,000	-	5
Total CFDA 16.999:				13,000	1,527	14,527	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BROS-2004 (080) LA-7780	2,146	-	2,146	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	WA Chelan 933 (1)	33,487	-	33,487	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BHOS-04WF (001) LA-7919	348,339	-	348,339	-	

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BHOS-2004 (082) LA-7924	413,689	-	413,689	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BHOS-2004 (083) LA-7920	364,638	-	364,638	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BHOS-2004 (081) LA-7946	171,066	-	171,066	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BHS-A042(004) LA-7941	410,858	-	410,858	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BRS-F045(001) LA-8712	51,998	-	51,998	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-00S(398) LA-8625	2,072	-	2,072	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-A042 (005) LA-8621	3,999	-	3,999	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	WA Chelan 40040(1)	16,374	-	16,374	-

The accompanying notes are an integral part of this schedule.

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

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPR-Z904 (005), LA-8400	42,883	-	42,883	-	
	Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	TAP-5802(001), LA-8397	11,075	-	11,075	-	
		Total Highway Planning and Construction Cluster:			1,872,624	-	1,872,624	-	
	Highway Safety Cluster								
	National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	MOU	1,139	-	1,139	-	
	National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	MOU	3,250	-	3,250	-	
		Total Highway Safety Cluster:			4,389	-	4,389	-	
	Pipeline And Hazardous Materials Safety Administration, Department Of Transportation (via WA Military Department)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E15-215	5,224	-	5,224	-	
	U.S. Department of Energy	BPA - Division of Fish & Wildlife/Lower Entiat RM 1.9	81.6431 5	64315	-	1,974	1,974	-	5
	U.S. Department of Energy	BPA - Division of Fish & Wildlife/Entiat LW Procurement	81.6971 6	69716	-	42,723	42,723	-	5

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Energy (via Upper Columbia Salmon Recovery Board)	BPA - USCRB/Yakama nation	81.999	N/A	14,295	-	14,295	3,5
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Dept of Social and Health Services)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-89934	56,718	-	56,718	
Administration For Children And Families, Department Of Health And Human Services (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	2110-80333	146,084	-	146,084	-
Administration For Children And Families, Department Of Health And Human Services (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	0763-15023	20,431	-	20,431	-
Administration For Children And Families, Department Of Health And Human Services (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	2110-80333	216,704	-	216,704	-
Total CFDA 93.563:				383,219	-	383,219	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Dept of Social and Health Services)	Block Grants for Community Mental Health Services	93.958	1463-28931	34,673	-	34,673	34,673

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27291	101,271	-	101,271	101,271	
Department Of Homeland Security (via Washington State Parks & Recreation Commission)	Boating Safety Financial Assistance	97.012	3314FAS14015 3	17,041	-	17,041	-	
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	E16-XXX	22,893	-	22,893	-	
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	E15-068	28,375	-	28,375	-	
Total CFDA 97.042:				51,268	-	51,268	-	
Department Of Homeland Security (via WA Military Department)	Fire Management Assistance Grant	97.046	D15-032	19,114	-	19,114	-	
Department Of Homeland Security (via WA Military Department)	Fire Management Assistance Grant	97.046	D15-044	22,891	-	22,891	-	
Department Of Homeland Security (via WA Military Department)	Fire Management Assistance Grant	97.046	D15-035	9,624	-	9,624	-	
Department Of Homeland Security (via WA Military Department)	Fire Management Assistance Grant	97.046	D15-026	27,939	-	27,939	-	
Total CFDA 97.046:				79,568	-	79,568	-	

The accompanying notes are an integral part of this schedule.

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

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	Department Of Homeland Security (via Grant County Dept of Emergency Management)	Homeland Security Grant Program	97.067	E14-150	51,254	-	51,254	-	
	Department Of Homeland Security (via Grant County Dept of Emergency Management)	Homeland Security Grant Program	97.067	E15-104	16,378	-	16,378	-	
			Total CFDA 97.067:			-	67,632	-	
			Total Federal Awards Expended:			3,143,206	1,330,649	249,424	

The accompanying notes are an integral part of this schedule.

CHELAN COUNTY, WASHINGTON

Notes to the Schedules of Financial Assistance January 1, 2015 Through December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the County's financial statements. The County uses the accrual basis of accounting for all funds except the governmental fund types, expendable trust funds and agency funds, which use the modified accrual basis of accounting. The modified accrual basis differs from the accrual basis in the following ways:

1. Purchases of capital assets are considered expenditures.
2. Redemption of long-term debt are considered expenditures when due.
3. Revenues are recognized only when they become both measurable and available to finance expenditures of the current period.
4. Inventories and prepaid items are reported as expenditures purchased.
5. Interest on long-term debt is not accrued but is recorded as an expenditure when due.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - NOT APPLICABLE (N/A)

The County was unable to obtain other identification number.

NOTE 4 – SCAAP GRANT

The grantor, the Department of Justice, provides the Regional Justice Center with the calculation for the amount of allowable expenditures the federal program will provide. The calculation for the 2015 grant revenues were based on the most recent data available, which was from July 1, 2013 through June 30, 2014. Since the county receives funding based on the granting agency's calculation of previous year expenditures, a current year estimation was made based on the most recent data available.

NOTE 5 – NO CFDA NUMBER

Grant funds received from the Bonneville Power Administration do not have CFDA numbers. The numbers used in place of a CFDA number are a combination of the U.S. Department of Energy CFDA prefix and a portion of the grant contract number.

Certain funds received from the U.S. Department of Justice for US Marshals Service Support and Domestic Cannabis Eradication/Suppression Program do not have CFDA numbers. The numbers used in place of a CFDA number use the U.S. Department of Justice prefix of 16 combined with "999" as a place holder.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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