

FINANCIAL SECTION

Chelan County January 1, 2018 through December 31, 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018
Statement of Activities – 2018
Balance Sheet – Governmental Funds – 2018
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – 2018
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2018
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governments Funds to the Statement of Activities – 2018
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary and Actual – 2018
County Roads Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – 2018
Regional Justice Center Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – 2018
Natural Resources Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – 2018
Distressed Counties Tax Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – 2018
Statement of Net Position – Proprietary Funds – 2018
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2018
Statement of Cash Flows – Proprietary Funds – 2018
Statement of Fiduciary Net Position – Fiduciary Funds – 2018
Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1 and LEOFF 2 – 2018
Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 1 and LEOFF 2 – 2018
Schedule of Changes in Total OPEB Liability and Related Ratios – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

CHELAN COUNTY, WASHINGTON

Statement of Net Position December 31, 2018

Assets

Cash and cash equivalents	31,880,431
Deposits with fiscal agents	68,110
Investments	14,893,767
Accounts receivable	207,765
Property tax receivable	629,508
Other taxes receivable	3,420,388
Court judgements receivable	1,069,618
Due from other governments	3,325,986
Inventory	1,081,213
Prepaid expenses	-
Equity interest in joint venture	4,250,844
Net pension asset	4,020,589
Capital assets not being depreciated:	
Land	6,072,110
Construction in progress	3,000,356
Capital assets, net of accumulated depreciation:	
Other improvements	473,487
Buildings	23,682,501
Equipment	8,771,858
Infrastructure	42,992,822
Total assets	<u>149,841,354</u>

Deferred Outflows of Resources

Deferred outflows related to pensions	2,965,112
Deferred outflows related to other post employment benefits	202,964
Total deferred outflows of resources	<u>3,168,076</u>

Liabilities

Accounts payable	1,828,589
Due to other governments	228,440
Accrued payroll liabilities	3,364,035
Deposits payable	28,110
Noncurrent liabilities:	
Due within one year	1,321,863
Due in more than one year	31,315,746
Total liabilities	<u>38,086,783</u>

Deferred Inflows of Resources

Deferred inflows related to debt refunding	242,803
Deferred inflows related to pensions	6,343,890
Total deferred inflows of resources	<u>6,586,693</u>

Net Position

Net investment in capital assets	75,738,134
Restricted for:	
Capital projects	10,295,226
Transportation	4,504,160
Public safety	7,462,775
Natural & economic environment	6,397,361
General government technology	828,570
Judicial improvements	430,321
Unrestricted	2,679,406
Total net position	<u>108,335,954</u>

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

CHELAN COUNTY, WASHINGTON

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
General government	22,033,700	1,515,408	6,642,158	-	(13,876,134)
Judicial	4,174,569	1,538,691	257,634	-	(2,378,245)
Public safety	26,543,059	11,603,272	1,817,130	-	(13,122,656)
Utilities	3,279,315	3,462,681	294,994	-	478,360
Transportation	10,207,382	482,167	3,272,561	2,355,668	(4,096,986)
Natural & economic environment	9,280,936	2,651,139	5,159,157	-	(1,470,640)
Social services	984,157	704,931	111,009	-	(168,217)
Culture and recreation	1,377,569	1,087,521	35,192	-	(254,855)
Interest on long-term debt	342,910	-	-	-	(342,910)
Total primary government	78,223,598	23,045,812	17,589,834	2,355,668	(35,232,284)
General revenues					
Taxes:					
					21,850,993
					11,092,764
					3,027,843
					4,084,321
					1,834,777
					292,740
					25,834
					<u>42,209,272</u>
					6,976,988
					<u>104,640,791</u>
					(3,281,825)
					<u>108,335,954</u>

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

CHELAN COUNTY, WASHINGTON

Balance Sheet
 Governmental Funds
 December 31, 2018

	General Fund	County Roads	Regional Justice Center	Natural Resources	Distressed Counties Tax	Nonmajor Governmental Funds	Total
Assets							
Cash and cash equivalents	12,352,433	4,693,075	437,589	106	133,869	9,522,052	27,139,124
Deposits with fiscal agents	-	-	-	-	-	28,110	28,110
Investments	1,462,998	-	-	-	4,193,218	6,907,462	12,563,679
Accounts receivable	43,533	710	431	14,450	-	148,641	207,765
Property tax receivable	353,556	246,776	-	-	-	29,176	629,508
Other taxes receivable	1,616,248	409,215	-	-	358,765	1,036,159	3,420,388
Court judgements receivable	1,069,618	-	-	-	-	-	1,069,618
Due from other funds	59,064	6,668	11,618	9,909	-	88	87,346
Interfund loan receivable	15,000	-	-	-	1,483,000	1,016,400	2,514,400
Due from other governments	465,297	548,626	601,240	1,411,720	-	297,661	3,324,543
Total assets	17,437,748	5,905,069	1,050,877	1,436,184	6,168,853	18,985,750	50,984,480
Liabilities							
Accounts payable	231,182	43,535	47,819	286,396	-	542,728	1,151,660
Due to other funds	97,453	467,608	4,953	1,284	-	30,925	602,223
Interfund loan payable	-	-	1,393,000	1,016,400	-	105,000	2,514,400
Due to other governments	40,374	4,748	5,711	112,746	-	12,979	176,557
Accrued payroll	2,098,153	454,071	533,953	66,313	-	120,880	3,273,369
Deposits payable	-	-	-	-	-	28,110	28,110
Total liabilities	2,467,163	969,962	1,985,436	1,483,138	-	840,621	7,746,320
Deferred Inflows of Resources							
Unavailable revenue - property tax	353,556	246,776	-	-	-	29,176	629,508
Unavailable revenue - court judgements	1,069,618	-	-	-	-	-	1,069,618
Total deferred inflows of resources	1,423,174	246,776	-	-	-	29,176	1,699,126
Fund Balances							
Restricted	-	4,688,332	-	-	6,168,853	15,656,208	26,513,392
Committed	-	-	-	-	-	2,459,744	2,459,744
Unassigned	13,547,411	-	(934,559)	(46,954)	-	-	12,565,898
Total fund balances	13,547,411	4,688,332	(934,559)	(46,954)	6,168,853	18,115,952	41,539,034
Total liabilities, fund balances, and deferred inflows of resources	17,437,748	5,905,069	1,050,877	1,436,184	6,168,853	18,985,750	50,984,480

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, 2018

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

Fund balances of governmental funds:		41,539,034
Capital assets are not financial resources, and therefore not reported in the fund financial statements.		
Capital assets	168,944,317	
Depreciation	<u>(89,663,677)</u>	
Capital assets net of depreciation		79,280,640
Deferred inflows of resources that are not available to finance current liabilities are excluded from the government-wide statements.		
Property tax	629,508	
Court judgements	<u>1,069,618</u>	
Deferred inflows of resources		1,699,126
Assets that are not available financial resources are not reported in the fund financial statements.		
Equity interest in joint venture		4,250,844
Long-term liabilities that have not been included in governmental fund activity		
Bonds payable	(10,085,000)	
Plus: Deferred charge on refunding	(242,803)	
Compensated absences	(2,491,402)	
OPEB benefit for LEOFF	(8,323,000)	
Working capital loan for Substance Abuse	(110,394)	
Pension related debt (net)	<u>(10,136,758)</u>	
Long-term liabilities		(31,389,357)
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	14,422,317	
Deferred outflows of resources - pensions	59,533	
Liabilities	(1,351,006)	
Deferred inflows of resources - pensions	<u>(175,178)</u>	
Internal service net position		<u>12,955,666</u>
Net position		<u>108,335,954</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, 2018

	General Fund	County Roads	Regional Justice Center	Natural Resources	Distressed Counties Tax	Nonmajor Governmental Funds	Total
Revenues							
Taxes	21,204,275	7,750,627	-	-	2,057,257	9,109,380	40,121,539
Licenses and permits	1,286,437	198,771	26,207	-	-	-	1,511,415
Intergovernmental revenues	7,976,377	5,545,371	14,800	4,828,569	-	1,323,670	19,688,787
Charges for services	5,946,947	214,155	7,882,344	49,642	-	4,941,153	19,034,240
Fees and fines	1,447,198	-	4,773	-	-	21,678	1,473,649
Miscellaneous	1,580,696	8,793	6,517	4,833	119,972	1,520,744	3,241,555
Total revenues	39,441,930	13,717,717	7,934,641	4,883,044	2,177,229	16,916,625	85,071,185
Expenditures							
Current:							
General government	10,706,372	36,185	-	-	-	119,810	10,862,366
Judicial	3,993,523	-	-	-	-	142,712	4,136,234
Public safety	20,861,620	-	8,641,995	-	-	4,060,476	33,564,091
Utilities	-	-	-	-	-	3,411,026	3,411,026
Transportation	-	10,099,223	-	-	-	96,410	10,195,633
Natural and economic environment	1,564,206	-	-	4,930,648	504,015	2,780,985	9,779,854
Social services	290,873	-	-	-	-	705,754	996,626
Culture and recreation	321,658	-	-	-	-	998,390	1,320,049
Debt service:							
Principal	99,172	-	-	-	545,828	290,000	935,000
Interest and other charges	13,803	-	-	5,128	86,425	299,238	404,594
Capital outlay	22,999	2,694,330	-	135,000	-	899,406	3,751,735
Total expenditures	37,874,226	12,829,737	8,641,995	5,070,775	1,136,268	13,804,207	79,357,208
Excess (deficiency) of revenues over (under) expenditures							
	1,567,704	887,980	(707,354)	(187,731)	1,040,961	3,112,418	5,713,977
Other Financing Sources (Uses)							
Sale of capital assets	-	19,860	180	-	-	-	20,040
Transfers in	640,000	500,000	-	100,000	-	100,000	1,340,000
Transfers out	(400,000)	(100,000)	-	-	-	(1,040,000)	(1,540,000)
Capital contributions	-	-	68,161	-	-	-	68,161
Total other financing sources and uses	240,000	419,860	68,341	100,000	-	(940,000)	(111,799)
Net change in fund balances	1,807,704	1,307,840	(639,012)	(87,731)	1,040,961	2,172,418	5,602,179
Fund balances - beginning	11,739,708	3,380,491	(295,547)	40,777	5,127,892	15,943,535	35,936,856
Fund balances - ending	13,547,411	4,688,332	(934,559)	(46,954)	6,168,853	18,115,952	41,539,034

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, 2018

Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds 5,602,179

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	3,413,463	
Disposition of capital assets	7,614	
Depreciation expense	<u>(5,438,887)</u>	(2,017,810)

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	(266,859)	
Decreases in governmental fund taxes receivable	(65,618)	
Increase in intergovernmental revenue-pension special funding situation	188,554	
Increase in Rivercom joint venture equity interest	<u>531,770</u>	387,847

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>935,000</u>	935,000
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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.

Increases in governmental fund compensated absences payable	(519,161)	
Decreases in governmental fund compensated absences payable	582,828	
Amortization of deferred charge on bond refunding	61,684	
Decrease in pension expense	<u>1,923,653</u>	2,049,004

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

20,768

Change in net position

6,976,988

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, 2018

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Assessor	1,170	1,170	2,649	1,479
Auditor	962,512	962,512	916,488	(46,024)
Community Development	1,864,100	1,864,100	1,929,165	65,065
Fire Prevention & Investigation	46,000	46,000	9,079	(36,921)
Clerk	714,080	714,080	878,444	164,364
Commissioners	13,048,116	13,048,116	13,806,857	758,741
Coroner	15,000	15,000	15,477	477
Information Technology	170,011	170,011	204,339	34,328
Facilities Maintenance	682,433	682,433	682,613	180
District Court	1,090,175	1,090,175	1,230,392	140,217
District Court Probation	443,600	443,600	501,820	58,220
Extension	30,500	30,500	28,865	(1,635)
Juvenile	722,275	722,275	730,897	8,622
Non-Departmental	1,173,570	1,173,570	918,269	(255,301)
Child Support Enforcement	422,501	422,501	428,099	5,598
Prosecuting Attorney	599,559	599,559	574,619	(24,940)
Sheriff	3,647,128	3,667,128	3,465,570	(201,558)
Superior Court	91,747	91,747	78,517	(13,230)
Treasurer	1,579,468	1,579,468	2,086,284	506,816
Taxes	12,644,550	12,644,550	13,102,946	458,396
Traffic Safety	155,225	155,225	160,710	5,485
Total revenues	40,103,720	40,123,720	41,752,098	1,628,378
Expenditures				
Assessor	1,387,641	1,389,690	1,317,068	(72,622)
Auditor	1,246,294	1,248,343	1,198,671	(49,672)
Community Development	2,017,397	2,017,397	1,931,651	(85,746)
Fire Prevention & Investigation	123,476	123,476	109,166	(14,310)
Human Resources	181,672	181,672	165,395	(16,277)
Clerk	1,360,208	1,362,257	1,336,443	(25,814)
Commissioners	713,723	719,871	669,914	(49,957)
Coroner	250,819	252,547	234,360	(18,187)
Information Technology	868,815	903,143	887,895	(15,248)
Facilities Maintenance	1,747,546	1,789,546	1,647,402	(142,144)
District Court	1,495,322	1,495,322	1,381,341	(113,981)
District Court Probation	551,881	551,881	541,412	(10,469)
Extension	360,539	360,539	310,531	(50,008)
Juvenile	3,061,639	3,061,639	3,019,749	(41,890)
Non-Departmental	9,301,436	9,787,436	9,727,653	(59,783)
Child Support Enforcement	379,906	379,906	361,231	(18,675)
Prosecuting Attorney	2,295,345	2,296,546	2,253,280	(43,266)
Sheriff	10,612,377	10,858,377	10,808,992	(49,385)
Superior Court	1,325,945	1,325,945	1,306,353	(19,592)
Treasurer	636,514	638,563	611,387	(27,176)
Taxes	30,000	30,000	30,000	-
Traffic Safety	161,257	161,257	94,498	(66,759)
Total expenditures	40,109,752	40,935,353	39,944,394	(990,959)
Excess (deficiency) of revenues over (under) expenditures	(6,032)	(811,633)	1,807,704	2,619,337
Fund balances - beginning	9,202,217	9,202,217	11,739,708	2,537,491
Fund balances - ending	9,196,185	8,390,584	13,547,411	5,156,827

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

CHELAN COUNTY, WASHINGTON

County Roads Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	7,403,000	7,403,000	7,750,627	347,627
Licenses & permits	160,000	160,000	198,771	38,771
Intergovernmental revenues	6,229,778	6,229,778	5,545,371	(684,407)
Charges for services	249,100	249,100	466,869	217,769
Miscellaneous	2,000	2,000	8,793	6,793
Total revenues	<u>14,043,878</u>	<u>14,043,878</u>	<u>13,970,432</u>	<u>(73,446)</u>
Expenditures				
Current:				
General government	38,000	38,000	36,185	(1,815)
Transportation	10,503,916	10,503,916	10,351,937	(151,979)
Capital outlay	4,722,382	4,722,382	2,694,330	(2,028,052)
Total expenditures	<u>15,264,298</u>	<u>15,264,298</u>	<u>13,082,451</u>	<u>(2,181,847)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,220,420)</u>	<u>(1,220,420)</u>	<u>887,980</u>	<u>2,108,400</u>
Other Financing Sources (Uses)				
Sale of capital assets	2,000	2,000	19,860	17,860
Transfers in	500,000	500,000	500,000	-
Transfers out	(120,000)	(120,000)	(100,000)	20,000
Total other financing sources and uses	<u>382,000</u>	<u>382,000</u>	<u>419,860</u>	<u>37,860</u>
Net change in fund balances	(838,420)	(838,420)	1,307,840	2,146,260
Fund balances - beginning	<u>3,565,031</u>	<u>3,565,031</u>	<u>3,380,491</u>	<u>(184,540)</u>
Fund balances - ending	<u><u>2,726,611</u></u>	<u><u>2,726,611</u></u>	<u><u>4,688,332</u></u>	<u><u>1,999,580</u></u>

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

CHELAN COUNTY, WASHINGTON

Regional Justice Center Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses & permits	41,041	41,041	26,207	(14,834)
Intergovernmental revenues	11,782	11,782	14,800	3,018
Charges for services	8,458,085	8,458,085	7,882,344	(575,741)
Fees and fines	4,280	4,280	4,773	493
Miscellaneous	4,117	4,117	6,517	2,400
Total revenues	<u>8,519,305</u>	<u>8,519,305</u>	<u>7,934,641</u>	<u>(584,664)</u>
Expenditures				
Current:				
Public safety	<u>8,507,471</u>	<u>8,507,471</u>	<u>8,641,995</u>	<u>134,524</u>
Total expenditures	<u>8,507,471</u>	<u>8,507,471</u>	<u>8,641,995</u>	<u>134,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,834</u>	<u>11,834</u>	<u>(707,354)</u>	<u>(719,188)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	180	180
Capital contributions	119,176	119,176	68,161	(51,015)
Transfers out	-	(119,176)	-	119,176
Total other financing sources and uses	<u>119,176</u>	<u>-</u>	<u>68,341</u>	<u>68,341</u>
Net change in fund balances	131,010	11,834	(639,012)	(650,846)
Fund balances - beginning	-	-	(295,547)	(295,547)
Fund balances - ending	<u>131,010</u>	<u>11,834</u>	<u>(934,559)</u>	<u>(946,393)</u>

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

CHELAN COUNTY, WASHINGTON

Natural Resources Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	5,439,800	5,439,800	4,828,569	(611,231)
Charges for services	49,831	49,831	49,642	(189)
Miscellaneous	-	-	4,833	4,833
Total revenues	<u>5,489,631</u>	<u>5,489,631</u>	<u>4,883,044</u>	<u>(606,587)</u>
Expenditures				
Current:				
General government	-	-	-	-
Transportation	-	-	-	-
Natural and economic environment	5,587,767	5,587,767	4,930,648	(657,119)
Debt service				
Interest and other charges	15,000	15,000	5,128	(9,872)
Capital outlay	-	-	135,000	135,000
Total expenditures	<u>5,602,767</u>	<u>5,602,767</u>	<u>5,070,775</u>	<u>(531,992)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,136)</u>	<u>(113,136)</u>	<u>(187,731)</u>	<u>(74,595)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Intergovernmental loan proceeds	-	-	-	-
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	(13,136)	(13,136)	(87,731)	(74,595)
Fund balances - beginning	<u>13,136</u>	<u>13,136</u>	<u>40,777</u>	<u>27,641</u>
Fund balances - ending	<u>-</u>	<u>-</u>	<u>(46,954)</u>	<u>(46,954)</u>

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

CHELAN COUNTY, WASHINGTON

Distressed Counties Tax Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	1,600,000	1,600,000	2,057,257	457,257
Miscellaneous	25,000	25,000	119,972	94,972
Total revenues	<u>1,625,000</u>	<u>1,625,000</u>	<u>2,177,229</u>	<u>552,229</u>
Expenditures				
Current:				
Natural environment	2,004,015	2,004,015	504,015	(1,500,000)
Debt service				
Principal	390,000	390,000	545,828	155,828
Interest and other charges	125,089	125,089	86,425	(38,664)
Total expenditures	<u>2,519,104</u>	<u>2,519,104</u>	<u>1,136,268</u>	<u>(1,382,836)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(894,104)</u>	<u>(894,104)</u>	<u>1,040,961</u>	<u>1,935,065</u>
Fund balances - beginning	<u>4,200,000</u>	<u>4,200,000</u>	<u>5,127,892</u>	<u>927,892</u>
Fund balances - ending	<u>3,305,896</u>	<u>3,305,896</u>	<u>6,168,853</u>	<u>2,862,957</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, 2018

	Internal Service Funds
Assets	
Current assets:	
Cash and cash equivalents	4,741,308
Deposits with fiscal agents	40,000
Investments	2,330,089
Due from other funds	515,769
Due from other governments	1,444
Interfund loan receivable	-
Inventory	1,081,213
Prepaid expenses	-
Total current assets	<u>8,709,823</u>
Noncurrent assets:	
Capital assets: net of accumulated depreciation)	
Buildings	19,714
Equipment	5,692,781
Total noncurrent assets	<u>5,712,494</u>
Total assets	<u>14,422,317</u>
Deferred Outflows of Resources - Pensions	<u>59,533</u>
Liabilities	
Current liabilities:	
Accounts payable	676,928
Due to other funds	893
Due to other governments	51,883
Accrued payroll liability	90,666
Compensated absences	10,121
Total current liabilities	<u>830,491</u>
Noncurrent liabilities:	
Compensated absences	34,767
Claims reserve	369,144
Net pension liability	116,604
Total noncurrent liabilities	<u>520,514</u>
Total liabilities	<u>1,351,006</u>
Deferred Inflows of Resources - Pensions	<u>175,178</u>
Net Position	
Investment in capital assets	5,712,494
Unrestricted	7,243,172
Total net position	<u>12,955,666</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 Ended December 31, 2018

	<u>Internal Service Funds</u>
Operating Revenues	
Charges for services	11,902,619
Total operating revenues	<u>11,902,619</u>
Operating Expenses	
Salaries	714,833
Personnel benefits	256,046
Supplies	2,124,275
Other services & charges	7,867,318
Interfund payments for services	207,810
Depreciation	976,655
Total operating expenses	<u>12,146,936</u>
Operating income (loss)	<u>(244,317)</u>
Nonoperating Revenues (Expenses)	
Gain (loss) on disposal of capital assets	265,086
Total nonoperating revenues (expenses)	<u>265,086</u>
Change in net position	20,768
Net position - beginning	<u>12,934,898</u>
Net position - ending	<u><u>12,955,666</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, 2018

	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:	
Cash received from customers and users	11,820,619
Cash payments to suppliers	(9,615,275)
Cash payments to employees and retirees	(1,007,909)
Net cash provided (used) by operating activities	<u>1,197,435</u>
Cash Flows From Capital Financing Activities	
Proceeds from sale of capital assets	265,086
Acquisition and construction of capital assets	(1,931,146)
Net cash provided (used) by capital financing activities	<u>(1,666,061)</u>
Cash Flows From Investing Activities	
Purchase of investments	(45,241)
Net cash provided (used) by investing activities	<u>(45,241)</u>
Net increase (decrease) in cash and cash equivalents	(513,866)
Cash and cash equivalents, January 1	<u>5,255,174</u>
Cash and cash equivalents, December 31	<u><u>4,741,307</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>(244,317)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) operating activities:	
Depreciation	976,655
(Increase) decrease in due from other funds/gov	(85,938)
(Increase) decrease in inventory	(49,268)
(Increase) decrease in prepaid expenses	40,114
(Increase) decrease in pension related deferred outflows	7,658
Increase (decrease) in vouchers/contracts payable	648,809
Increase (decrease) in due to other funds/gov	(5,035)
Increase (decrease) in accrued payroll liabilities	(4,216)
Increase (decrease) in accrued employee leave benefits	(87,027)
Total adjustments	<u>1,441,753</u>
Net cash provided (used) by operating activities	<u><u>1,197,435</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, 2018

	<u>Agency Funds</u>
Assets	
Cash	24,301,782
Investments	149,900,265
External trust deposits	1,363,934
Taxes receivable	2,589,706
Total assets	<u>178,155,686</u>
Liabilities	
Accounts payable	550,180
Other accrued liabilities	946,519
Custodial accounts	176,658,987
Total liabilities	<u>178,155,686</u>

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

CHELAN COUNTY, WASHINGTON

Notes to the Financial Statements
December 31, 2018

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.

Joint Venture – A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an on-going financial interest or an on-going financial responsibility. Chelan County participates in a joint venture with Douglas County, the City of Wenatchee and the City of East Wenatchee in the RiverCom 911 multi-jurisdictional public safety dispatch center. See Note 12 for additional information about the joint venture.

B. Government-Wide and Fund Financial Statements

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

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 financials statements.

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

1. Government-Wide and Governmental Funds

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.
- The Natural Resources fund accounts for resources from federal, state, and local grants to address environmental issues including water resources, timber, fish, wildlife, and agriculture within Chelan County.
- The Distressed Counties Tax fund accounts for funds to be used for public facilities and infrastructure which promote economic development. The revenue comes from a portion of the state sales tax that is distributed to rural counties.

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.

Prior to 2017, the County accounted for its ownership in the RiverComm 911 joint venture as a percentage (25%) of what was essentially fund balance calculated on a cash-basis of accounting. The joint venture is a cash-basis entity. For 2017, the County estimated the book value of capital assets, original capital cost less straight-line depreciation. This estimate of book value for capital assets, as well as the amount of the outstanding debt at year-end, were used to calculate what would be an estimate of net position as if the

joint venture were on the accrual basis of accounting. This estimate of net position was used as the basis for valuing the County's share (25%) in the joint venture for 2017. See Note 12 for additional information on the County's interest in the RiverCom 911 joint venture.

Prior to 2017, the County eliminated in the government-wide Statement of Activities the General Fund payment to the Regional Justice Center internal service fund the cost of incarceration of County inmates. Management discontinued this elimination with the 2017 CAFR believing the change was a more accurate reflection of the cost of providing Public Safety services to County residents.

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.

2. Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. 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 non-operating 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. Amending the Budget

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

When Chelan County commission determines that it is in the best interest of the county to increase or decrease the appropriation for a particular fund it may do so by resolution approved by one more than the majority after holding public hearing(s).

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

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

3. Excess of Expenditures Over Appropriations

The County had two instances of expenditures exceeding appropriations in 2018. The Regional Justice Center fund had expenditures exceeding appropriations of \$15,348, and the Solid Waste Fund had expenditures exceeding appropriations of \$171,936. Both of these funds experienced staff turnover in key accounting positions. The new staff is now trained on how to request additional appropriations in a timely manner when needed.

4. 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	41,754,592	39,944,394	13,970,432	13,082,451
Interfund activity	(1,670,168)	(1,670,168)	(252,715)	(252,715)
Transfers	(640,000)	(200,000)	-	-
GAAP basis	39,444,424	38,074,226	13,717,717	12,829,736

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, 2018, the Treasurer was holding \$43,034,299 in residual investments of surplus cash. 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, as well as an estimate of year-end receivables for the District Court Probation office. Other taxes receivable include sales tax, lodging taxes, motor vehicle excise taxes and other miscellaneous taxes. 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 acquisition 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.

See Note 4 for additional information on capital assets.

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. Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed police personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual health care costs are reported as expenditures in the year they are incurred and are paid out of the LEOFF I Fund.

10. 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. Assessed value of property is established at 100% of market value for next year's levy on May 31. 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.

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

The Washington State Constitution and Washington State law (RCW 84.55.010) allow counties to limit the rate of property taxes. A county may levy taxes at a maximum rate of \$1.80 per \$1,000 of assessed value against all real and personal property subject to taxation for general county purposes. This includes payment of principal and interest on bonds issued by the County without a vote of the people, including limited tax general bond obligations (RCW 84.52). The County's regular levy for 2018 was \$1.18 per \$1,000 on an assessed valuation of \$11.1 billion for a total regular tax levy of \$13,099,528.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2018 was \$1.24 per \$1,000 on assessed valuation of \$6.3 billion for a total road levy of \$7,750,457. The diverted road levy for 2018 was \$500,000, which equates to \$0.04511 per \$1,000 of assessed valuation on total valuation of \$11.1 billion.

The County assesses a mental health levy of \$0.025 per \$1,000 on assessed valuation of \$11.1 billion for a total tax levy of \$277,084. The County also assesses a flood control zone levy of \$0.062 per \$1,000 on assessed valuation of \$11.1 billion for a total tax levy of \$689,930.

A county may increase its levy from \$1.80 to \$2.475 for general county purposes if the total levies for both county and road purposes do not exceed \$4.05 per \$1,000 of assessed value and no other taxing district has had its levy reduced as a result of the increased county levy.

The \$1.80 per \$1,000 limitation on the general purposes levy is exclusive of certain regular property taxes: (i) a voted levy for emergency medical services, limited to \$0.50 per \$1,000 (authorized by RCW 84.52.069); (ii) a voted levy to finance affordable housing for very low income households, limited to \$0.50 per \$1,000 (authorized by RCW 84.52.105); and (iii) a non-voted levy for conservation futures, limited to \$0.0625 per \$1,000 (authorized by RCW 84.34.230).

Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of one percent of the true and fair value of property (or

\$10.00 per \$1,000) by Article VII, Section 2 of the State Constitution and by RCW 84.52.050. Within the one percent limitation, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90 per \$1,000 of assessed value (or 0.59%) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, affordable housing for very low-income households and acquiring conservation futures. If aggregate regular property tax levies exceed the one percent or \$5.90 per \$1,000 limitations, levies requested by "junior" taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010), in order to bring the aggregate levy into compliance. Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

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). 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 1.D.2 describes budgetary violations that occurred, if any, for the year ended December 31, 2018. It also addresses the action taken to cover the expenses.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand as of December 31, 2018 was \$57,396. The carrying amount of the County's deposits and the bank balances were \$11,048,218.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of failure of a depository financial institution, the County would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. 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).

Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rate will adversely affect the deposit. The County's policy does not allow foreign deposits.

B. Investments

The Investment ledger is maintained by the Chelan County Treasurer and consists of the following:

	<u>Chelan County Funds</u>			Agency Trust	Treasurer Trust	Investment
	<u>Government</u>	<u>Proprietary</u>	<u>Total</u>	<u>Funds</u>	<u>Funds</u>	<u>Ledger Total</u>
Corporate Bonds	991,220	-	991,220	743,540	743,790	2,478,550
Municipal Bonds	2,601,358	995,140	3,596,498	12,019,613	16,458,013	32,074,124
US Agencies and Treasuries	1,000,470	-	1,000,470	9,201,067	11,635,393	21,836,930
Local Govt Investment Pools	7,404,309	1,319,767	8,724,076	126,321,982	11,888,392	146,934,450
Money Market Accounts	514,180	-	514,180	484,592	2,149,516	3,148,288
Certificate of Deposits	-	-	-	793,749	-	793,749
	<u>12,511,537</u>	<u>2,314,907</u>	<u>14,826,444</u>	<u>149,564,543</u>	<u>42,875,104</u>	<u>207,266,091</u>

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the County may face should interest rate variances affect the fair value of investments. Through its investment policy, the County manages its exposure to the risk that the fair 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 is that the weighted average of the portfolio will have a maturity date of less than five years.

Investment Type	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 to 5</u>	<u>5 to 10</u>
Debt Securities				
Corporate Bonds	2,478,550	1,486,830	991,720	-
Municipal Bonds	32,588,304	7,803,577	23,948,759	835,968
US Agencies	<u>21,836,930</u>	<u>13,162,187</u>	<u>8,674,743</u>	<u>0</u>
Total Debt Securities	56,903,784	22,452,594	33,615,222	835,968
Other Securities				
Local Govt Investment Pool (LGIP)	146,934,451	146,934,451	0	-
Money Market Accounts	2,634,107	2,634,107	0	-
Certificate of Deposit	<u>793,749</u>	<u>383,968</u>	<u>409,781</u>	<u>-</u>
Total Other Securities	<u>150,362,307</u>	<u>149,952,526</u>	<u>409,781</u>	<u>-</u>
Total Investments	<u>207,266,091</u>	<u>172,405,120</u>	<u>34,025,003</u>	<u>835,968</u>

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 corporate and 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 has a policy related to credit risk.

At December 31, 2018 the Chelan County's investment had the following credit quality distribution for securities with credit exposure:

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A</u>	<u>Unrated</u>
Corporate Bonds	2,478,550	991,720	1,486,830	-	-
Municipal Bonds	32,588,304	6,985,480	23,383,899	504,215	1,714,710
US Agencies and Treasuries	21,836,930	-	21,836,930	-	-
Local Govt Investment Pools	146,934,451	-	-	-	146,934,451
Money Market Accounts	2,634,107	-	-	-	2,634,107
Certificate of Deposits	793,749	-	-	-	793,749
Totals	<u>207,266,091</u>	<u>7,977,200</u>	<u>46,707,659</u>	<u>504,215</u>	<u>152,077,017</u>

Sources: Moody's Investors Services, Standard & Poor's, Fitch Ratings.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty Chelan County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Foreign Currency Risk: Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. Chelan County does not own any investments that are subject to foreign exchange rates.

Investments in Local Government Investment Pool (LGIP)

Chelan County is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

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

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

Investments Measured at Fair Value

The County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

As of December 31, 2018 the County had the following investments measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
County Investments			
Investments By Fair Value Level			
Corporate Bonds		991,220	
Municipal Bonds		3,596,498	
US Agency		1,000,470	
Total Investments measured at fair value		<u>5,588,188</u>	
Investments measured at amortized cost			
State Local Government Investment Pool (LGIP)		8,724,076	
Certificate of Deposit		-	
Municipal Money Market		514,180	
Total Investments measured at amortized cost		<u>9,238,256</u>	
Total County investments		14,826,444	
Investments held by County as agent for other local governments			
Investments By Fair Value Level			
Corporate Bonds		1,487,330	
Municipal Bonds		28,477,626	
US Agency		20,836,460	
Total Investments measured at fair value		<u>50,801,416</u>	
Investments measured at amortized cost			
State Local Government Investment Pool (LGIP)		138,210,374	
Certificate of Deposit		793,749	
Municipal Money Market		2,634,108	
Total Investments measured at amortized cost		<u>141,638,231</u>	
Total investments held by County as agent other local governments		<u>192,439,647</u>	
Total Investments in Statement of Net Position		<u><u>207,266,091</u></u>	

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance			Ending Balance
	01/01/2018	Increases	Decreases	12/31/2018
Capital assets, not being depreciated:				
Land	5,937,110	135,000	-	6,072,110
Construction in progress	1,506,569	2,795,270	1,301,483	3,000,356
Total capital assets, not being depreciated	7,443,679	2,930,270	1,301,483	9,072,466
Capital assets, being depreciated:				
Other improvements	2,211,433	-	-	2,211,433
Buildings and structures	54,815,181	92,971	5,972	54,902,179
Machinery and equipment	24,952,024	4,232,981	1,241,234	27,943,771
Infrastructure	93,404,313	1,301,483	-	94,705,796
Total capital assets being depreciated	175,382,950	5,627,435	1,247,206	179,763,178
Less accumulated depreciation for:				
Other improvements	1,699,713	38,232	-	1,737,946
Buildings and structures	30,105,596	1,120,054	1,967	31,223,682
Machinery and equipment	18,676,015	1,681,786	1,189,893	19,167,909
Infrastructure	48,104,461	3,608,512	-	51,712,974
Total accumulated depreciation	98,585,786	6,448,584	1,191,860	103,842,510
Total capital assets, being depreciated, net	76,797,164	(821,149)	55,346	75,920,668
Total capital assets, net	84,240,843	2,109,120	1,356,829	84,993,134

Depreciation expense was charged to functions as follows:

General Government	1,033,544
Judicial	141,856
Public Safety	707,578
Utilities	129,688
Transportation	4,156,224
Natural Environment	86,060
Economic environment	44,690
Culture and recreation	148,945
Total depreciation	6,448,584

NOTE 5 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Net Pension liabilities	\$ (11,010,817)
Net Pension assets	\$ 3,989,640
Deferred outflows of resources	\$ 2,965,110
Deferred inflows of resources	\$ (6,343,891)
Pension expense/expenditures	\$ 1,079,226

As mentioned in Note 5(K), the County also recorded a net pension asset of \$30,948 for the Volunteer Fire Fighters and Reserve Officers' Relief and Pension Fund (VFFRPF), for a total net pension asset of \$4,020,589.

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 obtained by writing to:

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

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

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.

Contributions

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

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2018		
PERS Plan 1	7.49%	6.00%

PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	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.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2018		

PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

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

The County's actual PERS plan contributions were \$59,640 for PERS Plan 1, and \$1,466,806 to PERS Plan 2/3 for the year ended December 31, 2018.

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 and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year

between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

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

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

The County's actual plan contributions, not including funding of the PERS Plan 1 UAAL, were \$172,065 to PSERS Plan 2 for the year ended December 31, 2018.

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.

Contributions

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

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

Contributions

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

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

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

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The County's actual contributions to the plan were \$304,908 for the year ended December 31, 2018.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$188,554.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the

valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the County's proportionate share* of net pension liability of employers calculated using the discount rate of 7.50% as well as what employers' net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 9,614,330	\$ 7,823,286	\$ 6,271,880
PERS 2/3	\$ 14,545,481	\$ 3,180,019	\$ (6,138,391)
PSERS 2	\$ 780,483	\$ 7,513	\$ (599,015)
LEOFF 1	\$ (461,588)	\$ (580,234)	\$ (682,382)
LEOFF 2	\$ (453,387)	\$ (3,409,406)	\$ (5,820,383)

* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

E. 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.

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

At June 30, 2018, the County reported a total pension liability of \$11,010,817 and total pension asset of \$3,989,640 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 7,823,286
PERS 2/3	\$ 3,180,019
PSERS 2	\$ 7,513
LEOFF 1	\$ (580,234)

LEOFF 2	\$ (3,409,406)
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The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the County were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (580,234)	\$ (3,409,406)
State's proportionate share of the net pension asset associated with the employer	\$(3,924,691)	\$ (2,207,526)
TOTAL	\$(4,504,926)	\$ (5,616,932)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.163979%	0.175173%	0.011194%
PERS 2/3	0.175946%	0.186248%	0.010302%
PSERS 2	0.628144%	0.606346%	(0.021798%)
LEOFF 1	0.031628%	0.031960%	0.000332%
LEOFF 2	0.152825%	0.167933%	0.015108%

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

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

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

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

G. Pension Expense

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

	Pension Expense
PERS 1	\$ 1,233,783
PERS 2/3	\$ (49,039)
PSERS 2	\$ 126,377
LEOFF 1	\$ (97,852)

LEOFF 2	\$ (134,043)
TOTAL	\$ 1,079,226

H. Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (310,893)
Contributions subsequent to the measurement date	\$ 589,697	\$ -
TOTAL	\$ 589,697	\$ (310,893)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 389,787	\$ (556,763)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,951,407)
Changes of assumptions	\$ 37,201	\$ (905,008)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 527,026	\$ (1,048,906)
Contributions subsequent to the measurement date	\$ 744,758	\$ -
TOTAL	\$ 1,698,772	\$ (4,462,084)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,718	\$ (7,708)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (101,298)
Changes of assumptions	\$ 804	\$ (46,490)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 3,962	\$ (20,934)
Contributions subsequent to the measurement date	\$ 89,574	\$ -
TOTAL	\$ 150,058	\$ (176,430)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (47,107)
TOTAL	\$ -	\$ (47,107)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 182,635	\$ (79,167)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (596,692)
Changes of assumptions	\$ 1,930	\$ (489,311)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 183,579	\$ (182,207)
Contributions subsequent to the measurement date	\$ 158,439	\$ -
TOTAL	\$ 526,583	\$ (1,347,377)

Total-All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 628,141	\$ (643,637)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (3,007,396)
Changes of assumptions	\$ 39,934	\$ (1,440,809)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 714,567	\$ (1,252,048)
Contributions subsequent to the measurement date	\$ 1,582,468	\$ -
TOTAL	\$ 2,965,110	\$ (6,343,891)

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

Differences Between Projected and Actual Earnings on Plan Investments					
Year ended December 31:	PERS 1	PERS 2/3	PSERS	LEOFF 1	LEOFF 2
2019	13,602	(168,980)	(14,985)	45	(54,678)
2020	(67,963)	(473,104)	(25,820)	(10,627)	(145,020)
2021	(203,938)	(1,030,726)	(47,352)	(28,943)	(312,400)
2022	(52,594)	(278,596)	(13,141)	(7,582)	(84,594)
Total	(310,893)	(1,951,407)	(101,298)	(47,107)	(596,692)

Differences Between Expected and Actual Experience

Year ended December 31:	PERS 2/3 Inflows	PERS 2/3 Outflows	PSERS 2 Inflows	PSERS 2 Outflows	LEOFF 2 Inflows	LEOFF 2 Outflows
2019	(167,816)	141,066	(734)	17,781	(9,205)	43,170
2020	(90,425)	57,842	(734)	17,781	(9,205)	43,170
2021	(71,077)	57,842	(734)	17,781	(9,205)	19,917
2022	(71,077)	57,842	(734)	453	(9,205)	11,751
2023	(71,077)	57,842	(734)	263	(9,205)	11,751
Thereafter	(85,292)	17,353	(4,037)	1,658	(33,140)	52,877
Total	(556,763)	389,787	(7,708)	55,718	(79,167)	182,635

Change of Assumptions						
Year ended December 31:	PERS 2/3 Inflows	PERS 2/3 Outflows	PSERS 2 Inflows	PSERS 2 Outflows	LEOFF 2 Inflows	LEOFF 2 Outflows
2019	(145,969)	29,643	(4,114)	206	(51,506)	877
2020	(145,969)	6,043	(4,114)	206	(51,506)	877
2021	(145,969)	459	(4,114)	206	(51,506)	176
2022	(145,969)	459	(4,114)	77	(51,506)	-
2023	(145,969)	459	(4,114)	17	(51,506)	-
Thereafter	(175,163)	138	(25,919)	93	(231,779)	-
Total	(905,008)	37,201	(46,490)	804	(489,311)	1,930

Employer's Changes in Proportionate Share						
Year ended December 31:	PERS 2/3 Inflows	PERS 2/3 Outflows	PSERS 2 Inflows	PSERS 2 Outflows	LEOFF 2 Inflows	LEOFF 2 Outflows
2019	(197,907)	196,905	(1,986)	1,043	(30,396)	21,346
2020	(197,907)	82,165	(1,986)	1,043	(30,396)	21,346
2021	(197,907)	59,037	(1,986)	1,043	(19,829)	21,346
2022	(197,907)	59,037	(1,954)	834	(15,628)	21,346
2023	(197,907)	59,037	(1,954)	-	(15,628)	21,346
Thereafter	(59,372)	70,844	(11,070)	-	(70,328)	76,847
Total	(1,048,907)	527,026	(20,934)	3,962	(182,207)	183,579

TOTALS (excluding contributions subsequent to the measurement date)					
Year ended December 31:	PERS 1 Yearly Amortization	PERS 2/3 Yearly Amortization	PSERS 2 Yearly Amortization	LEOFF 1 Yearly Amortization	LEOFF 2 Yearly Amortization
2019	13,602	(313,058)	(2,789)	45	(80,393)

2020	(67,963)	(761,354)	(13,625)	(10,627)	(170,736)
2021	(203,938)	(1,328,341)	(35,156)	(28,943)	(351,502)
2022	(52,594)	(576,210)	(18,579)	(7,582)	(127,837)
2023	-	(297,615)	(6,522)	-	(43,243)
Thereafter	-	(231,492)	(39,275)	-	(205,522)
Total	(310,893)	(3,508,070)	(115,946)	(47,107)	(979,233)

The following plan is not administered by DRS. Individual municipalities' proportionate share of the net pension liability/(asset) is available at www.bvff.wa.gov. The following disclosures should be combined with those above in a manner that avoids unnecessary duplication.

I. Volunteer Fire Fighters and Reserve Officers' Relief and Pension Fund (VFFRPF)

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 450 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. In addition, the state contributes 40 percent of the fire insurance premium tax. Retirement benefits are established in Chapter 41.24 RCW and may be amended only the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the comprehensive annual financial report (CAFR) of the State of Washington. The State CAFR may be downloaded from the Office of Financial Management (OFM) website at www.ofm.wa.gov.

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service, for a maximum monthly benefit of \$300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214,000 and funeral and burial expenses of \$2,000. Members receiving disability benefits at the time of death shall be paid \$500.

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates for 2018 were as follows:

	VFFRPF	
	Firefighters	EMSD and Reserve Officers
Municipality fee	\$30	\$105
Member fee	\$30	\$30

The County's actual contributions to the plan were \$120 for the year ended December 31, 2018.

In accordance with Chapter 41.24 RCW, the state contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2018, the state's fire insurance premium tax contribution was \$7.2 million.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2016, and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- **Inflation:** 2.50%
- **Salary increases:** N/A
- **Investment rate of return:** 7.00%

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 2017 valuation report.

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 their lifetime.

Discount Rate

The discount rate used to measure the total VFFRPF pension asset was 7 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included as assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Asset

The following presents the County's proportionate share of the VFFRPF net pension asset calculated using the discount rate of 7 percent, as well as what the County proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
VFFRPF	\$ (17,589)	\$ (30,948)	\$ (42,864)

Pension Plan Fiduciary Net Position

Detailed information about the VFFRPF plan's fiduciary net position is available in the separately issued State of Washington CAFR.

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

At June 30, 2018, the County reported an asset of \$30,948 for its proportionate share of the VFFRPF plan's net pension asset. The County's proportion of the net pension asset was based on actual contributions to the plan relative to total contributions of all participating municipalities. At June 30, 2018 the County's proportion was 0.058565%.

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

For the year ended December 31, 2018, the County recognized a reduction of its pension expense of \$25,748. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

NOTE 6 - RISK MANAGEMENT

A. Liability Insurance - Risk Pool

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

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

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2018, Chelan County selects a per-occurrence deductible of \$100,000.

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

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

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

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

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

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three-times each year with the Annual

Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

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

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

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

B. Self-Insurance

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.

<u>Unemployment Compensation</u>	
Claims liability at 12/31/2016	\$ 0
Claims incurred	\$ 53,820
Claims paid	\$ (53,820)
Claims liability at 12/31/2017	\$ 0
Claims incurred	\$ 53,371
Claims paid	\$ (53,371)
Claims liability at 12/31/2018	\$ 0

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.

<u>Workers Compensation</u>	
Claims liability at 12/31/2016	\$ 263,518
Claims incurred	\$ 86,574
Claims paid	\$ (342,873)
Claims adjustments	\$ 239,247
Claims liability at 12/31/2017	\$ 246,466
Claims incurred	\$ 220,559
Claims paid	\$ (448,472)
Claims adjustments	\$ 350,591
Claims liability at 12/31/2018	\$ 369,143

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 \$110,000 stop-loss policy to mitigate risk of large individual claims. It also maintained an annual aggregate claims limit of \$5,809,266. Per the Washington Administrative Code, the County must maintain a reserve equal to 16 weeks of program expenses. Based on 2018's average weekly medical plan costs, this amount equals \$1,315,700. As of 12/31/2018, the Health Insurance fund was adequately funded with an ending net position of \$3,095,499.

<u>Medical Insurance</u>	
Claims liability at 12/31/2016	\$ 0
Claims incurred	\$ 3,641,833
Claims paid	\$ (3,641,833)
Claims liability at 12/31/2017	\$ 0
Claims incurred	\$ 4,276,025
Claims paid	\$ (4,276,025)
Claims liability at 12/31/2018	\$ 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
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%	1,100,000
2009 LTGO bonds for the law and justice facility renovation, original issue \$8,150,000	2.0% - 5.0%	1,100,000
2016 Refunding bonds to advance refund the county's 2002 and 2003A bonds and partially refund the 2009 G.O. bonds, original issue \$8,955,000	2.0% - 5.0%	7,885,000
Total		10,085,000

The annual debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2019	750,000	366,454
2020	765,000	340,693
2021	795,000	313,967
2022	825,000	289,886
2023	370,000	260,650
2024-2028	2,170,000	1,073,750
2029-2033	2,595,000	676,950
2034-2036	1,815,000	147,200
Total	10,085,000	3,469,550

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.

In 2016 Chelan County issued the 2016 LTGO refunding bonds to defease the 2002 and 2003A G.O bonds, as well as partially refunding the outstanding 2009 G.O. bonds. The proceeds of the new bonds were placed

in an irrevocable trust to provide for 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 \$120,000. 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.

NOTE 8 – CHANGES IN LONG TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/18	Additions	Reductions	Ending Balance 12/31/18	Due Within One Year
Bonds payable	11,020,000	-	935,000	10,085,000	750,000
Net pension liability	14,017,286	-	3,006,469	11,010,817	-
OPEB benefit for LEOFF	8,525,964	298,580	616,454	8,208,090	-
DSHS Working capital advance	110,394	-	-	110,394	-
Claims reserve	246,466	220,559	97,882	369,143	-
Compensated absences	2,593,562	534,336	591,608	2,536,290	571,863
Long-term liabilities:	36,513,672	1,053,475	5,247,413	32,319,734	1,321,863

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, \$44,888 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.

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							Total
	General Fund	County Roads	Regional Justice Center	Natural Resources	Distressed Counties Tax	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	
Restricted for:								
Roads & transportation	-	4,688,332	-	-	-	124,453	-	4,812,785
Drug enforcement	-	-	-	-	-	220,423	-	220,423
Law enforcement	-	-	-	-	-	3,221,764	-	3,221,764
Archiving	-	-	-	-	-	422,091	-	422,091
Housing	-	-	-	-	-	548,813	-	548,813
Pest control	-	-	-	-	-	38,596	-	38,596
Technology	-	-	-	-	-	278,270	-	278,270
Weed control	-	-	-	-	-	81,203	-	81,203
Courts	-	-	-	-	-	430,321	-	430,321
Veterans	-	-	-	-	-	95,481	-	95,481
Foreclosure costs	-	-	-	-	-	128,208	-	128,208
Tourism	-	-	-	-	-	2,704,530	-	2,704,530
Natural resources	-	-	-	(46,954)	-	34,438	-	(12,516)
Flood control	-	-	-	-	-	3,046,434	-	3,046,434
Substance abuse	-	-	-	-	-	16,567	-	16,567
Mental Health	-	-	-	-	-	138,243	-	138,243
Capital projects	-	-	-	-	6,168,853	-	4,126,375	10,295,228
Committed to:								
Drug enforcement	-	-	-	-	-	14,975	-	14,975
Prison	-	-	-	-	-	99,078	-	99,078
Parks & recreation	-	-	-	-	-	1,146,882	-	1,146,882
Education	-	-	-	-	-	119,767	-	119,767
Airport	-	-	-	-	-	33,581	-	33,581
Utilities	-	-	-	-	-	961,877	-	961,877
Elections	-	-	-	-	-	83,583	-	83,583
Unassigned	13,547,411	-	(934,559)	-	-	-	-	12,612,852
	13,547,411	4,688,332	(934,559)	(46,954)	6,168,853	13,989,579	4,126,375	41,539,036

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, 2017 are as follows:

	General Fund	County Roads	Regional Justice Center	Natural Resources	Nonmajor governmental	Internal service	Total
Due To							
General Fund	-	48,850	4,242	-	5,972	-	59,064
County Roads	-	-	-	-	-	-	-
Regional Justice Center	11,403	-	-	-	215	-	11,618
Natural Resources	-	-	-	-	-	-	-
Nonmajor governmental	6,667	-	-	9,909	88	-	16,664
Internal service	79,383	418,758	711	1,284	14,741	893	515,770
Total	97,453	467,608	4,953	11,193	21,016	893	603,116

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 2018:

Borrowing Fund	Lending Fund	Interfund Loans and Advances Payable			
		1/1/2018	New Loans	Repayments	12/31/2018
Horticulture, Pest & Disease	General Fund	-	15,000	-	15,000
Cashmere Dryden Airport	Distressed Counties Tax	182,000	-	92,000	90,000
Natural Resources	REET I	464,400	760,000	208,000	1,016,400
Natural Resources	Distressed Counties Tax	107,000	-	107,000	-
Regional Justice Center	Distressed Counties Tax	-	1,393,000	-	1,393,000
	Total	753,400	2,168,000	407,000	2,514,400

C. Interfund Transfers

During 2018, interfund transfers were used to move General fund property tax revenue to support the Law Library and Natural Resources operations. 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. County Roads transferred funds to the General fund to support county road traffic safety initiatives by the Sheriff. The following table displays interfund transfers during 2018:

Transfers In	Transfers Out			
	General	County Roads	Nonmajor governmental	Total
General	-	100,000	540,000	640,000
County Roads	-	-	500,000	500,000
Natural Resources	100,000	-	-	100,000
Nonmajor governmental	100,000	-	-	100,000
Total transfers	200,000	100,000	1,040,000	1,340,000

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 2018, Rivercom reported total revenues and other increases in fund resources of \$7,581,908 and incurred total expenditures and other decreases in fund resources of \$4,688,609 resulting in an increase in cash and investment of \$599,848 and ending fund balance of \$10,737,745.

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.

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.

B. Water Conservation Board

The Chelan County Board of Commissioners appoint the majority of board members for the Chelan County Water Conservation Board. After appointment, the district is not accountable to Chelan County. Their combined financial information is included with the agency fund combining financial statements.

NOTE 14 – ACCOUNTING AND REPORTING CHANGES

A. GASB Statements

For the fiscal year ended December 31, 2018, the County considered or implemented the following GASB pronouncements:

1. GASB Statement No. 77, *Tax Abatement Disclosures*

The State of Washington has entered into tax abatement agreements under the Revised Code of Washington 82.60 "High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities." The exemption is intended to promote economic stimulation and new employment opportunities in distressed areas. This abatement agreement may have local impacts to the County. However, data is confidential and the Washington State Department of Revenue is prohibited from disclosing information to the County when there are less than three taxpayers within the County.

2. GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*

Effective for fiscal years beginning after June 15, 2017. See Note 15 for implementation. As part of this implementation, the County recorded a \$5,097,436 change in accounting principle.

B. Prior Period Adjustment

Some capital outlays in 2016 and 2017 for equipment upgrades were not capitalized on the government wide Statement of Net Position. Those outlays were \$782,074 for 2016 and \$1,033,537 for 2017, for a total of \$1,815,611. Beginning net position for 2018 is adjusted on the Statement of Activities by \$1,815,611.

The prior period adjustment of \$1,815,611 is offset by the \$5,097,436 mentioned above for a change in accounting principle, resulting in a net change to beginning net position of \$3,281,825 on the Statement of Activities.

NOTE 15 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. Plan Description

In addition to the pension benefits described in Note 5, the County administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. The County has used the alternative measurement method permitted by GASB Statement 75. There are 19 participants eligible to receive these benefits. There are currently no members actively employed at the County who are not yet receiving LEOFF I medical 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.

The following table represents the aggregate other postemployment benefits other than pension amounts for the County's single-employer plan subject to the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year 2018:

OPEB Liabilities	\$ 8,208,090
Deferred Outflows of Resources – OPEB	202,964
OPEB expenses/expenditures	56,920

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, 2018, the County's combined plan contributions were \$233,383.

C. Actuarial Assumptions

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

The County's total OPEB liability of \$8,208,090 was measured as of June 30, 2018 with a valuation date of June 30, 2018. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The entry age normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

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

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

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

Mortality rates were based on the RP-2000 report's "+1 year Healthy Table" and "-2 years Disabled Table" published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. Medicare participation is assumed at 100%.

D. Sensitivity of the Total OPEB Liability

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

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 9,115,493	\$ 8,208,090	\$ 7,433,433

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 7,465,403	\$ 8,208,090	\$ 9,058,273

E. Changes in the Total OPEB Liability

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

Total OPEB Liability at December 31, 2017	\$ 8,525,964
Changes for the Year:	
Service Cost	-
Interest	298,580
Changes in Experience Data and Assumptions	(241,660)
Estimated Benefit Payments	(374,794)
Net Changes	<u>(317,874)</u>
Total OPEB Liability at December 31, 2018	<u>\$ 8,208,090</u>

The county reported \$56,920 as OPEB expense for the calendar year 2018.

At December 31, 2018, the county reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$202,964. This will be recognized as expense in the period ending December 31, 2019.

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

As of June 30

Last 10 Fiscal Years*

PERS 1	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.175173%	0.163979%	0.199006%	0.186394%	0.180347%
County's proportionate share of the net pension liability	7,823,286	7,780,931	10,687,560	9,750,140	9,085,065
County's covered payroll	22,472,503	20,005,834	22,928,349	20,369,507	19,175,010
County's proportionate share of the net pension liability as a percentage of covered payroll	34.81%	38.89%	46.61%	47.87%	47.38%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	61.19%
PERS 2/3	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.186248%	0.175946%	0.209821%	0.198093%	0.192221%
County's proportionate share of the net pension liability	3,180,019	6,113,282	10,564,322	7,077,976	3,885,480
County's covered payroll	19,471,060	17,257,094	19,752,838	17,600,742	16,606,855
County's proportionate share of the net pension liability as a percentage of covered payroll	16.33%	35.42%	53.48%	40.21%	23.40%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	93.29%
PSERS	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.606346%	0.628144%	0.729392%	0.659134%	0.662335%
County's proportionate share of the net pension liability	7,513	123,072	309,977	120,305	(95,913)
County's covered payroll	2,381,237	2,223,405	2,368,244	1,929,680	1,785,782
County's proportionate share of the net pension liability as a percentage of covered payroll	0.32%	5.54%	13.09%	6.23%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability	99.79%	96.26%	90.41%	95.08%	105.01%
LEOFF 1	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.031960%	0.031628%	0.031184%	0.031844%	0.034190%
County's proportionate share of the net pension liability (asset)	(580,234)	(479,866)	(321,284)	(383,791)	(414,653)
State's proportionate share of the net pension liability (asset) associated with the county	(3,924,691)	(3,245,804)	(2,173,160)	(2,595,950)	(2,804,704)
Total proportionate share of the net pension liability (asset)	(4,504,925)	(3,725,670)	(2,494,444)	(2,979,740)	(3,219,357)
County's covered payroll	-	-	-	-	-
County's proportionate share of the net pension liability as a percentage of covered payroll	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%	126.91%
LEOFF 2	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.167933%	0.152825%	0.178758%	0.177599%	0.164498%
County's proportionate share of the net pension liability (asset)	(3,409,406)	(2,120,716)	(1,039,710)	(1,825,362)	(2,182,959)
State's proportionate share of the net pension liability (asset) associated with the county	(2,207,526)	(1,375,669)	(677,815)	(1,206,930)	(1,426,307)
Total proportionate share of the net pension liability (asset)	(5,616,932)	(3,496,385)	(1,717,526)	(3,032,292)	(3,609,266)
County's covered payroll	5,569,044	4,781,084	5,415,332	5,155,068	4,576,780
County's proportionate share of the net pension liability as a percentage of covered payroll	-61.22%	-44.36%	-19.20%	-35.41%	-47.70%
Plan fiduciary net position as a percentage of the total pension liability	118.50%	113.36%	106.04%	111.67%	116.75%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CHELAN COUNTY, WASHINGTON

Required Supplementary Information
 Schedule of Employer Contributions
 For the Year Ended December 31
 Last 10 Fiscal Years*

PERS 1	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	1,176,034	1,123,867	1,062,903	876,552	905,944
Contributions in relation to the statutorily or contractually required contributions	1,176,034	1,123,867	1,062,903	876,552	905,944
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	22,567,476	22,232,305	21,413,272	19,282,248	21,360,389
Contributions as a percentage of covered payroll	5.21%	5.06%	4.96%	4.55%	4.24%
PERS 2/3	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	1,466,806	1,305,429	1,146,892	927,123	921,038
Contributions in relation to the statutorily or contractually required contributions	1,466,806	1,305,429	1,146,892	927,123	921,038
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	19,570,079	19,302,297	18,417,336	16,654,601	18,437,888
Contributions as a percentage of covered payroll	7.50%	6.76%	6.23%	5.57%	5.00%
PSERS	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	172,065	156,300	152,798	122,821	128,742
Contributions in relation to the statutorily or contractually required contributions	172,065	156,300	152,798	122,821	128,742
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	2,521,257	2,350,698	2,318,543	1,898,929	2,031,092
Contributions as a percentage of covered payroll	6.82%	6.65%	6.59%	6.47%	6.34%
LEOFF 1	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	-	-	-	-	-
Contributions as a percentage of covered payroll	-	-	-	-	-
LEOFF 2	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	304,908	273,440	253,572	238,152	272,999
Contributions in relation to the statutorily or contractually required contributions	304,908	273,440	253,572	238,152	272,999
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	5,808,330	5,327,535	5,021,262	4,716,403	5,405,815
Contributions as a percentage of covered payroll	5.25%	5.13%	5.05%	5.05%	5.05%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CHELAN COUNTY, WASHINGTON

Required Supplementary Information
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Last 10 Fiscal Years*

	<u>2018</u>
Total OPEB Liability - LEOFF 1	
Service Cost	\$ -
Interest	298,580
Changes in experience data and assumptions	(241,660)
Estimated benefit payments	<u>(374,794)</u>
Net change in total OPEB liability	(317,874)
Total OPEB liability - beginning	8,525,964
Total OPEB liability - ending	<u>\$ 8,208,090</u>
Covered employee payroll	\$ -
Net OPEB liability as a percentage of covered employee payroll	N/A

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

1. Changes of assumption

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

	<u>2018</u>	<u>2017</u>
The following are the discount rates used in each period:	3.87%	3.58%

2. All participants in the plan are retired; therefore, there is no covered payroll or service cost.

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

Federal Agency (Pass-Through Agency) Child Nutrition Cluster	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of the Superintendent of Public Instruction)	School Breakfast Program	10.553	04-246-9777	5,894	-	5,894	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of the Superintendent of Public Instruction)	National School Lunch Program	10.555	04-246-9777	1,569	-	1,569	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of the Superintendent of Public Instruction)	National School Lunch Program	10.555	04-246-9777	10,974	-	10,974	-	
Total CFDA 10.555:				12,543	-	12,543	-	
Total Child Nutrition Cluster:				18,437	-	18,437	-	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Cooperative Forestry Assistance	10.664	14-LE-11061720- 013	-	119,618	119,618	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665	N/A	-	56,825	56,825	-	3
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665	N/A	-	472,838	472,838	-	3
Total Forest Service Schools and Roads Cluster:				-	529,663	529,663	-	

The accompanying notes are an integral part of this schedule.

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

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		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Partnership Agreements	10.699	18-PA-11061700- 067	-	2,597	2,597	-	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Partnership Agreements	10.699	17-PA-11061700- 032	-	13,474	13,474	-	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Partnership Agreements	10.699	18-CS-11061700- 066	-	29,648	29,648	-	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Partnership Agreements	10.699	17-PA-11061700- 007	-	164,153	164,153	-	
			Total CFDA 10.699:	-	209,871	209,871	-	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	16-1787P	-	15,300	15,300	-	3
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (Via WA State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	14-1732P	25,319	-	25,319	-	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (Via Upper Columbia Salmon Recovery Board)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	N/A	29,968	-	29,968	-	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	16-1780P	-	65,057	65,057	-	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	16-1783M	-	97,888	97,888	-	
			Total CFDA 11.438:	55,287	176,244	233,531	-	

The accompanying notes are an integral part of this schedule.

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

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		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	18-66210-003	54,462	-	54,462	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517	R14AC00013	-	23,551	23,551	6,910	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517	R14AC00014	-	283,027	283,027	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517	R17AC00090	-	670,020	670,020	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517	R16AC00083	-	932,565	932,565	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517	R18AC00054	-	22,424	22,424	-	
Total CFDA 15.517:				-	1,931,588	1,931,588	6,910	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	Rivers, Trails and Conservation Assistance	15.921	L6016	-	24,000	24,000	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F17-31103-026	14,676	-	14,676	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F15-31103-042	17,409	-	17,409	-	
Total CFDA 16.588:				32,085	-	32,085	-	

The accompanying notes are an integral part of this schedule.

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

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 JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017BUBX170898 66	-	6,890	6,890	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-A042(005) LA-8621 CRP 696	393	-	393	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	BRS-F045(001) LA-8712 CRP 693	7,254	-	7,254	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-5851(001) LA-8997	27,691	-	27,691	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS- 5868(001), LA- 9047 CRP 647	29,105	-	29,105	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-00S(398) LA-8625 CRP 696	42,434	-	42,434	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(481) LA-9271 CRP 720	8,924	-	8,924	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(480) LA-9270 CRP 721	14,111	-	14,111	-	
Total CFDA 20.205:				129,912	-	129,912	-	

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	Expenditures		Passed through to Subrecipients	Note
					From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Lands Access Program	20.224	40040(1) CRP703	-	300,745	300,745	-	
Total Highway Planning and Construction Cluster:				129,912	300,745	430,657	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	1,851	-	1,851	-	3
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	7,758	-	7,758	-	3
Total Highway Safety Cluster:				9,609	-	9,609	-	
U.S. Department of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs Speed Emphasis	21.616	N/A	29,818	-	29,818	-	4
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA Dept of Ecology)	Nonpoint Source Implementation Grants	66.460	WQC-2016- ChCoNR-00298	4,516	-	4,516	-	
U.S. Department of Energy	BPA - Nason Creek RM 4.6 side channel	81.76629	76629	-	53,059	53,059	-	5
U.S. Department of Energy	BPA	81.76713	76713	-	511,042	511,042	-	
U.S. Department of Energy (via Upper Columbia Salmon Recovery Board)	BPA - USCRB/Yakama nation	81.989	N/A	12,189	-	12,189	-	3,5

The accompanying notes are an integral part of this schedule.

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

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		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	1663-67389	20,342	-	20,342	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	2110-80333	144,372	-	144,372	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social and Health Services)	Child Support Enforcement	93.563	2110-80333	238,413	-	238,413	-	
Total CFDA 93.563:				403,127	-	403,127	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks & Recreation Commission)	Boating Safety Financial Assistance	97.012	3318FAS180153	15,034	-	15,034	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Hazard Mitigation Grant	97.039	D16-019	27,737	-	27,737	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Hazard Mitigation Grant	97.039	D16-032	109,806	-	109,806	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Hazard Mitigation Grant	97.039	D17-005	145,886	-	145,886	-	
Total CFDA 97.039:				283,429	-	283,429	-	

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Emergency Management Performance Grants	97.042	E18-015 Cougar Creek Fire	85,168	-	85,168	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Pre-Disaster Mitigation	97.047	E19-179	6,084	-	6,084	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Homeland Security Grant Program	97.067	E17-072	60,350	-	60,350	-
Total Federal Awards Expended:				1,199,507	3,864,721	5,064,227	6,910

The accompanying notes are an integral part of this schedule.

CHELAN COUNTY, WASHINGTON

Notes to the Schedule of Expenditures of Federal Awards
January 1, 2018 Through December 31, 2018

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, which use the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - NOT APPLICABLE (N/A)

The County was unable to obtain other identification number.

NOTE 4 – INDIRECT COST RATE

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

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.