



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Kittitas County

For the period January 1, 2021 through December 31, 2021

Published February 27, 2023

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

February 27, 2023

Board of Commissioners
Kittitas County
Ellensburg, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
20.224	Highway Planning and Construction Cluster – Federal Lands Access Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2021-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2021-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Kittitas County January 1, 2021 through December 31, 2021

2021-001 The County's internal controls over preparing financial statements were inadequate for ensuring accurate and timely reporting.

Background

County management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance the County's financial statements, notes, and required schedules are reliable and prepared and presented fairly in accordance with generally accepted accounting principles (GAAP). State law (RCW 43.09.230) also requires the County to prepare, certify and file annual reports with the State Auditor's Office within 150 days after the close of each fiscal year.

Our audit found internal control deficiencies that hindered the County's ability to produce accurate and timely financial statements. *Government Auditing Standards* requires auditors to communicate material weaknesses as a finding. The Applicable Laws and Regulations section below identifies the standards for material weaknesses.

Description of Condition

We found the following deficiencies in the County's internal controls over preparing financial statements. When taken together, they represent a material weakness.

The County's financial preparation and review process did not ensure that the financial statements were accurate, complete and in accordance with GAAP. Specifically, the County did not:

- Take the necessary steps to prepare the financial statements timely and effectively review them to ensure all balances agreed between the statements, notes, and required supplementary information
- Follow up on unreconciled differences in cash and investments between the general ledger and the County Treasurer's software system

- Record accruals to recognize taxes distributed by the state
- Adequately research accounting requirements in order to properly classify restricted net position

Although the County had procedures in place for reviewing statements, the review was not detailed enough to detect and correct misstatements. In addition, in 2021, the County identified a significant error on its previously issued fiduciary financial statements that required restatement.

These issues were reported as a finding in the prior three audits.

Cause of Condition

The County had turnover in the accounting department, which prevented staff from starting the annual report process until after the May 30, 2022, reporting deadline. As a result, the County did not have sufficient time for a detailed, centralized review of the completed financial statements and associated schedules. Additionally, staff at the Auditor and Treasurer's Offices did not effectively communicate with each another when preparing and reviewing the annual report to ensure all information was accurate and complete.

Further, during the prior audit, we reported a finding that included material errors with fiduciary reporting. The County corrected the material errors in the 2020 statements, but identified additional errors in them while preparing the 2021 financial statements, which required a significant prior period adjustment.

Effect of Condition

The County did not provide a complete 2021 annual report until September 27, 2022, which was four months after the reporting deadline, and did not submit the annual report through the online reporting system until December 20, 2022. Our Office noted similar issues in previous audit reports. Delays in the availability of complete annual financial reports prevent County officials, public bond agencies, and other interested parties from obtaining timely information.

The County's financial statements contained errors that management did not detect. The County:

- Incorrectly classified \$13,040,737 of investments as cash for the Governmental Activities. This also incorrectly classified investments for the General Fund and Aggregate Remaining funds by about \$6,036,149 and \$6,764,178, respectively.

- Underreported sales tax revenue for the Governmental Activities, General fund and Aggregate Remaining funds by \$3,159,802, \$1,957,006 and \$1,202,796, respectively
- Incorrectly classified General Fund restricted net position as unrestricted by \$8,801,977
- Did not prepare the required supplementary information for infrastructure condition and maintenance data
- Underreported ending Fiduciary Fund net position in the prior year by \$12,719,601. The District recorded this as a prior period adjustment on the 2021 financial statements.

The County corrected these errors on the financial statements. We also identified other, less significant errors in the financial statements, notes, and required schedules.

Recommendation

We recommend the County strengthen their internal controls over the financial statement preparation processes. Specifically the County should:

- Submit its complete annual report to the State Auditor’s Office within 150 days of the fiscal year-end
- Perform an adequate review of cash and investments to ensure amounts are classified correctly
- Record sales tax accruals for taxes distributed by the state
- Perform adequate research on fund balance classifications before providing financial statements for audit
- Establish an effective technical review process for the financial statements, notes and schedules to ensure they are complete, accurate, supported, classified and reported in accordance with GAAP

County’s Response

Kittitas County’s finance staff thanks the SAO for its continued efforts to drive timely, accurate, and uniform financial reporting among public-sector entities. We support SAO’s mission and are committed to mirroring it in our own reporting practices.

The County acknowledges SAOs assessment of material weaknesses, comprised primarily of deficient controls and technical review during preparation of the 2021 Financial Statements.

SAO correctly identifies turnover of accounting staff as a primary driver in the County's capacity to produce timely and accurate statements. However, the current Finance Director understands that disruption from staff turnover is symptomatic of a lack of succession and continuity planning, and is therefore focusing the County's ongoing corrective measures on this fundamental deficiency.

Ongoing corrective measures are comprised of three concurrent efforts:

1. Work with third-party professional(s) to perform threshold reporting requirements and to develop internal procedures. Continue this/these multi-year engagement(s) and adjust scope annually to reflect County's internal reporting capacity.

2. Re-scope existing job descriptions and evaluation criteria to cultivate a "lifecycle" understanding of component accounting/reporting tasks. Establish specific assignment and ownership of tasks in their entirety. Draft related procedural documentation.

3. Perform interdepartmental review of processes to enable correct identification of unreconciled balances between Treasurer/Auditor offices, causes and source(s) of unreconciled amounts, correction and reconciliation between departments/offices, and documentation and dissemination of procedures to ensure ongoing accuracy and transparency.

Though turnover of key staff extended well into 2022 and 2023, and though the current Finance Director anticipates it will take until the end of calendar 2023 to establish fully redundant and documented functionality to the department's accounting/reporting obligations, the County anticipates timely and accurate threshold reporting and reconciled Auditor/Treasurer data to be in place for the 2022 financial statements.

Auditor's Remarks

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

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material

weaknesses in internal control, instances of fraud, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265.

RCW 43.09.230 Local government accounting – Annual reports – Comparative statistics.

The *Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2021 through December 31, 2021

2021-002 The County lacked adequate internal controls for ensuring compliance with federal suspension and debarment requirements.

Assistance Listing Number and Title: 21.027 – COVID 19 –
Coronavirus State and Local
Fiscal Recovery Funds

Federal Grantor Name: U.S. Department of the Treasury

Federal Award/Contract Number: 1505-0271

Pass-through Entity Name: N/A

Pass-through Award/Contract Number: N/A

Known Questioned Cost Amount: \$0

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2021, the County spent \$436,647 in program funds for the provision of government services.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Additionally, federal regulations prohibit recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor's status by searching for exclusion records in the U.S. General Services Administration's System for Award Management (SAM.gov), obtaining a written

certification from the contractor, or inserting a clause or condition into the contract stating the contractor is not suspended or debarred. The County must perform this verification before entering into the contract and keep documentation demonstrating compliance with this federal requirement.

Description of Condition

Our audit found the County did not have effective internal controls ensuring that it independently verified the suspension and debarment status of contractors procured through a purchasing cooperative. Specifically, the County did not obtain a written certification, insert a clause into the contract, or search for exclusion records in SAM.gov to verify the one contractor it paid with federal funds was not suspended or debarred. The County normally includes a suspension and debarment clause in its contracts. However, for this purchase, the County relied on the purchasing cooperative to verify the contractor's status.

We consider this internal control deficiency to be a material weakness, which led to a material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

Before contracting with the vendor, County staff reviewed the contract between the supplier and the purchasing cooperative, and noted it included the suspension and debarment clause. The County relied on the purchasing cooperative's verification of the vendor's suspension and debarment status, and employees were not aware they needed to independently verify the vendor's status.

Effect of Condition

The County did not independently verify the suspension and debarment status for one supplier that was paid \$408,000 during the audit period. Although staff reviewed the suspension and debarment language in the contract between the purchasing cooperative and the supplier, the lack of independent verification increases the County's risk of awarding federal funds to vendors excluded from participating in federal programs. We subsequently verified the supplier was not suspended or debarred. Therefore, we are not questioning these costs.

Recommendation

We recommend the County independently verify vendors' suspension and debarment status or include a suspension and debarment clause in contracts with vendors to ensure compliance with federal requirements.

County's Response

Kittitas County's finance staff thanks the SAO for its continued efforts to drive timely, accurate, and uniform financial reporting among public-sector entities. We support SAO's mission and are committed to mirroring it in our own reporting practices.

Near-term corrective measures are to:

- 1) Finance Director to instruct accounting staff to obtain and print evidence of compliance with federal suspension and debarment requirements to accompany all approved contracts before routing them for execution, and*
- 2) To ensure that all subrecipient agreements using Federal Funds contain boilerplate suspension and debarment compliance language. These actions are already in place as of October, 2022.*

Long-term corrective action entails a formal reorganization of countywide grant processes to include:

- 1) Consolidation of post-award compliance monitoring in the Auditor's office,*
- 2) Delegation of grant management to the underlying departments or offices awarded the grants,*
- 3) Standardization of formal BOCC pre-approval and final approval processes, such that approvals are only made during regular BOCC meetings,*
- 4) Review and revisions of grant-contract templates to ensure comprehensive compliance with federal grant requirements, and*
- 5) Regular periodic internal meetings with assigned Auditor/finance staff and all internal grant managers to discuss and coordinate requirements, deadlines, regulations, and ongoing status of awarded grants.*

Auditor's Remarks

We appreciate the County's commitment to resolving this issue and for its cooperation throughout the audit. We will review corrective action taken during the next scheduled audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification Standards of Statements on Auditing*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

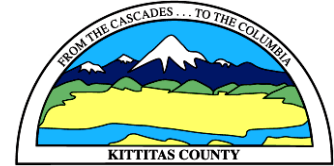
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Kittitas County

January 1, 2021 through December 31, 2021

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

Audit Period: January 1, 2020 through December 31, 2020	Report Ref. No.: 1030224	Finding Ref. No.: 2020-001
Finding Caption: The County's internal controls over preparing financial statements were inadequate for ensuring accurate and timely reporting.		
Background: Our audit identified internal control deficiencies that hindered the County's ability to produce accurate and timely financial statements. The County did not take the necessary steps to prepare the financial statements timely and perform an effective review to ensure all balances agreed between the statements, notes, and required supplementary information. The County also did not adequately research the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, <i>Fiduciary Activity</i> , or ensure that it classified fiduciary activity correctly. The County submitted the 2020 annual report on October 1, 2021, which was 124 days after the reporting deadline. Similar issues were noted in previous audit reports. Delays in the availability of complete annual financial reports prevent County officials, public bond agencies, and other interested parties from obtaining timely information. In addition, the County's financial information contained errors that management did not detect.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The corrective action plan for this prior audit finding was drafted by the County's previous Budget and Finance Director, and alluded to solutions to be implemented for the current (2021) audit. This was clearly an unrealistic and unaccountable representation considering the timing of the Director transition and the capabilities of remaining finance/accounting staff. In summary, the outgoing Director represented that the incoming Director would solve in two</i>		

months a problem that had developed and persisted for many years.

Yet the current Director anticipates timely and accurate submission of 2022 Financial Statements in 2023, following implementation and ongoing refinement of an actual plan, comprised of:

- 1) Engagement with a third-party CPA with broad experience in drafting local government financials statements in Washington, pursuant to SAO / BARS guidelines (in-progress)*
- 2) Actual training and delegation of reporting functions to finance/accounting staff to reflect their respective specialties (e.g. payroll, fixed assets, grants, etc.; in-progress)*
- 3) Documentation of related procedures to allow for cross-training and redundancy and ensure continuity of the reporting function (anticipated completion: September, 2023)*
- 4) Limiting the financial reporting scope to reflect threshold requirements, and developing additional/optional scope only after threshold requirements are fully and consistently satisfied (in-progress)*

Budget/Finance Director is pursuing a comprehensive plan for succession, continuity, procedural documentation, professional development/advancement so as to fully develop internal capabilities while retaining third-party assistance if/as needed for specialized reporting, compliance with new/emerging regulations, and/or threshold requirements that are beyond internal capabilities.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Kittitas County **January 1, 2021 through December 31, 2021**

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 21, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

COUNTY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

February 21, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Kittitas County January 1, 2021 through December 31, 2021

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Kittitas County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-002 that we consider to be a material weakness.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

February 21, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Kittitas County **January 1, 2021 through December 31, 2021**

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 16 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the County is unknown. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

February 21, 2023

**Kittitas County
January 1, 2021 through December 31, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Activities – 2021

Governmental Funds Balance Sheet – 2021

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2021

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2021

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2021

Statement of Net Position – Proprietary Funds – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2021

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Fiduciary Funds – 2021

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021

Notes to the Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2021

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – County Road Fund – 2021

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – ARPA – 2021

Information about Infrastructure Assets Reported Using the Modified Approach – 2021

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2021

Schedule of Proportionate Share of the Net Pension Liability/Asset – PERS 1, PERS 2 & 3, PSERS 2, LEOFF 1, LEOFF 2 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2 & 3, PSERS 2, LEOFF 1, LEOFF 2 – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

KITTITAS COUNTY, WASHINGTON

Management's Discussion and Analysis

Kittitas County's discussion and analysis offers readers of the County's financial statements, for the year ended December 31, 2021, a narrative overview and analysis for the financial activities of the County. We encourage readers to consider the information presented here in conjunction with additional information included in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows on December 31, 2021, by \$190.6 million (net position). The unrestricted net position, which represents the amounts available to meet the County's ongoing obligations to citizens and creditors, was \$27.9 million.
- The County's total net position increased by \$24.7 million. \$9.5 million is related to capital grants and contributions. An additional \$5.9 million is related to a net decrease in pension liabilities and increase in pension assets, offset by the change in related deferred inflows and outflows. The remaining increase is due to operating revenues exceeding operating expenditures/expenses.
- At the end of the year, the County's governmental funds reported combined fund balances of \$67.2 million, which represents an increase of \$10.7 million (18.9%) compared to the prior year. \$20.2 million, or 30.1%, of the combined fund balance is available for spending at the County's discretion (unassigned fund balance).
- At the end of 2021, unassigned fund balance for the General Fund was \$20.2 million or 65.6% of total General Fund expenditures plus transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to Kittitas County's basic financial statements. The basic financial statements are comprised of three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, law enforcement, jail and probation services, public health, road maintenance, airport and superior and district courts. The business-type activities include solid waste, community development services and water mitigation.

Fund Financial Statements

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

Governmental Funds

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

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

The County maintains 39 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, County Road Fund, and ARPA Fund, which are considered to be major funds. Data from the from the other 36 governmental funds are combined into a single aggregated presentation.

The County adopts an annual appropriated budget for its General Fund and for the major County Road and ARPA funds. Budgetary comparison statements have been provided to demonstrate major funds' compliance with the budget.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Solid Waste, Community Development Services, and Water Mitigation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for management of equipment rental and replacement, unemployment compensation and computer replacement. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the three enterprise funds, all of which are considered to be major funds. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds

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

The County maintains three different types of fiduciary funds. The Private-purpose trust fund is used to report resources held in trust. The Custodial fund report resources, not in a trust, that are held by the County for other parties outside of the County's reporting entity. A separate custodial fund, the external investment pool fund, accounts for the deposits, withdrawals, and earnings of the local government investment fund, and is separately reported as an external investment pool for local governments.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's progress in funding its obligations to provide pension and OPEB benefits to its employees, information related to valuation of infrastructure assets using the modified approach, and budget to actual comparison schedules for major governmental funds.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$190.6 million at the end of 2021.

Summary of Net Position at December 31,						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current	\$ 79,334,840	\$ 67,557,330	\$ 5,153,954	\$ 6,895,689	\$ 84,488,794	\$ 74,453,019
Capital assets	107,746,935	100,406,282	15,963,234	13,131,638	123,710,169	113,537,920
Other	17,570,754	1,725,191	2,809,871	-	20,380,625	1,725,191
Total assets	204,652,529	169,688,803	23,927,059	20,027,327	228,579,588	189,716,130
Deferred outflows of resources						
	2,350,450	2,611,577	221,305	154,355	2,571,755	2,765,932
Liabilities:						
Current	8,670,441	5,847,461	1,164,655	694,557	9,835,096	6,542,018
Non-current	11,987,775	20,317,107	1,508,638	1,224,429	13,496,413	21,541,536
Total liabilities	20,658,216	26,164,568	2,673,293	1,918,986	23,331,509	28,083,554
Deferred inflows of resources						
	15,665,206	1,634,449	1,589,611	147,591	17,254,817	1,782,040
Net position:						
Net investment in capital assets	101,072,297	92,056,998	15,885,927	12,976,562	116,958,224	105,033,560
Restricted	45,421,302	31,696,860	296,894	-	45,718,196	31,696,860
Unrestricted	24,185,958	20,747,505	3,702,639	5,138,543	27,888,597	25,886,048
Net position	\$ 170,679,557	\$ 144,501,363	\$ 19,885,460	\$ 18,115,105	\$ 190,565,017	\$ 162,616,468

Other assets increased by \$18.7 million due a significant increase in pension assets. One of the County's pension plans, PERS 2/3, has historically maintained a net pension liability balance. However, the plan reported a net pension asset balance for the first time in 2021. The County's share of this balance is \$13.0 million. Three other pension plans also reported increases in net pension assets in 2021, totaling \$4.4 million. Capital assets increased \$10.2 million, primarily due to grant-funded transportation and flood control projects.

Non-current liabilities decreased by \$8.0 million. Of this amount, \$4.1 million represents a decrease in net pension liabilities and \$1.7 million represents payment on long term bonds and notes payable.

Deferred inflows of resources increased by \$15.5 million due to valuation of deferred inflows of resources related to the County's various pension plans.

The largest portion of the County's net position, \$117.0 million (61.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$45.7 million (24.0%) represents resources that are subject to external restrictions on how they may be used. As of the end of 2021, the County's unrestricted net position was \$27.9 million (14.6%).

The County's overall net position increased by \$24.7 million from 2020 to 2021. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

	Summary of Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program:						
Charges for services	\$ 9,813,732	\$ 10,280,913	\$ 9,429,345	\$ 7,816,579	\$ 19,243,077	\$ 18,097,492
Operating grants and contributions	8,649,667	9,819,073	118,475	-	8,768,142	9,819,073
Capital grants and contributions	9,457,031	745,986	-	-	9,457,031	745,986
General:						
Property taxes	17,511,208	16,011,522	-	-	17,511,208	16,011,522
Sales taxes	18,063,935	14,006,580	-	-	18,063,935	14,006,580
Other taxes	3,890,668	5,567,372	-	-	3,890,668	5,567,372
Investment earnings	3,460,641	1,613,371	49,599	61,302	3,510,240	1,674,673
Other revenues	561,718	1,117,761	579	-	562,297	1,117,761
Total revenues	71,408,599	59,162,578	9,597,998	7,877,881	81,006,597	67,040,459
Program Expenses:						
General government	10,346,356	12,523,120	-	-	10,346,356	12,523,120
Economic environment	2,264,766	5,470,957	-	-	2,264,766	5,470,957
Judicial	2,421,772	3,078,827	-	-	2,421,772	3,078,827
Physical environment	451,779	169,487	-	-	451,779	169,487
Culture and recreation	2,536,487	2,237,314	-	-	2,536,487	2,237,314
Public safety	13,226,831	14,214,925	-	-	13,226,831	14,214,925
Health and human services	5,363,953	4,675,237	-	-	5,363,953	4,675,237
Transportation	11,431,476	10,487,484	-	-	11,431,476	10,487,484
Interest	176,633	163,900	-	-	176,633	163,900
Garbage and solid waste	-	-	5,575,774	4,640,366	5,575,774	4,640,366
Community development services	-	-	2,296,641	2,039,822	2,296,641	2,039,822
Water mitigation	-	-	233,060	72	233,060	72
Total expenses	48,220,054	53,021,251	8,105,475	6,680,260	56,325,529	59,701,511
Revenues over (under) expenses	23,188,545	6,141,327	1,492,523	1,197,621	24,681,068	7,338,948
Transfers	-	(405,070)	-	405,070	-	-
Changes in net position	23,188,545	5,736,257	1,492,523	1,602,691	24,681,068	7,338,948
Beginning net position	144,501,363	135,926,336	18,115,105	16,245,507	162,616,468	152,171,843
Prior period adjustments	2,989,649	2,838,770	277,832	266,907	3,267,481	3,105,677
Beginning net position - restated	147,491,012	138,765,106	18,392,937	16,512,414	165,883,949	155,277,520
Ending net position	<u>\$ 170,679,557</u>	<u>\$ 144,501,363</u>	<u>\$ 19,885,460</u>	<u>\$ 18,115,105</u>	<u>\$ 190,565,017</u>	<u>\$ 162,616,468</u>

Governmental activities

During 2021, net position for governmental activities increased by \$23.2 million. The increase was due to partially to \$9.5 million of capital grants received for transportation and flood control projects. Another significant portion of the increase in net position can be explained by a decrease of \$5.9 million in pension related liabilities and deferred inflows, offset by an increase in pension related assets and deferred outflows (reduction to pension expense and increase in net position in 2021).

Revenues increased by \$12.2 million, of which \$8.7 million represents an increase in capital grants and contributions, and \$4.1 million represents an increase in sales tax revenue.

Property taxes were the largest revenue source in 2020, however sales taxes became the largest revenue source in 2021. Sales tax revenue totaled \$18.1 million in 2021 while property taxes totaled \$17.5 million.

Program expenses decreased by \$4.8 million from 2020 to 2021. This is primarily explained by the decrease in pension liabilities plus increase in pension assets, which resulted in negative pension expense of \$5.9 million in 2021. Transportation expenses increased \$944 thousand due non-capitalized costs related to major construction projects.

Business-type activities

During 2021, net position for business-type activities increased by \$1.8 million or 9.6% from 2020. This increase is primarily due to the increase in net pension assets and decrease in pension liabilities, which resulted in a negative pension expense in 2021 plus an increase of \$1.6 million in charges for services revenue, which represents increase in all three of the enterprise funds' revenue.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Board.

At December 31, 2021, the County's governmental funds reported combined fund balances of \$67.2 million, which represents an increase of \$10.7 million (18.9%) over December 31, 2020. Of this amount, \$20.2 million (30.1%) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form, \$147 thousand; (2) restricted for particular purposes, \$40.1 million; (3) committed for particular purposes, \$74 thousand; or (4) assigned for particular purposes, \$6.6 million.

Analysis of Individual Funds

The General Fund is the chief operating fund of the County. At the end of 2021, unassigned fund balance of the General Fund was \$20.2 million, or 65.6% of expenditures plus transfers out. Total fund balance increased by \$3.9 million or 14.5%. This reflects a significant increase compared with the increase of \$1.7 million reported in 2020, primarily due to increased sales tax revenues.

The County Road fund, a major fund, had an increase in fund balance of \$409 thousand in 2021, compared to a decrease of \$825 thousand in 2020. Intergovernmental revenues increased by \$2.9 million. This increase is offset by an increase in capital outlay and transportation related expenditures of \$3.0 million. The increase in fund balance can primarily be attributed to an increase of \$1.2 million in property tax revenue.

The ARPA fund, the third and final major governmental fund, is a new fund in 2021. This fund accounts for American Rescue Plan Act funding and related expenses. Of approximately \$4.7 million received in 2021, \$4.2 million is unspent and reported as unearned revenue.

FINANCIAL ANALYSIS OF PROPRIETARY FUNDS

The County's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position at the end of 2021 was \$1.0 million (8.8%) in the Solid Waste Fund, \$2.1 million (88.9%) in the Community Development Services Fund, and \$876 thousand (13.5%) in the Water Mitigation Fund.

All three enterprise funds reported positive operating income in 2021 (Solid Waste - \$1.1 million, Community Services - \$296 thousand, and Water Mitigation - \$197 thousand, respectively). Solid Waste operating income reflects a rate increase in 2021. Community Services fund reflects increased building and permitting activity. Water Mitigation reflects a newly established fund which was previously commingled with Public Works operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The General Fund budget was amended once in 2021, primarily to reflect additional grant revenue and related expenditures. Intergovernmental revenues were adjusted (increased) by \$1.5 million and charges for services revenues were increased by \$58 thousand. Relatively insignificant expenditure increases were included in the budget amendment, most notably, \$989 thousand in health and human services, reflective of increased grant revenue.

Final budget compared to actual results

The final amended budget reflected a decrease in fund balance of \$6.1 million, however the actual increase was \$3.9 million, for a positive variance of \$10.0 million. Actual revenues exceeded budgeted revenues by \$6.2 million. The most significant variances were in sales tax (\$4.5 million) and investment earnings (\$2.2 million).

Actual expenditures totaled \$29.3 million, compared to a final budget of \$32.7 million, for a favorable variance of \$3.4 million. The most notable variances were in general government (\$1.5 million) and public safety (\$1.1 million).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$123.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment,

infrastructure, and construction in progress. Capital assets increased by \$10.2 million (9.0%) in 2021.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 8,414,654	\$ 7,178,201	\$ 3,875,834	\$ 3,875,834	\$ 12,290,488	\$ 11,054,035
Gravel Roads	5,485,316	5,828,588	-	-	5,485,316	5,828,588
Easements & Right of Ways	6,773,975	6,730,977	-	-	6,773,975	6,730,977
Intangible Assets	2,135,236	1,896,236	6,672,462	6,676,347	8,807,698	8,572,584
Construction in Progress	4,035,200	8,722,122	4,258,329	1,258,322	8,293,530	9,980,444
Buildings & Improvements	25,225,036	19,838,377	919,370	1,076,048	26,144,405	20,914,425
Equipment	5,358,965	5,889,745	237,239	245,087	5,596,205	6,134,833
Infrastructure	50,318,552	44,322,036	-	-	50,318,552	44,322,036
Total	<u>\$ 107,746,935</u>	<u>\$ 100,406,282</u>	<u>\$ 15,963,234</u>	<u>\$ 13,131,638</u>	<u>\$ 123,710,169</u>	<u>\$ 113,537,920</u>

Major capital asset additions during 2021 included the following:

- Completion of Upper county Shop: \$4.97MM
- Vantage Highway / Coleman Creek Culvert: \$1.39MM
- Teanaway Hydraulics: \$1.30MM

Long-Term Debt

At the end of 2021, the County had total bonded debt outstanding of \$6.6 million, of which the entire amount is backed by the full faith and credit of the County. The remaining debt is comprised of loans and leases payable.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds payable	6,624,000	8,206,000	-	-	6,624,000	8,206,000
Loans payable	-	-	75,000	150,000	75,000	150,000
Capital leases	50,638	143,283	2,307	5,075	52,945	148,358
Total	<u>6,674,638</u>	<u>8,349,283</u>	<u>77,307</u>	<u>155,075</u>	<u>6,751,945</u>	<u>8,504,358</u>

The decrease in long term debt represents regularly scheduled principal payments.

The County has an assigned rating of “AA/Stable” from Standard & Poor’s after a review and report issued on November 29, 2013.

ECONOMIC FACTORS

Kittitas County is experiencing a post-“pandemic” economic recovery, as indicated by multiple indicators such as sales tax receipts, college enrollment, rates of employment, and construction activity. The organization remains solvent, with upward-trending tax revenues and unassigned fund balances above GFOA-recommended minimum levels. In addition, the US Treasury Department issued revised rulings in 2022, which allow for essentially unrestricted use of ARPA grant awards of \$9.3 million.

The county government does however have multiple unfavorable financial trends developing, including:

- Growth in authorized personnel positions and in personnel unit costs, as reflected in union contract renewals and health insurance premiums;
- The state-mandated addition of a Public Defender department, which will likely cost \$1 million annually once fully-staffed in 2023;
- A large and growing deferred maintenance liability;
- Historically high inflation rates reflected across all departments and cost categories

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Kittitas County's finances for all those interested in the County's finances. Any questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Kittitas County Auditor's Office, Finance Department or visit our website at <http://www.co.kittitas.wa.us/auditor/default.aspx>

Kittitas County, Washington
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 24,620,080	\$ 550,412	\$ 25,170,492
Investments	46,363,710	4,047,145	50,410,855
Receivables (net)	5,501,209	514,457	6,015,666
Due from other governments	2,308,069	50,236	2,358,305
Internal balances	30,827	(30,827)	-
Inventory	324,121	9,483	333,604
Prepaid items	186,824	13,048	199,872
Total Current Assets	79,334,840	5,153,954	84,488,794
Noncurrent Assets			
Restricted cash and cash equivalents	-	154,964	154,964
Restricted investments	-	1,138,235	1,138,235
Net pension asset	17,570,754	1,516,672	19,087,426
Capital assets:			
Non-depreciable	26,844,382	14,806,626	41,651,008
Depreciable (net)	80,902,553	1,156,608	82,059,161
Total Noncurrent Assets	125,317,689	18,773,105	144,090,794
Total Assets	204,652,529	23,927,059	228,579,588
Deferred Outflows of Resources			
Deferred outflows - OPEB	92,986	-	92,986
Deferred outflows - pensions	2,257,464	221,305	2,478,769
Total Deferred Outflows of Resources	2,350,450	221,305	2,571,755
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	3,381,473	1,016,244	4,397,717
Due to other governments	59,595	172	59,767
Unearned revenue	4,204,984	-	4,204,984
Deposits payable	45,579	-	45,579
Compensated absences payable	119,030	10,932	129,962
Capital leases payable	27,808	2,307	30,115
Landfill closure obligations	-	60,000	60,000
Total OPEB liability	185,972	-	185,972
Bonds payable	646,000	-	646,000
Revenue bonds payable	-	75,000	75,000
Total Current Liabilities	8,670,441	1,164,655	9,835,096
Long-Term Liabilities (net of current portion):			
Compensated absences payable	1,557,270	155,832	1,713,102
Capital leases payable	22,830	-	22,830
Landfill closure obligations	-	1,177,641	1,177,641
Total OPEB liability	3,106,423	-	3,106,423
Net pension liability	1,323,252	175,165	1,498,417
General obligation bonds payable	5,978,000	-	5,978,000
Total Long-term Liabilities	11,987,775	1,508,638	13,496,413
Total Liabilities	20,658,216	2,673,293	23,331,509
Deferred Inflows of Resources			
Deferred inflows - pensions	15,665,206	1,589,611	17,254,817
Total Deferred Inflows of Resources	15,665,206	1,589,611	17,254,817
Net Position			
Net investment in capital assets	101,072,297	15,885,927	116,958,224
Restricted for:			
Debt service	198,404	-	198,404
Capital outlay	5,935,542	-	5,935,542
County roads	7,075,056	-	7,075,056
Flood control	2,559,962	-	2,559,962
Public safety	12,544,235	-	12,544,235
Tourism	4,323,928	-	4,323,928
Public facilities	3,441,777	-	3,441,777
Other purposes	4,057,357	-	4,057,357
Pension asset	5,285,041	296,894	5,581,935
Unrestricted	24,185,958	3,702,639	27,888,597
Total Net Position	\$ 170,679,557	\$ 19,885,460	\$ 190,565,017

See accompanying notes to the basic financial statements

Kititas County, Washington
Statement of Activities
For the Year Ended December 31, 2021

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ 10,346,356	\$ 2,523,509	\$ 1,269,287	\$ -	\$ (6,553,561)	\$ -	\$ (6,553,561)
Economic environment	2,264,766	112,035	140,545	3,502,565	1,490,379	-	1,490,379
Judicial	2,421,772	1,196,733	149,260	-	(1,075,778)	-	(1,075,778)
Physical environment	451,779	242,959	49,763	-	(159,057)	-	(159,057)
Culture and recreation	2,536,487	1,014,790	289,816	-	(1,231,881)	-	(1,231,881)
Public safety	13,226,831	1,556,728	2,148,171	-	(9,521,932)	-	(9,521,932)
Health and human services	5,363,953	2,020,783	2,684,946	-	(658,224)	-	(658,224)
Transportation	11,431,476	1,146,195	1,917,878	5,954,466	(2,412,938)	-	(2,412,938)
Interest	176,633	-	-	-	(176,633)	-	(176,633)
Total Governmental Activities	48,220,054	9,813,732	8,649,667	9,457,031	(20,299,625)	-	(20,299,625)
Business-Type Activities:							
Garbage and solid waste	5,575,774	6,406,186	107,566	-	-	937,978	937,978
Community development services	2,296,641	2,593,061	10,909	-	-	307,329	307,329
Water mitigation	233,060	430,098	-	-	-	197,038	197,038
Total Business-Type Activities	8,105,475	9,429,345	118,475	-	-	1,442,345	1,442,345
Total - Primary Government	56,325,529	19,243,077	8,768,142	9,457,031	(20,299,625)	1,442,345	(18,857,280)
General Revenues							
Property taxes					17,511,208	-	17,511,208
Sales taxes					18,063,935	-	18,063,935
Bureau of Land Management PILT					1,205,311	-	1,205,311
Real estate transfer taxes					2,317,352	-	2,317,352
Other taxes					368,005	-	368,005
Investment earnings (losses)					3,460,641	49,599	3,510,240
Miscellaneous					561,718	579	562,297
Transfers					-	-	-
Total General Revenues and Transfers					43,488,170	50,178	43,538,348
Change in Net Position					23,188,545	1,492,523	24,681,068
Net Position Beginning of Year					144,501,363	18,115,105	162,616,468
Prior Period Adjustments					2,989,649	277,832	3,267,481
Net Position End of Year					\$ 170,679,557	\$ 19,885,460	\$ 190,565,017

See accompanying notes to the basic financial statements

Kittitas County, Washington
Balance Sheet
Governmental Funds
December 31, 2021

	General	County Road	ARPA	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 19,772,022	\$ 79,238	\$ 2,873	\$ 4,594,044	\$ 24,448,177
Investments	8,593,316	6,881,035	4,228,376	24,578,548	44,281,275
Receivables (net)	3,849,158	199,671	3,455	1,443,430	5,495,714
Due from other governments	540,093	591,321	19,250	1,157,405	2,308,069
Due from other funds	181,898	18,385	-	-	200,283
Prepaid items	98,222	19,920	-	28,915	147,057
Total Assets	\$ 33,034,709	\$ 7,789,570	\$ 4,253,954	\$ 31,802,342	\$ 76,880,575
Liabilities					
Accounts payable	696,971	287,127	8,500	2,048,411	3,041,009
Due to other governments	287	359	-	58,670	59,316
Due to other funds	-	233,301	-	87,647	320,948
Unearned revenue	615	-	4,200,406	3,905	4,204,926
Deposits payable	22,097	7,896	-	15,586	45,579
Total Liabilities	719,970	528,683	4,208,906	2,214,219	7,671,778
Deferred Inflows of Resources					
Deferred inflows - property tax	109,627	165,911	-	29,697	305,235
Deferred inflows - municipal court	1,522,541	-	-	148,945	1,671,486
Deferred inflows - other	32,428	-	-	16,989	49,417
Total Deferred Inflows of Resources	1,664,596	165,911	-	195,631	2,026,138
Total Liabilities and Deferred Inflows of Resources	2,384,566	694,594	4,208,906	2,409,850	9,697,916
Fund Balances					
Nonspendable	98,222	19,920	-	28,915	147,057
Restricted	8,801,978	7,075,056	45,048	24,214,179	40,136,261
Committed	-	-	-	74,418	74,418
Assigned	1,552,091	-	-	5,074,980	6,627,071
Unassigned	20,197,852	-	-	-	20,197,852
Total Fund Balances	30,650,143	7,094,976	45,048	29,392,492	67,182,659
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 33,034,709	\$ 7,789,570	\$ 4,253,954	\$ 31,802,342	\$ 76,880,575

See accompanying notes to the basic financial statements

Kittitas County, Washington
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2021

Total Governmental Fund Balances	\$	67,182,659
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (exclusive of internal service funds' capital assets).		96,115,323
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds - property taxes, grants and fines.		2,026,138
Deferred inflows and outflows for pensions reported on the government-wide statement of position but not reported on the governmental fund balance sheet.		(13,407,742)
Deferred outflows for OPEB reported on the government-wide statement of net position but not reported on the government balance sheet.		92,986
The net pension assets are not available to retire current year expenditures, therefore they are not reported in the funds but are reported in the government-wide statement of net position.		17,570,754
The internal service fund is used by management to charge the costs of the equipment rental to individual funds. The assets and liabilities of the internal service funds are included in governmental activities column on the government-wide statement of net position.		14,066,024
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position (excludes internal service funds).		
General obligation refunding bonds payable	\$	(6,624,000)
Other postemployment benefits payable		(3,292,395)
Net pension liability payable		(1,323,252)
Capital leases payable		(50,638)
Compensated absences payable		(1,676,300)
		(12,966,585)
Net Position Of Governmental Activities	\$	170,679,557

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	County Road	ARPA	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 9,200,841	\$ 7,317,107	\$ -	\$ 1,114,324	\$ 17,632,272
Sales taxes	10,973,238	-	-	7,090,697	18,063,935
Other taxes	362,340	5,380	-	2,317,637	2,685,357
Licenses and permits	364,371	254,198	-	794,391	1,412,960
Intergovernmental	4,281,398	7,461,471	455,000	7,190,266	19,388,135
Charges for services	3,592,958	612,898	-	1,715,360	5,921,216
Fines and forfeitures	1,303,580	-	-	7,039	1,310,619
Investment earnings	3,070,869	58,193	26,693	282,429	3,438,184
Rent and leases	1,094,986	-	-	283,093	1,378,079
Miscellaneous	241,347	7,932	-	292,664	541,943
Total Revenues	34,485,928	15,717,179	481,693	21,087,900	71,772,700
Expenditures					
Current:					
General government	9,817,885	358,147	436,645	428,159	11,040,836
Economic environment	851	-	-	2,267,947	2,268,798
Judicial	2,694,855	-	-	145,108	2,839,963
Physical environment	106,802	-	-	414,231	521,033
Culture and recreation	2,267,722	-	-	21,772	2,289,494
Public safety	11,933,719	-	-	2,708,734	14,642,453
Health and human services	1,380,189	-	-	4,449,351	5,829,540
Transportation	9,107	9,440,671	-	505,420	9,955,198
Debt Service:					
Principal retirement	89,341	-	-	1,585,304	1,674,645
Interest and fiscal charges	1,018	-	-	175,615	176,633
Capital Outlay	1,037,861	5,509,067	-	3,476,775	10,023,703
Total Expenditures	29,339,350	15,307,885	436,645	16,178,416	61,262,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,146,578	409,294	45,048	4,909,484	10,510,404
Other Financing Sources (Uses)					
Transfers in	353	-	-	1,437,206	1,437,559
Transfers (out)	(1,437,206)	-	-	-	(1,437,206)
Proceeds from disposition of capital assets	162,665	35	-	10,879	173,579
Total Other Financing Sources (Uses)	(1,274,188)	35	-	1,448,085	173,932
Net Change in Fund Balances	3,872,390	409,329	45,048	6,357,569	10,684,336
Fund Balances Beginning of Year	26,777,753	6,685,647	-	23,034,923	56,498,323
Fund Balances End of Year	\$ 30,650,143	\$ 7,094,976	\$ 45,048	\$ 29,392,492	\$ 67,182,659

See accompanying notes to the basic financial statements

Kittitas 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, 2021

Net Changes In Fund Balances - Total Governmental Funds \$ 10,684,336

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Depreciation expense	\$ (4,935,503)	
Capital outlay	12,306,123	
Capital contributions	<u>-</u>	7,370,620

The book value of capital assets sold are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement. (2,656,934)

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

Property taxes, fines and grants:		
Deferred as of 12/31/21	\$ 2,026,138	
Deferred as of 12/31/20	<u>(2,528,588)</u>	(502,450)

The internal service fund is used by management to charge the costs of maintenance services to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 391,366

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position. 1,582,000

Other postemployment expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 314,601

Pension expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 5,936,839

Capital leases are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability as of 12/31/21	\$ (50,638)	
Liability as of 12/31/20	143,283	92,645

Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability as of 12/31/21	\$ (1,676,300)	
Liability as of 12/31/20	<u>1,651,822</u>	<u>(24,478)</u>

Change In Net Position of Governmental Activities \$ 23,188,545

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Community Development			Water Mitigation		Total
	Solid Waste	Services	Total			
Assets						
Current Assets:						
Cash and cash equivalents	\$ 375,886	\$ 170,609	\$ 3,917	\$ 550,412	\$ 171,903	
Investments	893,284	2,295,976	857,885	4,047,145	2,082,435	
Receivables (net)	511,308	1,652	1,497	514,457	5,495	
Due from other funds	-	-	10,500	10,500	174,636	
Inventories	-	-	9,483	9,483	324,121	
Due from other governments	39,648	3,177	7,411	50,236	-	
Prepaid items	3,803	9,245	-	13,048	39,767	
Total Current Assets	1,823,929	2,480,659	890,693	5,195,281	2,798,357	
Noncurrent Assets:						
Restricted cash and cash equivalents	154,964	-	-	154,964	-	
Restricted investments	1,138,235	-	-	1,138,235	-	
Net pension asset	520,261	996,411	-	1,516,672	-	
Capital assets:						
Nondepreciable	9,199,991	6,168	5,600,467	14,806,626	1,666,783	
Depreciable, net	1,093,115	63,493	-	1,156,608	9,964,829	
Total Noncurrent Assets	12,106,566	1,066,072	5,600,467	18,773,105	11,631,612	
TOTAL ASSETS	13,930,495	3,546,731	6,491,160	23,968,386	14,429,969	
Deferred Outflows of Resources						
Deferred outflows - pensions	75,914	145,391	-	221,305	-	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	75,914	145,391	-	221,305	-	
Liabilities						
Current Liabilities:						
Accounts payable and accrued expenses	967,382	37,610	11,252	1,016,244	340,464	
Due to other funds	13,682	24,213	3,432	41,327	23,144	
Due to other governments	172	-	-	172	279	
Unearned revenue	-	-	-	-	58	
Compensated absences	1,094	9,838	-	10,932	-	
Leases payable	-	2,307	-	2,307	-	
Landfill closure obligations	60,000	-	-	60,000	-	
Bonds, notes, loans payable	75,000	-	-	75,000	-	
Total Current Liabilities	1,117,330	73,968	14,684	1,205,982	363,945	
Long-Term Liabilities: (net of current portion)						
Compensated absences payable	60,240	95,592	-	155,832	-	
Landfill closure obligations	1,177,641	-	-	1,177,641	-	
Net pension liability	60,087	115,078	-	175,165	-	
Total Long-term Liabilities	1,297,968	210,670	-	1,508,638	-	
TOTAL LIABILITIES	2,415,298	284,638	14,684	2,714,620	363,945	
Deferred Inflows of Resources						
Deferred inflows - pensions	545,281	1,044,330	-	1,589,611	-	
TOTAL DEFERRED INFLOWS OF RESOURCES	545,281	1,044,330	-	1,589,611	-	
Net Position						
Net investment in capital assets	10,218,106	67,354	5,600,467	15,885,927	11,631,612	
Restricted for pension assets	101,843	195,051	-	296,894	-	
Unrestricted	725,881	2,100,749	876,009	3,702,639	2,434,412	
TOTAL NET POSITION	\$ 11,045,830	\$ 2,363,154	\$ 6,476,476	19,885,460	\$ 14,066,024	

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Solid Waste	Community Development Services	Water Mitigation		
Operating Revenues					
Garbage and solid waste	\$ 6,406,186	\$ -	\$ -	\$ 6,406,186	\$ -
Other services	-	2,593,061	430,098	3,023,159	3,005,963
Total Operating Revenues	<u>6,406,186</u>	<u>2,593,061</u>	<u>430,098</u>	<u>9,429,345</u>	<u>3,005,963</u>
Operating Expenses					
Operations and maintenance	5,378,344	2,277,543	233,060	7,888,947	1,619,629
Administrative and general	-	-	-	-	201,192
Insurance and claims	-	-	-	-	34,399
Depreciation	194,632	19,098	-	213,730	815,646
Total Operating Expenses	<u>5,572,976</u>	<u>2,296,641</u>	<u>233,060</u>	<u>8,102,677</u>	<u>2,670,866</u>
Operating Income	<u>833,210</u>	<u>296,420</u>	<u>197,038</u>	<u>1,326,668</u>	<u>335,097</u>
Non-Operating Revenues (Expenses)					
Investment interest	25,699	17,691	6,209	49,599	22,457
Interest expense	(750)	-	-	(750)	-
Other nonoperating revenue	107,566	10,909	-	118,475	2,781
Gain (loss) on disposition of capital assets	(2,048)	-	-	(2,048)	(76,150)
Miscellaneous revenue	259	320	-	579	-
Total Non-Operating Revenues (Expenses)	<u>130,726</u>	<u>28,920</u>	<u>6,209</u>	<u>165,855</u>	<u>(50,912)</u>
Income (Loss) Before Contributions and Transfers	<u>963,936</u>	<u>325,340</u>	<u>203,247</u>	<u>1,492,523</u>	<u>284,185</u>
Contributions	-	-	-	-	107,534
Transfers Out	-	-	-	-	(353)
Change in Net Position	<u>963,936</u>	<u>325,340</u>	<u>203,247</u>	<u>1,492,523</u>	<u>391,366</u>
Net Position Beginning of Year	<u>9,955,078</u>	<u>1,886,798</u>	<u>6,273,229</u>	<u>18,115,105</u>	<u>13,674,658</u>
Prior Period Adjustment	126,816	151,016	-	277,832	-
Net Position End of Year	<u>\$ 11,045,830</u>	<u>\$ 2,363,154</u>	<u>\$ 6,476,476</u>	<u>\$ 19,885,460</u>	<u>\$ 14,066,024</u>

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Solid Waste	Community Development Services	Water Mitigation	Total	
Cash Flows from Operating Activities					
Cash received from customers	\$ 6,516,826	\$ 2,595,207	\$ 421,637	\$ 9,533,670	\$ 3,003,358
Cash payments to employees for services	(870,040)	(1,286,722)	(119,805)	(2,276,567)	(667,786)
Cash payments for goods and services	(3,607,753)	(882,358)	(114,798)	(4,604,909)	(1,277,257)
Net Cash Provided by (Used in) Operating Activities	2,039,033	426,127	187,034	2,652,194	1,058,315
Cash Flows from Non-Capital Financing Activities					
Receipts from non-capital grants	107,566	10,909	-	118,475	-
Cash received from (paid to) other funds	5,993	420,184	(7,845)	418,332	19,126
Net Cash Flows from Non-Capital and Related Financing Activities	113,559	431,093	(7,845)	536,807	19,126
Cash Flows from Capital and Related Financing Activities					
Capital contributions	-	-	-	-	107,534
Cash receipts from the disposal of assets	-	-	-	-	11
Principal paid on bonds	(75,001)	-	-	(75,001)	-
Interest paid on bond	(750)	-	-	(750)	-
Payments for capital acquisitions	(3,017,561)	(32,581)	-	(3,050,142)	(2,870,075)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,093,312)	(32,581)	-	(3,125,893)	(2,762,530)
Cash Flows from Investing Activities					
Purchase of investment securities	-	(690,496)	(335,255)	(1,025,751)	(38,094)
Proceeds from sale and maturities of investment securities	1,168,838	-	-	1,168,838	1,843,066
Investment earnings	25,699	17,691	6,209	49,599	22,457
Net Cash Provided by (Used in) Investing Activities	1,194,537	(672,805)	(329,046)	192,686	1,827,429
Net Increase (Decrease) in Cash and Cash Equivalents	253,817	151,834	(149,857)	255,794	142,340
Cash and Cash Equivalents Beginning of Year	277,033	18,775	153,774	449,582	29,563
Cash and Cash Equivalents End of Year	\$ 530,850	\$ 170,609	\$ 3,917	\$ 705,376	\$ 171,903

(continued)

Kittitas County, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

(continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Solid Waste	Community Development Services	Water Mitigation	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 833,210	\$ 296,420	\$ 197,038	\$ 1,326,668	\$ 335,097
Adjustments:					
Depreciation	194,632	19,098	-	213,730	815,646
Miscellaneous revenue	259	320	-	579	2,781
(Increase) Decrease in Assets:					
Accounts receivable	110,381	1,826	(8,461)	103,746	(2,116)
Inventories and prepaid items	31,479	17,168	(9,483)	39,164	17,317
Increase (Decrease) in Liabilities:					
Accounts payable	915,193	98,873	7,940	1,022,006	(110,410)
Compensated absences payable	(1,824)	10,134	-	8,310	-
Pension related balances	(44,297)	(17,712)	-	(62,009)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,039,033</u>	<u>\$ 426,127</u>	<u>\$ 187,034</u>	<u>\$ 2,652,194</u>	<u>\$ 1,058,315</u>

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Custodial Funds		
	Private-Purpose Trust Funds	External Investment Pool	Other Custodial Funds
Assets			
Cash and cash equivalents	\$ 55,459	\$ -	\$ 22,682,176
Investments	6,571	35,291,005	-
Receivables	-	-	1,842,215
Total Assets	62,030	\$ 35,291,005	24,524,391
Liabilities			
Accounts payable and other accrued expenses	55,459	-	8,723,226
Total Liabilities	55,459	-	8,723,226
Net Position			
Restricted for other governments	6,571	35,291,005	15,801,165
Total Net Position	\$ 6,571	\$ 35,291,005	\$ 15,801,165

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial Funds		
	Private-Purpose Trust Funds	External Investment Pool	Other Custodial Funds
Additions:			
Investment earnings	\$ 62	\$ -	\$ 608,175
Property tax collections for other governments	-	-	69,023,102
Other taxes and fees collected for other governments	-	-	18,048,204
Contributions by pool participants	-	41,197,714	-
School apportionment collected for other governments	-	-	74,992,138
Agency deposits	260,892	-	23,877,088
Total Additions	260,954	41,197,714	186,548,707
Deductions:			
Deductions by pool participants	-	79,890,471	-
Agency disbursements	266,602	-	183,467,143
Total Deductions	266,602	79,890,471	183,467,143
Change in Net Position	(5,648)	(38,692,757)	3,081,564
Net Position Beginning of Year	12,219	73,983,762	-
Prior Period Adjustment	-	-	12,719,601
Net Position End of Year	\$ 6,571	\$ 35,291,005	\$ 15,801,165

See accompanying notes to the basic financial statements

KITTITAS COUNTY, WASHINGTON
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kittitas County was dedicated by the State of Washington as a public entity on November 28, 1883 and operates under the laws of the State of Washington applicable to a County with a commissioner form of government.

Kittitas County is a general-purpose government and provides public safety, road improvement, parks and recreation, judicial administration, health and social services, airport and general administration services. In addition, the County owns a solid waste disposal system.

A. REPORTING ENTITY

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

The accompanying financial statements present all funds and departments for which the County is considered to be financially accountable. Pursuant to the laws of the State of Washington, the County Treasurer is the ex-officio treasurer of all special purpose districts within the County. Funds received and disbursed to such special districts are reported as Custodial (Fiduciary) activities in the accompanying financial statements. There are no other relationships with organizations of such a nature and significance that exclusion would render the County financial statements incomplete or misleading.

B. JOINT VENTURES AND JOINT OPERATIONS

The accompanying financial statements include the financial positions and results of operations which are controlled by or dependent on the County (except that the operations of and equity in joint ventures are not included in the statements as explained in note 15). Control by the County was determined based on budget adoption and resource allocation criteria. Dependence on the County was determined by the County's obligation to redeem the organization's debts, to finance the organization's deficits and the extent to which subsidies from the County constitute a major portion of the organizations' total non-grant resources.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of Kittitas County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Expenses reported for functional activities include allocated indirect expenses. As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. 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.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are collected. 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, Kittitas County considers revenues to be available if they are recognized within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Per RCW 36.40.20 all appropriations shall lapse at the end of the fiscal year: PROVIDED, That the appropriation accounts may remain open for a period of thirty days, and may, at the auditor's discretion, remain open for a period not to exceed sixty days thereafter for the payment of claims incurred against such appropriations prior to the close of the fiscal year. After such period has expired all appropriations shall become null and void and any claim presented thereafter against any such appropriation shall be provided for in the next ensuing budget: PROVIDED that this shall not prevent payments upon uncompleted improvements in progress at the close of the fiscal year.

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 Kittitas County.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste fund is generated from refuse. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County reports the following major government funds:

- The General Fund 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 Road Fund is funded primarily by portions of property and sales taxes dedicated to maintenance and operations of county roads.
- The ARPA Fund is used to track American Rescue Plan Act revenues and related expenditures.

The County reports the following major enterprise funds:

- The Solid Waste Fund is used to account for charges for waste collection services and related transfer station and landfill operations.
- The Community Development Services Fund is funded by charges for building, planning and code enforcement services.
- The Water Mitigation Fund is funded by charges for utility services.

Additionally, the County reports the following fund types:

- Special revenue funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulations.
- Debt service funds account for the accumulation of resources and the payment of general long-term debt principal and interest from governmental resources.
- Capital project funds account for the design and construction of infrastructure and other governmental facilities.
- Internal service funds account for the County's equipment rental and revolving fund, unemployment and dental insurance and computer replacement.
- Fiduciary funds are used to account assets held by the county in a trustee capacity or as an agent on behalf of other governments, special districts, private organizations or individuals. Fiduciary funds include private purpose trust funds and custodial funds. Private purpose trust funds include the Jerry Williams Library and Reecer Creek Water Rights funds. Custodial funds include the External Investment Pool and Other Custodial Funds held for other governments.

E. BUDGETARY INFORMATION

1. SCOPE OF BUDGET

Annual appropriated budgets are adopted for the General and Special Revenue Funds as per RCW 36.29.024 and RCW 84.56.020, except for the Treasurer Investment Revolving and Treasurer M&O fund which is not required to be budgeted. These budgets are prepared in accordance with generally accepted accounting principles.

Annual appropriated budgets are adopted at the level of each fund and the budget constitutes the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for all funds lapse at year-end.

2. AMENDING THE BUDGET

The County Auditor is authorized to transfer budget amounts between object classes within departments. However, any revisions that alter the total budget of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the County Commissioners.

When the County determines that it is in the best interest of the County to increase or decrease the appropriations for a particular fund/department it may do so by resolution approved by a simple majority after holding a public hearing. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

F. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. CASH AND EQUIVALENTS

Cash includes cash on hand and demand deposits. The county pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested or necessary, in order to facilitate the management of cash.

The County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. INVESTMENTS

It is the County's policy to invest all temporary cash surpluses. Interest on County investment balances is credited to the general fund. All securities are measured at fair value.

3. RECEIVABLES

Taxes receivable consists of property taxes and related interest and penalties (See Note 3, Property Tax). Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.

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

Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

4. AMOUNTS DUE TO/FROM OTHER FUNDS INTERFUND LOANS/ AND ADVANCES RECEIVABLE

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loans receivable/payable." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A separate schedule of interfund loans receivable and payable is furnished in Interfund Balances and Transfers Note No. 13.

5. INVENTORIES

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. A comparison to market value is not considered necessary.

Inventories in Proprietary Funds are valued at cost using the average cost method, which approximates the market value. Items that are inventoried are Pits, Central Stores, Mechanical Parts, Fuel Depot and Sign Inventory. Inventories in proprietary funds are valued by the average method (which approximates the market value).

6. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns 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 and an estimated useful life in excess of one year. 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. Kittitas County has elected to use the modified approach to account for the infrastructure account; Gravel Roads, which eliminates the need to report depreciation expense.

Computer Software is reported as Intangible Assets with a capitalization limit of \$5,000 and is not depreciated.

Capital Leases are defined as long term debt to the county. The asset is tracked but there is not value placed in the Capital Assets. Capital Leases are determined by one of the following four criteria; 1) The lease transfers ownership of the property to the lessee by, or at, the end of the lease term; 2) The lease contains an option to purchase the leased property at a bargain price; 3) The lease is equal to or greater than 75% of the estimated economic life of the leased property; 4) The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90% of the fair value of the lease property. See Note Number 9.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
Buildings & Improvements	5-60
Improvements other than Buildings	5-50
Machinery & Equipment	3-20
Roads, Guardrails & Traffic Signals	20
Bridges	51

7. PENSIONS

For purpose 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 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.

For purposes of calculating the restricted net position related to the net pension asset, the County includes the net pension asset and the related deferred outflows and inflows of resources.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contributions is reported in the Statement of Net Position. Actual medical costs are reported as expenditures in the general fund in the year they are incurred.

9. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation, sick and compensatory time leave. All vacation, sick and compensatory time which is subject to payment upon termination is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation pay, which may be accumulated up to 30 days is payable upon resignation, retirement or death; sick leave may accumulate up to a maximum of 1056 - 1120 hours; twenty-five percent of outstanding sick leave is payable upon retirement, lay-off or death, depending on which bargaining unit the employee belongs. The following is a schedule of those bargaining units:

- Washington State Council of County & City Employees
 - Local 792CH - Courthouse Employees
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days
 - Local 792 - County Road Employees
 - Vacation - accumulated to a total of 30 working days

Sick - accumulated to a total of 140 working days
 Local 2658 - Appraisers
 Vacation - accumulated to a total of 30 working days
 Sick - accumulated to a total of 140 working days

Teamsters

Local 760 - Sheriff Deputies & Correction Officers
 Vacation - accumulated to a total of 30 working days
 Sick - accumulated to a total of 132 working days

Local 760 - Misdemeanant Probation
 Vacation - accumulated to a total of 30 working days
 Sick - accumulated to a total of 140 working days

Non-Union Personnel Policies
 Vacation - accumulated to a total of 30 working days
 Sick - accumulated to a total of 140 working days

11. LONG-TERM DEBT

Liabilities for long-term debt are recorded in the government-wide statement of net position and the proprietary funds balance sheet. Bonds payable are reported net of applicable bond premium or discount.

Bond issuance costs are expended at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as other financing sources in the governmental funds.

12. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government’s control. Deferred outflows of resources presented are related to outstanding pension and other post-employment benefit related amounts.

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a net decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred inflows of resources presented are related to outstanding pension amounts, property taxes and other receivables.

13. NET POSITION AND FUND BALANCE

Net Position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the County is to use restricted assets before unrestricted assets.

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities reported in the governmental fund. Fund balance is classified into the following categories:

- Non-spendable – items that cannot be spent due to form: inventories, prepaid amounts or amounts that must be maintained intact legally.
- Restricted – amounts constrained for specific purposes imposed by external parties, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.
- Committed – fund balance constrained by ordinance or resolution is adopted by the Board of Commissioners and requires the same action to remove the constraint.
- Assigned – constraints that are neither restricted nor committed are considered assigned. Assignments are adopted formally or informally.

- Unassigned – any remaining fund balance in the general fund not classified as non-spendable, restricted, committed or assigned is considered unassigned. Negative fund balance in any other governmental fund is also unassigned.

The flow assumption for fund balance is to use restricted fund balance first, followed by committed, assigned and unassigned.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of a 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 has a formal investment policy that addresses this risk. All deposits held at December 31, 2021 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name.

The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not covered by the Federal Depository Insurance Corporation (FDIC). The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool that insures public deposits. In such a pool, a group of financial institutions, holding public funds, pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, by monitoring the financial condition of all public depositories, and by optimizing collateralization requirements. In the event of a bank failure, claims for the County's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool. No amount was exposed as uninsured or uncollateralized.

B. INVESTMENTS

Through the office of the County Treasurer, Kittitas County collects taxes, licenses, fees, and other revenues. It collects not only for the County but also for special purpose districts located within the County. In its custodial role, the Treasurer has the authority to deposit any public funds available for investment and to secure those funds by appropriate collateral.

Cash is deposited and invested on behalf of the County and local districts per its debt and investment policies. These investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute, including U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP).

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. The county has a formal policy that addresses interest rate risk.

Maturity Report as of 12/31/2021		Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10
Debt Securities				
Corporate Notes	\$ 27,659,311	\$ -	\$ 26,294,327	\$ -
Federal Agency Coupon Securities	\$ 21,682,340	\$ 5,045,625	\$ 16,823,675	\$ -
Treasury Coupon Securities	\$ 5,608,609	\$ 1,000,000	\$ 6,543,563	\$ -
Federal Agency Callables	\$ 5,000,000	\$ -	\$ 5,012,000	\$ -
SUPRA National	\$ 1,057,864	\$ -	\$ 1,015,000	\$ -
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 77,068	\$ -	\$ 20,179	\$ -
Municipal Discounts	\$ 1,882,197	\$ -	\$ 2,000,000	\$ -
Municipal Bonds	\$ 23,879,277	\$ 6,177,443	\$ 17,762,719	\$ -
Total Debt Securities	\$ 86,846,666	\$ 12,223,068	\$ 75,471,462	
Grand Total Securities	\$ 86,846,666	\$ 12,223,068	\$ 75,471,462	

In addition to the interest rate risk disclosed above, the county includes investments with fair value potentially highly sensitive to interest rate changes, such as bonds. However, fixed income securities and interest rates are inversely correlated; therefore, as interest rates rise, prices of these securities tend to fall. Through its investment policy, the County manages its exposure to the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the County will do business. The credentials of these business partners are reviewed at least annually. Presented below is the minimum rating required by the state statute and the actual rating, as of December 31, 2021, for each type of investment in which the County participates:

Credit Ratings as of 12/31/2021			
Investment Type	Fair Value	Required Min Rating	Year End Rating
Corporate Notes	\$ 27,659,311	AA+	A or better
Federal Agency Coupon Securities & Callables	\$ 26,682,340	AA+	AAA
Treasury Coupon Securities	\$ 5,608,609	AA+	AAA
SUPRA National	\$ 1,057,864	A-	AAA
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 77,068	NR	NR
Municipal Bonds	\$ 25,761,474	A-	AA-or better
TOTAL	\$ 86,846,666		

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The county has a formal policy for concentration of credit risk which requires diversification of the portfolio and limits the percentage of the total portfolio which may belong to federal and municipal bonds, repurchase agreements, bankers' acceptances, corporate notes, Supranationals, and registered warrants. The portfolio may consist of up to 100% in Treasury and Federal Agencies, Certificates of Deposit, Savings or Time accounts, and/or the Washington State Local Government Investment Pool (LGIP). The investment policy which was in effect as of December 31, 2021 sets forth maximum concentration guidelines whereby holdings of Treasury and Federal Agencies, Certificates of Deposit that meet state requirements, the Washington State Local Government Investment Pool, and Savings and Time Accounts may comprise up to 100% of the investment portfolio; repurchase agreements up to 40%, Bankers' Acceptances (A1 or P1) up to 15%; Bonds of any state of the United States or of any local Government in the United States up to 20%; Corporate notes up to 10%; Supranationals up to 5%; and Registered Warrants up to 5%.

Below is a list of investments held by the County as of December 31, 2021 and the type of investment. The County continues to work towards diversifying its portfolio and ensuring it best conforms to standard best practices as well as state and federal requirements.

Investment by Type - 12/31/2021	Market Value	Percentage	% allowed	Difference
Corporate Notes	\$ 27,659,311	31.85%	20%	-11.8484%
Federal Agency Coupon Securities	\$ 21,682,340	25%	100%	75.0338%
Treasury Coupon Securities	\$ 5,608,609	6.46%	25%	18.5419%
Federal Agency Callables	\$ 5,000,000	5.76%	100%	94.2427%
SUPRA National	\$ 1,057,864	1.22%	100%	98.7819%
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 77,068	0.09%	OK	OK
Municipal Discounts	\$ 1,882,197	2.17%	20%	17.8327%
Municipal Bonds	\$ 23,879,277	27.50%	20%	-7.4959%
Total Debt Securities	\$ 86,846,666	100.00%		

Investments in the Local Government Investment Pool (LGIP)

The County is a voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200 or online at www.tre.wa.gov.

Investments in Kittitas County Investment Pool (KCIP)

The County operates and is a participant in the Kittitas County Investment Pool (KCIP), an external investment pool. The pool was initiated October 1, 2018. The county reports its investment in the KCIP at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The County Treasurer, by law, is the Treasurer of most local governments and districts within the County, including schools, fire, and library districts. These districts do not have a legal option to have their cash handled by anyone other than the County Treasurer. The Pool is established per the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. The county's investment policy is established by the County Finance Committee consisting of the County Treasurer, County Auditor, and County Commissioner Chairperson.

The county external investment pool is not registered with the SEC and does not have a credit rating. It had a weighted average maturity of 683 days or 1.90 years as of December 31, 2021, an effective rate of return of .93% and an overall yield to market rate (at a 360-day equivalent) of 1.009%. The interest on these investments is allocated between all participating funds, including the General Fund, based on their percentage of participation, except where prohibited by statute or bond covenant. There was \$93,139 remaining in purchased accrued interest as of 12/31/2021.

The County does not currently contract with an investment advisor, instead relying on the Treasurer to manage the portfolio. The Treasurer works with several brokers who do business with the County to provide at least quarterly review of the portfolio and assist with the portfolio strategy on a regular basis.

There are no legally binding guarantees for the KCIP. Authorized investments for the KCIP are the same as investments held outside of the pool. These are defined in statute. All funds deposited in the KCIP are available to the

participant at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are allocated and distributed monthly, calculated on the average daily balance of the participant's cash balances.

Participation in the KCIP by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the Treasurer. The County and districts can take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the County's objectives of safety, liquidity, and yield. Most of the Agreements were signed in September 2018, and the County now considers that pooling officially began effective October 1, 2018 for those districts which had submitted a completed Agreement by that date. Other districts are added in the month following completion of an Agreement.

Money from districts which have not directed the County Treasurer by written or electronic request to place individual investments, as well as County departments that cannot invest their own money, is not invested by the Treasurer as surplus cash.

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.

At December 31, 2021 the County had the following investments measured at fair value:

Investments by Fair Value Level as of December 31, 2021	Level 1-Quoted Prices in Active Markets for Identical Assets	Level 2-Significant Other Observable Inputs	Level 3-Significant Unobservable Inputs	Total
Corporate Notes	\$ 27,659,311	\$ -	\$ -	\$ 27,659,311
Federal Agency Coupon Securities	\$ 21,682,340	\$ -	\$ -	\$ 21,682,340
Treasury Coupon Securities	\$ 5,608,609	\$ -	\$ -	\$ 5,608,609
Federal Agency Callables	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
SUPRA National	\$ 1,057,864	\$ -	\$ -	\$ 1,057,864
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 77,068	\$ -	\$ -	\$ 77,068
Municipal Discounts	\$ 1,882,197	\$ -	\$ -	\$ 1,882,197
Municipal Bonds	\$ 23,879,277	\$ -	\$ -	\$ 23,879,277
	\$ 86,846,666			\$ 86,846,666

C. Summary of Deposit and Investment Balances

Reconciliation of County deposits and investment balances as of December 31, 2021, is as follows:

	Government-Wide	Fiduciary Funds	Total
Deposits			
Cash and Cash Equivalents	\$ 36,019,360	\$ 22,737,783	\$ 58,757,143
Restricted Cash and Cash Equivalents	154,964	-	154,964
Total Deposits	\$ 36,174,324	\$ 22,737,783	\$ 58,912,107
	Government-Wide	Fiduciary Funds	Total
Investments			
Investments	39,561,987	35,297,576	74,859,563
Restricted Investments	1,138,235	-	1,138,235
Total Investments	\$ 40,700,222	\$ 35,297,576	\$ 75,997,798
Total Deposits and Investments	\$ 76,874,546	\$ 58,035,359	\$ 134,909,905

NOTE 3 - PROPERTY TAXES

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

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

Property taxes are recorded as a receivable when levied, offset by deferred inflows of resources. 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. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

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

- A. Washington State Law RCW's 84.55.010 and 84.55.0101 limits the growth of regular property taxes to 1 percent or less per year, plus adjustments for new construction. If the assessed valuation increases due to revaluation, the levy rate will be decreased.
- B. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

2021 property tax levies are shown in the table below. The General Fund and Flood Control levies were based on assessed valuation of \$9,454,568,024 and the Road levy was based on assessed valuation of \$6,722,411,723.

Fund	Levy	Amount
General fund	.941024	\$8,896,975
Mental Health/Development Disabilities	.023615	223,270
Veterans Relief	.004759	44,994
Total General fund Levy	.969398	\$9,165,239
Road Levy	1.078570	7,250,592
County Road Diverted	.029751	199,998
Total Road Levy	1.108321	\$7,450,590
Flood Control Regular Levy	.088439	836,153
GRAND TOTAL	2.166158	\$17,451,982

The State of Washington administers a multi-unit urban housing exemption tax abatement program, authorized by RCW 84.14.020. Under this program, abated taxes are shifted to other taxpayers. For the year ended December 31, 2021, \$6,821 was abated under this program.

NOTE 4 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 is shown by asset type in the following table.

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increase	Decrease	Ending Balance
Assets not being depreciated				
Land	7,178,201	1,236,763	309	8,414,654
Gravel Roads	5,828,588	-	343,271	5,485,316
Easements & Right of Ways	6,730,977	42,998	-	6,773,975
Intangible Assets	1,896,236	2,377,636	2,138,636	2,135,236
Water Banks	-	-	-	-
Construction in Progress	8,722,122	3,914,651	8,601,573	4,035,200
Total	30,356,123	7,572,048	11,083,789	26,844,382
Assets Being Depreciated				
Buildings & Improvement	39,186,344	6,496,326	625,528	45,057,142
Improvements	2,936,479	407,991	-	3,344,471
Equipment	16,121,859	1,468,822	980,102	16,610,578
Infrastructure *beginning balance re-stated*	165,268,661	8,450,848	464,379	173,255,130
Total	223,513,342	16,823,988	2,070,009	238,267,321
Grand Total	253,869,465	24,396,036	13,153,798	265,111,703
Less accumulated depreciation for:				
	Beginning Balance	Increase	Decrease	Ending Balance
Buildings & Improvements	20,320,290	1,277,574	496,206	21,101,658
Improvements	1,964,155	110,764	-	2,074,919
Equipment & Machinery	10,232,113	1,381,532	362,032	11,251,613
Infrastructure	120,297,924	2,981,280	342,626	122,936,578
Total	152,814,483	5,751,149	1,200,864	157,364,768
Governmental activities Capital Assets, net	101,054,983	18,644,887	11,952,935	107,746,935
BUSINESS TYPE ACTIVITIES				
	Beginning Balance	Increase	Decrease	Ending Balance
Assets not being depreciated				
Land	3,875,834	-	-	3,875,834
Intangible Assets	6,676,347	45,328	49,213	6,672,462
Construction in Progress	1,258,322	3,000,007	-	4,258,329
Total	11,810,503	3,045,335	49,213	14,806,625
Assets Being Depreciated				
Buildings & Improvement	1,389,478	-	-	1,389,478
Improvements	4,997,480	-	-	4,997,480
Equipment	1,888,119	51,252	16,386	1,922,985
Total	8,275,077	51,252	16,386	8,309,944
Grand Total	20,085,581	3,096,587	65,599	23,116,569
Less accumulated depreciation for:				
	Beginning Balance	Increase	Decrease	Ending Balance
Buildings & Improvements	1,003,005	30,848	-	1,033,853
Improvements	4,307,906	125,830	-	4,433,736
Equipment & Machinery	1,643,032	57,052	14,338	1,685,746
Total	6,953,942	213,730	14,338	7,153,335
Business Type Capital Assets, net	13,131,638	2,882,857	51,261	15,963,234

B. DEPRECIATION EXPENSE

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

Government Activities	
Function/Program	Amount
General Government	\$745,671
Economic	4,389
Judicial Services	35,715
Public Safety	484,396
Physical Environment	6,813
Transportation	4,053,510

Health and Human Service	16,535
Culture and Recreation	404,120
Total	\$5,751,149

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	\$194,632
Community Development Services	19,098
Total	\$213,730

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(1,498,417)
Pension assets	\$19,087,426
Deferred outflows of resources	\$2,478,769
Deferred inflows of resources	\$(17,254,817)
Pension expense/expenditures	\$(3,538,016)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	7.90%

* For employees participating in JBM, the contribution rate was 15.90%.

The County’s actual PERS plan contributions were \$706,060 to PERS Plan 1 and \$1,170,347 to PERS Plan 2/3 for the year ended December 31, 2021.

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 2021 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%
July – December 2021		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%

The County's actual plan contributions were \$151,235 to PSERS Plan 2 and \$95,704 to PERS Plan 1 for the year ended December 31, 2021.

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

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

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

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

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

were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2021. 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 state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
July – December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The County’s actual contributions to the plan were \$170,181 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$113,107.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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 developed using the Society of Actuaries' Pub. H-210 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base 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.

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

- For the purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for the 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2021, 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%	2.20%
Tangible Assets	7%	5.10%
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 proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$2,552,639	\$1,498,417	\$579,028
PERS 2/3	(3,696,069)	(12,974,099)	(20,614,561)
PSERS 2	(109,348)	(697,449)	(1,162,902)
LEOFF 1	(276,565)	(307,204)	(333,713)
LEOFF 2	(3,221,534)	(5,108,674)	(6,653,866)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2021, the County reported a total pension liability of \$1,498,417 and total pension assets of \$19,087,426 for its proportionate share of the net pension liabilities and assets as follows:

	Liability	Asset
PERS 1	\$1,498,417	-
PERS 2/3	-	12,974,099
PSERS 2	-	697,449
LEOFF 1	-	307,204
LEOFF 2	-	5,108,674
TOTAL	\$1,498,417	\$19,087,426

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	307,204	5,108,674
State's proportionate share of the net pension asset associated with the employer	2,077,923	3,295,653
TOTAL	2,385,127	8,404,327

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.113936%	.122697%	.008761%
PERS 2/3	.121014%	.130241%	.009227%
PSERS 2	.291763%	.303583%	.011820%
LEOFF 1	.008840%	.008968%	.000128%
LEOFF 2	.074422%	.087953%	.013531%

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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2021, 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 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2021, the County recognized pension expense as follows:

	Pension Expense
PERS 1	\$30,157
PERS 2/3	(2,866,184)
PSERS 2	(29,144)
LEOFF 1	(48,137)
LEOFF 2	(624,709)
TOTAL	(3,538,016)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	--	--

Net difference between projected and actual investment earnings on pension plan investments	--	\$1,662,742
Changes of assumptions	--	--
Changes in proportion and differences between contributions and proportionate share of contributions	--	--
Contributions subsequent to measurement date	\$392,184	--
Total	\$392,184	\$1,662,742

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$630,133	\$159,050
Net difference between projected and actual investment earnings on pension plan investments	--	10,843,304
Changes of assumptions	18,959	921,376
Changes in proportion and differences between contributions and proportionate share of contributions	305,064	11,571
Contributions subsequent to measurement date	546,777	--
Total	\$1,500,933	\$11,935,300

PSERS 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$71,567	\$2,757
Net difference between projected and actual investment earnings on pension plan investments	--	499,584
Changes of assumptions	109	71,316
Changes in proportion and differences between contributions and proportionate share of contributions	4,448	10,552
Contributions subsequent to measurement date	75,946	--
Total	\$152,070	\$584,209

LEOFF 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	--	--
Net difference between projected and actual investment earnings on pension plan investments	--	93,870
Changes of assumptions	--	--
Changes in proportion and differences between contributions and proportionate share of contributions	--	--
Contributions subsequent to measurement date	--	--
Total	--	93,870

LEOFF 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$231,710	\$26,999

Net difference between projected and actual investment earnings on pension plan investments	--	2,435,853
Changes of assumptions	2,208	242,969
Changes in proportion and differences between contributions and proportionate share of contributions	114,607	272,876
Contributions subsequent to measurement date	85,057	--
Total	4433,582	\$2,978,697

Deferred outflows of resources related to pensions resulting from the county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1
2022	(440,461)
2023	(403,622)
2024	(381,641)
2025	(437,018)
2026	--
Thereafter	--

Year Ended December 31:	PERS 2/3
2022	(2,889,275)
2023	(2,694,456)
2024	(2,604,049)
2025	(2,824,055)
2026	(4)
Thereafter	30,695

Year Ended December 31:	PSERS 2
2022	(131,511)
2023	(124,327)
2024	(117,992)
2025	(130,873)
2026	(1,128)
Thereafter	(2,253)

Year Ended December 31:	LEOFF 1
2022	(24,935)
2023	(22,808)
2024	(21,521)
2025	(24,606)
2026	--
Thereafter	--

Year Ended December 31:	LEOFF 2
2022	(667,680)
2023	(623,375)
2024	(589,900)
2025	(661,987)
2026	(26,772)
Thereafter	(60,457)

NOTE 6 - RISK MANAGEMENT

GENERAL LIABILITY & PROPERTY INSURANCE

Kittitas 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, 2021, 24 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, education and claims administration. The Pool's liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. WCRP provides limits of \$20,000,000, and currently retains \$2,000,000 per occurrence. County deductibles range from \$10,000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may purchase an optional \$5,000,000 excess of \$20,000,000 layer of coverage. Allocated loss adjustment expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2021, Kittitas County selected a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the amount of the layer of coverage below. For 2020-21, the Pool's SIR was \$2,000,000. The reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30 million (lowest reinsured layer), and \$50 million (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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 four 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 2020-21, Kittitas 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. The Pool carries a \$100,000 per claim deductible, while each participating county is responsible for paying their selected deductible within the Pool's deductible, ranging between \$5,000 and \$50,000. Higher deductibles

apply to losses resulting from catastrophe-type losses.

Kittitas County also participates in the jointly purchased cyber risk and security coverage from a highly-rated commercial insurer. This group-purchased cyber risk and security coverage provides limits of \$2,000,000 per claim and \$10,000,000 in the aggregate. For 2021, the Pool's SIR for cyber claims was \$100,000 from January 1 through September 30 and was \$250,000 from October 1 through December 31, with the County having no deductible.

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 review the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$100,000, c) to authorize by two-thirds majority vote commencement of lawsuits in the name of the Pool.

During 2020-21, the WCRP's assets decreased to \$53.4 million while its liabilities decreased to \$27.5 million. The Pool's net position was \$26.6 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, 2021 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Settlements have not exceeded coverage limits for any of the past three years.

NOTE 7 –NET POSITION

Net investment in capital assets is calculated as follows:

	Governmental Activities	Business- type Activities
Net investment in capital assets:		
Net capital assets	107,746,935	15,963,234
Less: capital related debt	(6,624,000)	(75,000)
Less: capital leases payable	(50,638)	(2,307)
Net investment in capital assets	<u>\$ 101,072,297</u>	<u>\$ 15,885,927</u>

Restricted net position includes the following components:

Restricted net position:	Governmental Activities	Business- type Activities
Debt service	198,404	-
Capital outlay	5,935,542	-
County roads	7,075,056	-
Flood control	2,559,962	-
Public safety	12,544,235	-
Tourism	4,323,928	-
Public facilities	3,441,777	-
Other purposes	4,057,357	-
Pension asset	5,285,041	296,894
Total restricted net position	<u>\$ 45,421,302</u>	<u>\$ 296,894</u>

NOTE 8 - LONG-TERM DEBT

A. LONG TERM DEBT – GOVERNMENTAL

LIMITED TAX G.O. & REFUNDING BONDS 2010 REDEMPTION CONVERTED TO NEW LIMITED TAX G.O. & REFUNDING BONDS 2020

During 2010, the County issued bonds in the amount of \$11,185,000. The Bonds are being issued for the purpose of construction of repairs and expansion of the County Jail, acquisition of a building for court facilities, remodel of a building on the County fairgrounds, refunding of an advanced basis the County's Limited Tax General Obligation Bonds, 2001, paying the costs of issuance of the Bonds, and other legal purposes of the County. The federal arbitrage regulations apply to the 2010 GO & Refund Bonds debt.

The 2010 Bonds were subject to redemption, at the option of the County, prior to their stated maturity, on any date on or after June 1, 2020. On January 21, 2020, resolution 2020-010 was passed for the redemption of the 2010 bonds on June 1, 2020. The Board determined there would be a debt service savings by refunding the 2010 Bonds through the issuance of a new limited tax general obligation refunding bond. Therefore, the County issued bonds in the amount of \$6,643,000.

The Limited Tax General Obligation and Refunding Bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation and Refunding Bonds, 2020	10 years June 2020-2030	1.910%	\$6,643,000	\$556,000

LIMITED TAX G.O. & REFUNDING BONDS 2016A

During 2016, the County issued bonds in the amount of \$1,511,000. The Bonds are being issued for the purpose of construction of repairs to the Jail HVAC. The federal arbitrage regulations apply to the 2016 General Obligation Bond Series 2016A debt. These bonds were paid off in 2021.

LIMITED TAX G.O. & REFUNDING BONDS 2016C

During 2016, the County issued bonds in the amount of \$1,511,000. The Bonds are being issued for the purpose of purchasing the Mobile Home Park (Taxable) The federal arbitrage regulations apply to the 2016 General Obligation Bond Series 2016C debt.

The Limited Tax General Obligation Bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016C (Mobile Home Park)	16 years Dec 2016-2032	1.660%- 2.890%	\$1,511,000	\$83,000

The bond debt service requirements to maturity for the general obligation bonds are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2022	646,000	138,574	784,574
2023	669,000	125,190	794,190
2024	676,000	110,996	786,996
2025	698,000	96,312	794,312
2026	714,000	80,918	794,918
2027-2031	3,103,000	177,954	3,280,954
2032-2036	118,000	2,868	120,868
Total	<u>\$ 6,624,000</u>	<u>\$ 732,812</u>	<u>\$ 7,356,812</u>

B. LONG TERM LIABILITIES – BUSINESS TYPE

SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

The Solid Waste Public Works Trust Fund Loan debt currently outstanding for the Upper County Transfer Station:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount
Solid Waste Loan	March 2002 – July 2022	5%	\$1,425,000	\$75,000

The Solid Waste Public Works Trust Fund Loan debt service requirements to maturity are as follows:

Year	Business Type Activities		
	Principal	Interest	Total
2022	75,000	375	75,375
Total	<u>\$ 75,000</u>	<u>\$ 375</u>	<u>\$ 75,000</u>

NOTE 9 – LEASES

CAPITAL LEASES

The county leases office equipment under non-cancelable capital leases for governmental activities. There were no down payments processed for any of the current leases. These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. We do not depreciate capital leases.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2021, are as follows:

Minimum Lease Payments		
Year-Ending	Government	Business-Type
2022	27,808	2,307
2023	15,653	
2024	5,433	
2025	1,744	
2026	-	-
Total	50,638	2,307

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities are shown in the table below.

	Outstanding 1/1/2021	Additions	Reductions	Outstanding 12/31/2021	Amounts Due in One Year
Governmental Activities					
Bonds payable	8,206,000	-	1,582,000	6,624,000	646,000
Capital leases	143,283		92,645	50,638	27,808
Compensated absences*	1,651,822	24,478	-	1,676,300	119,030
Net pension liability	5,474,684	-	4,151,432	1,323,252	-
Total OPEB liability	3,588,724	-	296,329	3,292,395	185,972
Total Governmental Activities	\$ 19,064,513	\$ 24,478	\$ 6,122,406	\$ 12,966,585	\$ 978,810
Business-Type Activities					
Loans payable	150,000	-	75,000	75,000	75,000
Capital leases	5,075	-	2,768	2,307	2,307
Compensated absences*	158,454	-	-	166,764	10,932
Net pension liability	95,572	79,593	-	175,165	-
Landfill closure liability	881,649	355,992	-	1,237,641	60,000
Total Business-Type Activities	\$ 1,290,750	\$ 435,585	\$ 77,768	\$ 1,656,877	\$ 148,239

*beginning balance re-stated

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Kittitas County's internal service funds did not have any short or long term liabilities. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Asset Retirement Obligations

The County has identified certain assets which may have external retirement obligations, including ten pit/quarry properties and two x-ray machines. The remaining estimated useful life and retirement costs cannot be reasonably estimated at this time.

NOTE 11 – CONTINGENCIES AND LITIGATIONS

Kittitas County has recorded in its financial statements all material liabilities, including an estimate for situations

which are not yet resolved but where, based on available information, management believes it is probable that the Kittitas County will have to make payment. In the opinion of management, the County's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

As discussed in Note 8, Long-Term Debt, the County is contingently liable for repayment of refunded debt.

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable Funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Kittitas County is named as the defendant in a few legal actions. Claims which have been classified as "reasonably possible" by the Prosecuting Attorney's office for 2021 are expected to be immaterial at this time.

LAWSUITS PENDING IN WHICH KITTITAS COUNTY, ITS OFFICERS AND/OR AGENTS ARE PARTIES AND MONEY DAMAGES ARE SOUGHT AS OF DECEMBER 31, 2021

1. Allen et al v. Kittitas County

Yakima County Superior Court Case No. 11-2-00887-7

A claim for damages was initially filed and subsequently denied on January 6, 2011. The parties proceeded to file a summons and complaint for damages asserting that the County owned and maintained a system of flood control dykes and levees along the Teanaway River that were to protect the parties' property from flooding. Weather caused flooding in the area of the parties' properties and some of those properties are in the FEMA 100 year flood plain. The parties believe that the County is responsible for the flooding and damages to their properties. Risk Pool retained counsel is handling the matter. This case has now been settled.

2. Kittitas County v. Sky Allphin, Chem-Safe Environmental, Inc. and the Washington State Department of Ecology

Kittitas County Superior Court Case No. 13-2-00074-4

Sky Allphin submitted a broad public records request in October of 2012 to the County. The County filed a complaint for declaratory judgment and injunctive relief to enjoin disclosure of confidential work product and to protect attorney-client privileged records. The appeal has been concluded and is being remanded back to the Superior Court for any penalties resulting from that courts determination. Another Notice of Appeal was filed by Sky Allphin and the matter is currently in the Court of Appeals. The matter is being handled by Menke Jackson Beyer, LLP.

3. Paula Hctor vs Kittitas County

United States District Court for the Eastern District of Washington – Civil Action 1:19-cv-03201-SAB – KC Claim #201909090025.

This started as a claim for damages with Kittitas County in the amount of \$850,000.00. Claim for Damages was denied by Kittitas county and a formal complaint was filed with the US District Court at Yakima. Paula Hctor had some health issues that caused her to take leave from her job. While she was on leave, she decided to not come back due to the requirements of the position she was assigned to. The matter is being handled by Risk Pool.

4. Lambert v. Kittitas County, et al.

Yakima County Superior Court
Cause No. 20-2-00874-39

This is a Complaint for Declaratory and Injunctive relief regarding the medical debt of an individual incarcerated in the Kittitas County Corrections Center. Specifically, Plaintiff asks for his medical debt, believed to approximately \$11,000, to be extinguished. This case is being handled by the Kittitas County Prosecutor's Office.

5. Stacy Hammond v. Kittitas County Board of Commissioners

Kittitas County Superior Court
Cause No. 20-2-00316-19

Ex-Parte Motion for Temporary Injunction to stop Kittitas County from disbursing funds to the Ellensburg School District claiming that the community has not had the opportunity to provide comment on the action. The case is being litigated by the Kittitas County Prosecutor's Office.

6. Blew's Construction v. Kittitas County

Grant County Superior Court
Cause No. 21-2-00525-13

Complaint filed on September 13, 2021 claiming breaches of contract with damages to the principle amount of \$783,719.12. Parties are working toward a settlement agreement at this time. The case was being litigated by the Kittitas County Prosecutor's Office and has now been settled.

7. Sky Allphin v. Kittitas County

Kittitas County Superior Court
Cause No. 21-2-00027-19

Motion for Relief Under RCW 42.56.550; Action for Declaratory Relief filed on February 3, 2021 in regards to ongoing PRA request. No documents have been filed since February 19, 2021. The case is being litigated by the Kittitas County Prosecutor's Office.

8. Stacy Hammond v. Kittitas County

Kittitas County Superior Court
Cause No. 21-2-00002-19

Complaint filed against multiple elected officials, department heads, previous and current employees as well as entire departments alleging stalking, harassment, malicious prosecution, prosecutorial misconduct, unauthorized surveillance, medical neglect and malpractice, HIPPA violations, destruction of evidence, fabrication of evidence, dereliction of duties and violation of constitutional rights. No pleadings have been filed since January 27, 2021. The case is being litigated by the Kittitas County Prosecutor's Office.

**PENDING CLAIMS FOR DAMAGES AGAINST KITTITAS COUNTY
THROUGH DECEMBER 31, 2021**

1. Shawn Headland

Claim for damages alleging the County's negligence in preventing the death of an inmate in its custody. Claim has been referred to Risk Pool assigned to Risk Pool retained counsel. Claim is seeking damages of \$15 million.

2. Douglas Benson

Claim for damages and notice to sue filed, alleging multiple occasions when his rights to due process of law were violated. He is requesting relief of damages in the amount of \$20 million and relief of the county code infractions. Referred to WCRP.

3. Ester Garcia

Claim for damages alleging that KCSO employees disposed of claimant's belongings improperly while being booked into the jail. Total amount of personal property lost was \$5,256.62. Claim was approved 1/20/22.

4. Mable Morgan

Claim for damages involving a death investigation of Andrew Morgan and requesting payment for towing and storage fees of the Claimant's vehicle while the investigation was pending. Claim is seeking reimbursement of \$583.20. Claim was approved 1/14/22.

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

A. INTERFUND BALANCES

Interfund balances at December 31, 2021 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

DUE TO	DUE FROM						Total
	County Road Fund	Other Governmental Funds	Solid Waste Fund	Community Development Services Fund	Water Mitigation Fund	Internal Service Funds	
General Fund	\$ 61,360	\$ 71,140	\$ 13,682	\$ 24,213	\$ 1,659	\$ 9,844	\$ 181,898
County Road Fund	-	16,507	-	-	1,773	105	18,385
Water Mitigation Fund	-	-	-	-	-	10,500	10,500
Internal Service Funds	171,941	-	-	-	-	2,695	174,636
Total	\$ 233,301	\$ 87,647	\$ 13,682	\$ 24,213	\$ 3,432	\$ 23,144	\$ 385,419

B. INTERFUND TRANSFERS

Interfund transfers processed during 2021 are as follows:

TRANSFERS OUT	TRANSFERS IN		
	General Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 1,437,206	\$ 1,437,206
Internal Service Funds	353	-	353
Total	\$ 353	\$ 1,437,206	\$ 1,437,559

NOTE 13 - JOINT VENTURES

A. City of Ellensburg

Kittitas County and the City of Ellensburg entered into a cooperative service enterprise to purchase and operate the facility known as the City/County Community Center effective July 19, 1987. The \$62,500 in initial costs of the facility were split \$15,625 to the County and \$46,875 to the City.

The City is responsible for operations and maintenance of the facility. The operating costs are allocated between the City and County based upon the percent of non-city resident users. Complete financial information can be obtained from the City of Ellensburg, 501 N. Anderson Street, Ellensburg, WA 98926.

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2021 operations are as follows:

	BUDGET	ACTUAL
Kittitas County	\$51,000	\$56,179
City of Ellensburg	91,356	82,884
Tour Fees	4,000	404
Other Revenues	27,880	17,837
Total Support	\$174,236	\$157,304

B. Snoqualmie Pass Utility District

The E. R. & R. Fund and the Snoqualmie Pass Utility District constructed a joint shop at Hyak in 2014. Both parties own ½ of the building and have joint responsibility for the small common entrance area. An Interlocal Agreement has been drafted to materialize the relationship between the Public Works ER&R fund and Snoqualmie PUD. Snoqualmie PUD handles shared expenses including insurance and utilities, billing the Public Works ER&R fund annually. The ER&R Fund collects quarterly payments for a reserve fund to cover Roofing (45 year warranty), Siding (20 year warranty), Driveway & Parking Lot Maintenance, Mechanical and Heating Unit, and Garage doors with openers. At the end of 2021 the fund total held by Public Works ER&R for the Hyak joint shop reserve was \$60,082.

C. Related Parties

The Board of County Commissioners has the appointment authority of the several governing boards. The Board has no responsibility or influence in each of their financial transactions. Those boards include Housing Authority of Kittitas County, Television Improvement District, and the Water Conservancy Board.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements for GASB Statement 75 for the year 2021:

Aggregate OPEB Amounts-LEOFF 1	
OPEB liabilities	\$3,292,395
OPEB assets	-
Deferred outflows of resources	92,986
Deferred inflows of resources	-
OPEB expenses/expenditures	\$102,503

A. PLAN DESCRIPTION

As required by RCW 41.26, the County provides lifetime medical care for LEOFF 1 retirees. The County provides medical insurance and reimbursements for all necessary hospital, medical and nursing care expenses not payable by workers compensation, social security, insurance provided by another employer, other pension plan, or any other similar source. The County provides supplemental medical insurance for retirees. Under authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical benefit provisions.

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
Total	7

In 2021, expenditures of \$48,596 for medical premiums and billings were recognized for post-employment health benefits in the General Fund. The program is funded “pay as you go” there is no qualifying trust.

B. ASSUMPTIONS AND OTHER INPUTS

The County’s net OPEB liability was calculated using the alternative measurement method in accordance with the parameters of GASB 75 for employers in plans with fewer than one hundred total plan members utilizing the

interactive tool developed by the Office of the State Actuary (OSA) for use by local governments. The following assumptions were used to measure the total OPEB liability, using a measurement and actuarial valuation date of June 30, 2021:

Discount Rate	
Beginning of Measurement Year	2.21%
End of Measurement Year	2.16%
Healthcare Trend Rates	
Medical Costs	Initial rate is 5.3%, trends down to about 5% in the 2020's
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	PubS.H-2010 (Public Safety) Blended 50%/50% healthy/disabled
Age Setback	-1 year Healthy / 0 years Disabled
Mortality Improvements	MP-2017 Long-Term Rates
Project Period	Generational
Medical Participation Rate	100%

The following presents the total OPEB liability calculated using the current healthcare cost trend rate as well as what the OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$3,006,863	\$3,292,395	\$3,618,632

The following presents the total OPEB liability calculated using the current discount rate as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$3,646,377	\$3,292,395	\$2,990,260

C. CHANGES IN THE TOTAL OPEB LIABILITY

A schedule of changes in the total OPEB liability is presented below:

LEOFF 1	
Total OPEB Liability at 01/01/2021	\$3,588,724
Interest	77,181
Changes of experience data and assumptions	(179,684)
Benefit payments	(193,826)
Total OPEB Liability at 12/31/2021	\$3,292,395

At December 31, 2021, the County's reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$92,986	\$0
TOTAL	\$92,986	\$0

NOTE 15 - CLOSURE AND POST CLOSURE CARE COSTS

Kittitas County's only municipal landfill was established in 1980 to accept mixed solid waste. The landfill, owned by the county, was established on a parcel of 640 acres of arid land reserved for the landfill and related activities. The following table depicts events affecting Ryegrass landfill operations:

Date	Change/Modification
November 1993	Promulgation of new State Landfill Regulation WAC 173-351
December 1995	A new operations contractor was chosen in the bid process to operate each transfer Station and the balefill. A three year contract was signed.
February 1996	Major Flooding at the Ellensburg transfer station
March 1996	Leachate observed flowing from the southern tip of Ryegrass balefill
August 1996	Fire at balefill
December 1996	Record snowfall and snowload resulted in the collapse of the Ellensburg transfer station baler building
December 1996	A major fire broke out at Ryegrass balefill
January 1998	Flooding at Ellensburg transfer station
June 1998	Department of Ecology Air Quality Program issued an Order under RCW 70.94 requiring corrective action in operations of the balefill.
September and December 1998	Chloride levels in ground watering monitoring Well B-4 exceeded groundwater standards.
April 1998	Began discussion/negotiations on an Agreed order under the Model Toxics Control Act for closure of the landfill with the Department of Ecology.
April 1998	The Landfill is closed and not accepting any more garbage. The landfill has been covered and must be monitored for 30 years.
December 21, 2004	Resolution 2004-132 Established Reserve Fund 401-011 CDL Post Closure. This money is to be used for the closure and post closure care of the Limited Purpose Landfill which the County operates.
January 2005	CDL post Closure account was started with \$200,000

The Ryegrass landfill was closed to new garbage waste in 1998 due to a Washington Department of Ecology Agreed Order. The closed bale fill will be monitored through 2028. The County continues to accept construction demolition at its limited purpose landfill. The limited purpose landfill is expected to be operational until 2024 after which time it will be monitored for 20 years. State and federal laws and regulations including WAC 1273.350 required Kittitas County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. GASB 18 establishes the standards for accounting and financial reporting for municipal solid waste landfill closure and post-closure costs.

As a result of the Department of Ecology Agreed Order, a Remedial Action Grant was allocated to Kittitas County for landfill closure/cleanup. This grant funds 75% of the total landfill closures costs. Landfill Closure operations began in July 2000 with construction scheduled to be completed in accordance with the Agreed Order. In August 2000, the Board of County Commissioners adopted Resolution 99-81 reserving solid waste funds for the purpose of post-closure for Ryegrass Landfill. In January 2005, a CDL post Closure account was established with \$200,000 from the Ryegrass Closure Account.

In addition to the Remedial Action Grant, \$1.55 per ton of the tip fee and \$2.44 per ton for the construction debris goes to the post-closure account each year. Each year the Solid Waste budget includes the annual post-closure costs needed for the Ryegrass landfill. Post closure care is funded as a regular part of the Solid Waste budget process.

A. RYEGRASS LANDFILL POST CLOSURE

In 2021, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be \$420,000. The 2021 actual costs for post-closure care was \$63,94. As required by federal, state, and local regulations, cash in the amount of \$881,962 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2021 was \$64,932 (42 thousand tons of garbage at \$1.55 per ton), which will be placed into the reserve in 2021. A plan update was completed in 2012 for regulating compliance with Department of Ecology for monitoring. A plan for cost and air space analysis is to be updated in 2022.

B. LIMITED LANDFILL POST CLOSURE

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. Based upon the report from RW Beck, the estimated closure costs are \$908,847. The closure is estimated to be 2024 with post-closure activities to occur through 2044. The total cost of completing post-closure for the 20 year period is \$242,760 (2004 dollars). The total landfill capacity is 546 thousand cubic yards. The total amount of capacity used through December 31, 2021 is 389 thousand cubic yards. A new site life analysis will be completed in 2022 for the remaining life.

The recorded liability for December 31, 2021 is calculated as follows:

Total Closure Cost	\$1,151,607	(\$908,847 + 242,760 post-closure)
x	<u>71%</u>	Cumulative capacity used thru 12-31-21
	<u>\$817,641</u>	Total landfill liability

Tipping-fee revenues transferred to the post-closure cash reserve for 2021 totaled \$19,432, which reflect charges on approximately 33 thousand tons of refuse.

The total tipping fees transferred to the post closure cash reserve for 2021 was \$84,363, which reflects charges on approximately 75 thousand tons of refuse. The total cash reserve is \$966,325. This balance is restricted pursuant to Washington Administrative Code 173-350-600.

The future liability costs are estimates and are subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

NOTE 16 – OTHER DISCLOSURES

A. COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on Kittitas County is unknown at this time.

While communities within Kittitas County continue their efforts to recover from the economic disruption caused by federal, state and local policies, the County government’s financial picture has proven to be resilient through 2021. Revenues have continued to rise, and additional grant awards have enabled the County to maintain programming and service levels, and to satisfy all of its statutory mandates.

B. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$2,989,649 is reported in the governmental column on the Statement of Activities. This amount decreases the previously reported compensated absences liability by \$2,340,948 due to an error in methodology; and increases reported capital assets by \$648,701.

A prior period adjustment of \$277,832 is reported in the business-type column on the Statement of Activities and on the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position. This total includes

\$126,816 in the Solid Waste Fund, which is entirely related to correction of the previously reported compensated absences liability; and \$151,016 in the Community Development Fund. The adjustment in the Community Development Fund includes \$59,284 for compensated absences and \$91,732 related to correction of previously reported developer deposits.

A prior period adjustment of \$12,719,601 is reported on the Statement of Changes in Fiduciary Net Position to correct previously reported asset and liability balances.

C. SUBSEQUENT EVENTS

In 2022, the County entered into an interlocal agreement with the City of Ellensburg to coordinate land use regulation.

In early 2022, the County established a new Public Defender Department, which will replace the use of contracted defenders. The department is expected to be partially staffed in 2022 and operational in 2023.

Major capital purchases authorized in 2022 include \$2.5 million for phase 1 of a new transfer station and \$3 million for the purchase of Stone Road land.

Kittitas County, Washington
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes	\$ 9,131,726	\$ 9,131,726	\$ 9,200,841	\$ 69,115
Sales taxes	6,498,000	6,498,000	9,016,232	2,518,232
Other taxes	268,500	268,500	362,340	93,840
Licenses and permits	283,300	283,300	364,371	81,071
Intergovernmental revenues	3,561,074	5,094,005	4,281,398	(812,607)
Charges for services	3,432,237	3,490,561	3,592,958	102,397
Fines and forfeitures	1,497,030	1,497,030	1,303,580	(193,450)
Investment earnings	854,200	854,200	3,070,869	2,216,669
Rents and concessions	913,577	913,577	1,094,986	181,409
Miscellaneous	298,423	298,423	241,347	(57,076)
Total Revenues	26,738,067	28,329,322	32,528,922	4,199,600
Expenditures				
Current:				
General government	10,828,812	11,356,618	9,817,885	1,538,733
Economic Environment	100	75,100	851	74,249
Judicial	2,974,548	3,016,437	2,694,855	321,582
Physical Environment	152,164	153,864	106,802	47,062
Culture and recreation	2,414,180	2,644,031	2,267,722	376,309
Public safety	12,754,046	13,015,559	11,933,719	1,081,840
Health and human services	624,601	1,613,878	1,380,189	233,689
Transportation	10,246	10,246	9,107	1,139
Debt service:				
Principal	98,026	98,026	89,341	8,685
Interest	6,350	6,350	1,018	5,332
Capital Outlay	621,563	737,053	1,037,861	(300,808)
Total Expenditures	30,484,636	32,727,162	29,339,350	3,387,812
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,746,569)	(4,397,840)	3,189,572	7,587,412
Other Financing Sources (Uses)				
Transfers in	152,000	152,000	353	(151,647)
Transfers (out)	(910,976)	(1,881,522)	(1,437,206)	444,316
Proceeds from disposition of capital assets	5,750	5,750	162,665	156,915
Net Changes in Fund Balances	(4,499,795)	(6,121,612)	1,915,384	8,036,996
Fund Balances Beginning of Year	18,218,818	19,628,544	26,777,753	7,149,209
Fund Balances End of Year	\$ 13,719,023	\$ 13,506,932	\$ 28,693,137	\$ 15,186,205

Kittitas County, Washington
County Road Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes	\$ 7,300,000	\$ 7,300,000	\$ 7,317,107	\$ 17,107
Other taxes	7,000	7,000	5,380	(1,620)
Licenses and permits	122,950	122,950	254,198	131,248
Intergovernmental revenues	7,253,611	7,253,611	7,461,471	207,860
Charges for services	184,046	184,046	612,898	428,852
Investment earnings	46,150	46,150	58,193	12,043
Miscellaneous	150	150	7,932	7,782
Total Revenues	<u>14,913,907</u>	<u>14,913,907</u>	<u>15,717,179</u>	<u>803,272</u>
Expenditures				
Current:				
General government	96,270	96,270	358,147	(261,877)
Transportation	9,834,021	9,834,021	9,440,671	393,350
Capital Outlay	<u>7,671,000</u>	<u>7,671,000</u>	<u>5,509,067</u>	<u>2,161,933</u>
Total Expenditures	<u>17,601,291</u>	<u>17,601,291</u>	<u>15,307,885</u>	<u>2,293,406</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,687,384)	(2,687,384)	409,294	3,096,678
Other Financing Sources (Uses)				
Transfers out	(20,000)	(20,000)	-	20,000
Proceeds from disposition of capital assets	-	-	35	35
Net Changes in Fund Balances	(2,707,384)	(2,707,384)	409,329	3,116,713
Fund Balances Beginning of Year	<u>5,688,099</u>	<u>5,688,099</u>	<u>6,685,647</u>	<u>997,548</u>
Fund Balances End of Year	<u>\$ 2,980,715</u>	<u>\$ 2,980,715</u>	<u>\$ 7,094,976</u>	<u>\$ 4,114,261</u>

Kittitas County, Washington
ARPA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Intergovernmental revenues	\$ -	\$ 4,655,406	\$ 455,000	\$ (4,200,406)
Investment earnings	-	-	26,693	26,693
Total Revenues	<u>-</u>	<u>4,655,406</u>	<u>481,693</u>	<u>(4,173,713)</u>
Expenditures				
Current:				
General government	-	4,655,406	436,645	4,218,761
Total Expenditures	<u>-</u>	<u>4,655,406</u>	<u>436,645</u>	<u>4,218,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	45,048	45,048
Net Changes in Fund Balances	-	-	45,048	45,048
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,048</u>	<u>\$ 45,048</u>

KITTITAS COUNTY

Required Supplementary Information

2021 Annual Report

Information about Infrastructure Assets Reported Using the Modified Approach

Asset Management System

Kittitas County maintains an Asset Management System that includes an up-to-date inventory of all gravel roads. This inventory also identifies the condition of gravel roads owned by the County. The County's Public Works Department assesses the condition of gravel roads on an annual basis.

Required Documentation

The Governmental Accounting Standards Board (GASB) Statement #34 requires the County to report infrastructure capital assets. The County has elected to use the "Modified Approach", as defined by GASB Statement #34, for reporting its gravel roads, thereby forgoing depreciation of these assets. Under this alternative method, the County reports certain maintenance and preservation costs and does not report depreciation expenses. In order to utilize the modified approach, the County is required to:

- Maintain an up-to-date asset management system and inventory.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate the annual cost to maintain and preserve the assets at the condition level established and disclosed by the County.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Condition Assessment Methods

Kittitas County's Public Works Department had previously used maintenance and financial records to determine the condition level of gravel roads. In 2012, Kittitas County's Public Works Department began a new assessment system (see Attachment A). This rating system is conducted by the Road Log Engineering Technician who fills out rating forms for each gravel road while doing a field assessment. This new rating system is more robust and thorough because each gravel road is physically surveyed and scored by one person, instead of relying on maintenance and financial records provided by various maintenance personnel.

Gravel Roads in Kittitas County

Kittitas County owns and maintains over 80 miles of gravel roads, of which about 20 miles are standard gravel roads (non-primitive) and about 60 miles are primitive gravel roads. The standard gravel roads (non-primitive) are those roads that have an average of 101 or more annual daily vehicles and have road signs and warning signs placed along the roadway in accordance with the Manual on Uniform Traffic Control Devices. Primitive gravel roads have 100 or less annual daily vehicles and no design, signing, or maintenance standards are required other than the requirement that warning signs be placed that apply to primitive roads.

Budgeted and Estimated Costs to Maintain Infrastructure

The County’s estimate of spending to preserve and maintain gravel roads at or above the established condition levels is shown in Table A below. This table indicates the estimated budgeted amount and the actual amount spent during the past six fiscal years.

Table A		
Costs to Maintain Gravel Roads in Kittitas County		
<i>Fiscal Year</i>	<i>Estimated Spending</i>	<i>Actual Spending</i>
2015	\$457,378	\$299,906
2016	\$555,756	\$391,388
2017	\$333,582	\$449,649
2018	\$500,000	\$281,399
2019	\$350,000	\$343,888
2020	\$190,767	\$298,834
2021	\$322,463	\$484,662

Condition Level Description

Kittitas County manages its gravel road network using a priority array program. The gravel road condition rating is a numerical condition scale ranging from 1 (severely deficient) to 5 (excellent condition). The ratings are described as follows:

Table B		
Gravel Road Condition Rating Description		
<i>Score</i>	<i>Attribute</i>	<i>Description</i>
1	Severely Impaired and load restricted	Impassable for heavy loads and requires load restrictions or road closure until repaired.
2	Poor Condition	Rough ride in places, requires spot grading, spot graveling, shoulder damage repair, or roadside flood damage repair.
3	Fair Condition	Road surface is in fair condition, rough ride in places but does not require grading or graveling.
4	Good Condition	Road surface is not new but in good condition and no maintenance needed.
5	Excellent Condition	New road surface, no maintenance needed.

Established Condition Level

The County has established an acceptable condition level of 3 (Fair Condition) and preserves 80% of its assets (non-primitive gravel roads) at or above this level. The condition of some gravel roads may drop below fair condition due to very limited use of the section of road.

The established condition level has been revised for gravel roads that are classified as primitive roads. Primitive roads do not have an established condition level because they are, by definition, not required to have any design, signing, or maintenance standards or requirements other than the requirement that warning signs be placed as provided in RCW 36.75.300. The condition of primitive roads is assessed and shown in Table E for general information.

Detailed documentation of disclosed assessment levels is kept on file.

Table C							
Condition Rating of All Gravel Roads in Kittitas County							
Prior to New Assessment Methodology							
Year	Total Miles	Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2008	67.84	0	19.7	45.7	34.6	0	80%
2009	67.84	0	19.7	42.9	37.4	0	80%
2010	67.84	0	0	0	98.4	1.6	100%
2011	67.84	0	10.6	56.9	32.5	0	89%

**Table D
Condition Rating of
Standard Gravel Roads (non-primitive) in Kittitas County**

Year	Total Miles	Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	22.69	.09mi 0.44%	0.26mi 1.15%	1.68mi 7.40%	15.03mi 66.24%	5.63mi 24.77%	22.34mi 98.41%
2013	23.16	0	0.05mi 0.22%	4.06mi 17.53%	16.06mi 69.34%	2.45mi 10.57%	22.57mi 97.44%
2014	22.52	0	.05 mi 0.22%	1.12mi 4.97%	7.91mi 35.12%	13.44mi 59.68%	22.47mi 99.78%
2015	20.63	.05 mi 1 %	0	.07 mi 1%	3.85 mi 18%	16.54mi 80%	20.46mi 99%
2016	20.04	0	0	1.01mi 5.039%	10.92mi 54.491%	8.11mi 40.469%	20.04mi 100%
2017	20.11	0.22mi 1.09%	.08mi 0.4%	4.43mi 22.03%	5.28mi 26.26%	10.10mi 50.22%	19.81mi* 98.51%
2018	19.09	0	0.15mi 0.79%	1.22mi 6.39%	10.69mi 56.00%	7.03mi 36.83%	18.94mi 99.21%
2019	20.26	0	0.08mi 0.4%	5.57mi 27.49%	9.8mi 48.37%	4.81mi 23.74%	20.18mi 99.6%
2020	20.26	0	0.08mi 0.4%	3.21 15.84%	16.66 82.23%	0.31 1.53%	20.18mi 99.6%
2021	20.53	0.0	0.25mi 1.2%	0.59mi 2.8%	16.77mi 81.69%	2.92mi 14.22%	20.28mi 98.78%

*Corrected value from previous report

**Table E
Condition Rating of
Primitive Gravel Roads in Kittitas County**

Year	Total Miles	Primitive Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	44.13	2.87mi 6.50%	15.02mi 34.03%	8.82mi 19.99%	11.56mi 26.20%	5.86mi 13.28%	26.24mi 59.47%
2013	42.76	1.81mi 4.25%	17.57mi 41.29%	13.29mi 31.22%	9.27mi 21.79%	0.62mi 1.45%	23.18mi 54.46%
2014	43.40*	0.87mi 2.01%	13.5mi 31.25%	3.47mi 8.26%	12.42mi 28.75%	12.84mi 29.72%	28.83mi 66.74%
2015	43.40	.87mi 2%	13.5mi 31%	1.49mi 3%	11.47mi 26%	16.07mi 38%	29.03mi 67%
2016	43.40	0	20.64mi 47.55%	3.06mi 7.05%	4.15mi 9.56%	15.55mi 35.82%	26.91mi 62%
2017	43.20*	0	19.48mi 45.09%	5.41mi 12.52%	9.17mi 21.23%	9.14mi 21.16%	23.72mi* 54.91%
2018	45.45	0	26.08mi 58.97%	3.91mi 8.60%	9.28mi 20.42%	5.46mi 12.01%	18.65mi 41.03%
2019	43.29	18.59mi 42.94%	1.67mi 3.85%	8.06mi 18.61%	13.51mi 31.2%	1.46mi 3.37%	23.03mi 53.19%
2020	60.59	21.37mi 35.26%	0.1mi 0.1%	27.55mi 45.47%	10.75mi 17.74%	0.82mi 1.43%	39.12mi 64.56%
2021	60.67	21.37mi 35.22%	0.10mi 0.16%	23.65mi 38.98%	15.01mi 24.74%	0.54mi 0.89%	39.2mi 64.61%

*Corrected value from previous report

**Attachment A
Gravel Road Condition Rating Form**

**Kittitas County
Department of Public Works 2/10/2023
Gravel Road Rating Worksheet**

Road Name: _____ Road No. _____

From: _____ to _____

ADT _____ FFC _____ Posted Speed Limit _____ Scorer _____

Check the following:

CROWN

DRAINAGE

GRAVEL LAYER

SURFACE DEFORMATION

SURFACE DEFECTS

ROUTES :

US Mail Route ?

School Bus Route?

CONNECTOR

MAINTENANCE COSTS

5 Excellent	No distress. Dust controlled. Excellent surface condition and ride.	New construction or total reconstruction. Excellent drainage. Little or no maintenance needed.
4 Good	Dust under dry conditions. Moderate loose aggregate. Slight wash boarding.	Recently re-graded. Good crown & drainage. Adequate gravel for traffic. Routine grading & dust control may be needed.
3 Fair	Good crown(3"-6"). Adequate ditches on more than 50% of road. Gravel layer mostly adequate/ additional may be needed to correct wash boarding or potholes/ ruts. Some culvert cleaning needed. Moderate wash boarding (1"-2" deep) over 10%-25%. Moderate dust. None or slight rutting. Occasional small potholes. Some loose aggregate.	Shows traffic effects. Re-grading (re-working) needed to maintain. Needs some ditch improvement and culvert maintenance. Some areas may need additional gravel
2 Poor	Little or no roadway crown (less than 3"). Adequate ditches on less than 50% of road. Portions of ditches may be filled / overgrown / eroded. 25% with little or no aggregate. Culverts partially full of debris. Moderate to severe wash boarding (over 3" deep) over 25% of area. Moderate rutting (1" – 3") over 10%-25% . Severe loose aggregate.	Travel at slow speeds (less than 25mph) required. Needs additional new aggregate. Major ditch construction and culvert maintenance also required.
1 Failed	No roadway crown or roadway is bowl shaped with extensive ponding. Little if any ditching. Filled or damaged culverts. Severe rutting (over 3" deep), over 25% of the area. Severe potholes (over 4" deep), no aggregate.	Travel is difficult and road may be closed at times. Needs complete rebuilding and/ or new culverts.

TOTAL PROJECT RATING _____ DATE _____

Kittitas County
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended June 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability - beginning	\$ 3,179,140	\$ 3,058,708	\$ 3,473,105	\$ 3,588,724
Interest	111,355	116,296	118,822	77,181
Changes of assumptions	-93,264	406,431	154,516	-179,684
Benefit payments	-138,523	-108,330	-157,719	-193,826
Total OPEB liability - ending	<u>\$ 3,058,708</u>	<u>\$ 3,473,105</u>	<u>\$ 3,588,724</u>	<u>\$ 3,292,395</u>
Covered-employee payroll	0	0	0	0
Total OPEB liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is presented.
- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability/Asset
As of June 30

	2015	2016	2017	2018	2019	2020	2021
PERS 1							
Employer's proportion of the net pension liability (asset)	0.110864%	0.106396%	0.112327%	0.111934%	0.111655%	0.113936%	0.122697%
Employer's proportionate share of the net pension liability (asset)	5,799,218	5,713,966	5,330,004	4,999,010	4,293,531	4,022,556	1,498,417
Covered payroll	12,275,361	12,751,139	13,743,477	14,220,577	15,107,518	16,629,062	18,110,192
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	47.24%	44.81%	38.78%	35.15%	28.42%	24.19%	8.27%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%
PERS 2 & 3							
Employer's proportion of the net pension liability (asset)	0.118491%	0.111397%	0.118686%	0.118055%	0.118637%	0.121014%	0.130241%
Employer's proportionate share of the net pension liability (asset)	4,233,751	5,608,751	4,123,771	2,015,684	1,152,369	1,547,700	(12,974,099)
Covered payroll	10,519,395	10,975,818	11,826,723	12,244,306	12,970,955	14,308,629	15,585,602
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	40.25%	51.10%	34.87%	16.46%	8.88%	10.82%	-83.24%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%
PSERS 2							
Employer's proportion of the net pension liability (asset)	0.424215%	0.362730%	0.401565%	0.390713%	0.363890%	0.291763%	0.303583%
Employer's proportionate share of the net pension liability (asset)	77,428	154,153	78,679	4,841	(47,320)	(40,147)	(697,449)
Covered payroll	1,242,054	1,288,743	1,441,466	1,547,780	1,686,004	1,822,418	2,057,767
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	6.23%	11.96%	5.46%	0.31%	-2.81%	-2.20%	-33.89%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	90.41%	96.26%	99.79%	101.85%	101.86%	123.67%
LEOFF 1							
Employer's proportion of the net pension liability (asset)	0.009538%	0.009641%	0.009552%	0.008598%	0.086500%	0.008840%	0.008968%
Employer's proportionate share of the net pension liability (asset)	(114,954)	(99,330)	(144,925)	(156,097)	(170,977)	(166,944)	(307,204)
State's proportionate share of the net pension liability (asset) associated with the employer	(777,546)	(671,866)	(980,269)	(1,055,836)	(1,156,484)	(1,129,205)	(2,077,923)
TOTAL	<u>(892,500)</u>	<u>(771,196)</u>	<u>(1,125,194)</u>	<u>(1,211,933)</u>	<u>(1,327,461)</u>	<u>(1,296,149)</u>	<u>(2,385,127)</u>
Covered payroll	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%
LEOFF 2							
Employer's proportion of the net pension liability (asset)	0.0099703%	0.078567%	0.078824%	0.083794%	0.79493%	0.074422%	0.087953%
Employer's proportionate share of the net pension liability (asset)	(1,024,747)	(456,969)	(1,093,822)	(1,701,201)	(1,841,609)	(1,518,100)	(5,108,674)
State's proportionate share of the net pension liability (asset) associated with the employer	(58,166)	(297,911)	(709,542)	(1,101,495)	(1,206,007)	(970,710)	(3,295,653)
TOTAL	<u>(1,082,913)</u>	<u>(754,880)</u>	<u>(1,803,364)</u>	<u>(2,802,696)</u>	<u>(3,047,616)</u>	<u>(2,488,810)</u>	<u>(8,404,327)</u>
Covered payroll	2,894,005	2,364,248	2,487,299	2,687,908	2,742,218	2,848,298	3,302,098
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-35.41%	-19.33%	-43.98%	-63.29%	-67.16%	-53.30%	-154.71%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON
Schedule of Employer Contributions
As of December 31

	2015	2016	2017	2018	2019	2020	2021
PERS 1							
Statutorily or contractually required contributions	566,744	638,541	718,780	778,452	806,157	885,130	855,962
Contributions in relation to the statutorily or contractually required contributions	<u>(566,744)</u>	<u>(638,541)</u>	<u>(718,780)</u>	<u>(778,452)</u>	<u>(806,157)</u>	<u>(885,130)</u>	<u>(855,962)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	12,275,361	12,751,139	14,048,798	14,688,420	15,582,618	17,639,940	18,791,843
Contributions as a percentage of covered employee payroll	4.62%	5.01%	5.12%	5.30%	5.17%	5.02%	4.55%
PERS 2 & 3							
Statutorily or contractually required contributions	593,742	683,790	831,911	945,949	1,026,501	1,199,547	1,170,347
Contributions in relation to the statutorily or contractually required contributions	<u>(593,742)</u>	<u>(683,790)</u>	<u>(831,911)</u>	<u>(945,949)</u>	<u>(1,026,501)</u>	<u>(1,199,547)</u>	<u>(1,170,347)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	10,547,981	10,975,818	12,132,058	12,617,276	13,430,653	15,153,072	16,133,932
Contributions as a percentage of covered employee payroll	5.63%	6.23%	6.86%	7.50%	7.64%	7.92%	7.25%
PSERS 2							
Statutorily or contractually required contributions	78,916	84,928	98,035	112,323	119,202	143,664	151,235
Contributions in relation to the statutorily or contractually required contributions	<u>(78,916)</u>	<u>(84,928)</u>	<u>(98,035)</u>	<u>(112,323)</u>	<u>(119,202)</u>	<u>(143,665)</u>	<u>(151,235)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	1,219,050	1,288,743	1,470,961	1,638,087	1,678,150	1,995,175	2,193,143
Contributions as a percentage of covered employee payroll	6.47%	6.59%	6.66%	6.86%	7.10%	7.20%	6.90%
LEOFF 1							
Statutorily or contractually required contributions	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
LEOFF 2							
Statutorily or contractually required contributions	130,605	119,395	140,709	143,682	144,507	167,524	170,181
Contributions in relation to the statutorily or contractually required contributions	<u>(130,605)</u>	<u>(119,395)</u>	<u>(140,709)</u>	<u>(143,682)</u>	<u>(144,507)</u>	<u>(167,524)</u>	<u>(170,181)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	2,586,232	2,364,248	2,666,191	2,671,628	2,697,044	3,162,848	3,221,921
Contributions as a percentage of covered employee payroll	5.05%	5.05%	5.28%	5.38%	5.36%	5.30%	5.28%

Kitititas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

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		
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249	31,946	-	31,946	-	
	Total SNAP Cluster:			31,946	-	31,946	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665	FORMULA GRANT	-	242,328	242,328	-	5
	Total Forest Service Schools and Roads Cluster:			-	242,328	242,328	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	21-52210-008	37,538	-	37,538	35,788	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	20-62210-008	52,858	-	52,858	51,108	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	20-6221C-115	43,857	-	43,857	43,857	

Kitititas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

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 Washington State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	COVID 19-62210- 008	6,292	-	6,292	6,292	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	21-31101-517	15,332	-	15,332	-	
			Total CFDA 14.228:	140,545	-	140,545	137,045	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-015- 2020	-	101,362	101,362	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(564) LA-9949	27,900	-	27,900	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	HSIP-19CN (003) LA-9796	1,114,380	-	1,114,380	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	BHS-J191(004) LA-9550	158,634	-	158,634	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-HIPR- M191(003) LS- 9895	1,617	-	1,617	-	5

The accompanying notes are an integral part of this schedule.

Kititas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPUS-6900(008) LA 9461	1,647	-	1,647	-	5
			Total CFDA 20.205:	1,304,178	-	1,304,178	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Lands Access Program	20.224	DTFH7017E30011	-	844,771	844,771	-	5
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Lands Access Program	20.224	FLAP-19DE(001) LA-011149	-	66,611	66,611	-	
			Total CFDA 20.224:	-	911,382	911,382	-	
			Total Highway Planning and Construction Cluster:	1,304,178	911,382	2,215,560	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Committee)	State and Community Highway Safety	20.600	SH20-022	13,193	-	13,193	-	5
			Total Highway Safety Cluster:	13,193	-	13,193	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Health)	COVID 19 - Coronavirus Relief Fund	21.019	CLH18249	166,861	-	166,861	-	5
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID-19 State and Local Fiscal Recovery Funds (SLFRF); American Rescue Plan Act (ARPA)	21.027	1505-0271	-	436,647	436,647	-	

The accompanying notes are an integral part of this schedule.

Kitititas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

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		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	CLH18249	116,091	-	116,091	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.07	CLH18249	75,281	-	75,281	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18249	2,345	-	2,345	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	COVID 19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.323	CLH18249-18	61,003	-	61,003	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	State Physical Activity and Nutrition (SPAN)	93.323	CLH18249-19	274,926	-	274,926	-	
Total CFDA 93.323:				335,929	-	335,929	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.421	2021-012106		66,821	66,821	66,821	

The accompanying notes are an integral part of this schedule.

Kitititas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

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		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Local Strategies Physical Activity & Nutrition (L-SPAN)	93.439	CLH18249	76,710	76,710	76,710	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Local Strategies Physical Activity & Nutrition (L-SPAN)	93.439	CLH18249-17	76,710	76,710	76,710	-	
			Total CFDA 93.439:	-	153,420	153,420	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Medical Assistance Program	93.778	K4649	85,987	-	85,987	-	
			Total Medicaid Cluster:	85,987	-	85,987	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249	39,231	-	39,231	-	
			Total CFDA 93.994:	39,231	-	39,231	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Emergency Management Performance Grants	97.042	E20-270	15,062	-	15,062	-	

The accompanying notes are an integral part of this schedule.

Kitittas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Emergency Management Performance Grants	97.042	E21-152	19,241	-	19,241	-	
			Total CFDA 97.042:	34,303	-	34,303	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045	EMS2019CA0002 5S01	-	9,635	9,635	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045	EMS-2018-CA- 00020-S01	-	17,051	17,051	-	
			Total CFDA 97.045:	-	26,686	26,686	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Homeland Security Grant Program	97.067	E20-087	41,315	-	41,315	-	
			Total Federal Awards Expended:	2,402,537	1,938,646	4,341,182	203,866	

The accompanying notes are an integral part of this schedule.

KITTITAS COUNTY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the county's financial statements. The county uses the modified accrual system 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 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 Available (N/A)

The county was unable to obtain other identification number.

Note 4 – Indirect Cost Rate

County: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 12.75 percent.

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 28.25 percent.

The county has not elected to use the 10-percent de minimis indirect cost rate allowed under the uniform guidance.

Note 5 – Project has been completed or expired

Project has been completed or expired.

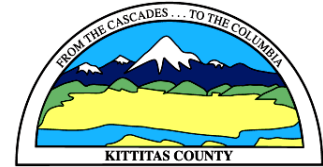
Brian Carlson - Finance Director

Kittitas County

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Ellensburg, WA 98926

509-962-7504 Fax 509-962-7687



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Kittitas County

January 1, 2021 through December 31, 2021

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

Finding ref number: 2021-001	Finding caption: The County's internal controls over preparing financial statements were inadequate for ensuring accurate and timely reporting.
Name, address, and telephone of County contact person: Brian Carlson, Budget and Finance Director 205 W. 5th Avenue Ellensburg, WA 98926 (509) 962-7502	
Corrective action the auditee plans to take in response to the finding: <i>Ongoing corrective measures are comprised of three concurrent efforts:</i> <ol style="list-style-type: none"><i>1. Work with third-party professional(s) to perform threshold reporting requirements and to develop internal procedures. Continue this/these multi-year engagement(s) and adjust scope annually to reflect County's internal reporting capacity.</i><i>2. Re-scope existing job descriptions and evaluation criteria to cultivate a "lifecycle" understanding of component accounting/reporting tasks. Establish specific assignment and ownership of tasks in their entirety. Draft related procedural documentation.</i><i>3. Perform interdepartmental review of processes to enable correct identification of unreconciled balances between Treasurer/Auditor offices, causes and source(s) of unreconciled amounts, correction and reconciliation between departments/offices, and documentation and dissemination of procedures to ensure ongoing accuracy and transparency.</i>	

Though turnover of key staff extended well into 2022 and 2023, and though the current Finance Director anticipates it will take until the end of calendar 2023 to establish fully redundant and documented functionality to the department's accounting/reporting obligations, the County anticipates timely and accurate threshold reporting and reconciled Auditor/Treasurer data to be in place for the 2022 financial statements.

Anticipated date to complete the corrective action: September 30, 2022

<p>Finding ref number: 2021-002</p>	<p>Finding caption: The County lacked adequate internal controls for ensuring compliance with federal suspension and debarment requirements.</p>
<p>Name, address, and telephone of County contact person: Brian Carlson, Budget and Finance Director 205 W. 5th Avenue Ellensburg, WA 98926 (509) 962-7502</p>	
<p>Corrective action the auditee plans to take in response to the finding:</p> <ul style="list-style-type: none"> • <i>Near-term corrective measures are to</i> <ol style="list-style-type: none"> 1) <i>Finance Director to instruct accounting staff to obtain and print evidence of compliance with federal suspension and debarment requirements to accompany all approved contracts before routing them for execution, and</i> 2) <i>to ensure that all subrecipient agreements using Federal Funds contain boilerplate suspension and debarment compliance language. These actions are already in place as of October, 2022.</i> <p><i>Long-term corrective action entails a formal reorganization of countywide grant processes to include</i></p> <ol style="list-style-type: none"> 1) <i>consolidation of post-award compliance monitoring in the Auditor's office,</i> 2) <i>delegation of grant management to the underlying departments or offices awarded the grants,</i> 3) <i>standardization of formal BOCC pre-approval and final approval processes, such that approvals are only made during regular BOCC meetings,</i> 4) <i>review and revisions of grant-contract templates to ensure comprehensive compliance with federal grant requirements, and</i> 5) <i>regular periodic internal meetings with assigned Auditor/finance staff and all internal grant managers to discuss and coordinate requirements, deadlines, regulations, and ongoing status of awarded grants</i> 	
<p>Anticipated date to complete the corrective action: September 30, 2022</p>	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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