Washington State Auditor's Office

Troy Kelley

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Financial Statements and Federal Single Audit Report

Kittitas County

For the period January 1, 2013 through December 31, 2013

Published September 25, 2014

Report No. 1012663

Washington State Auditor
Troy Kelley

September 25, 2014

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,

TROY KELLEY

STATE AUDITOR

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Kittitas County
January 1, 2013 through December 31, 2013

Federal Summary

Kittitas County
January 1, 2013 through December 31, 2013

The results of our audit of Kittitas County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
14.228	CDBG - State-Administered CDBG Cluster - Community Development Block Grants/State's Program
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

Kittitas County
January 1, 2013 through December 31, 2013

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

Audit Period: January 1, 2012 through December 31, 2012	**Report Ref. No.:** 1010476	**Finding Ref. No.:** 1	**CFDA Number(s):** 20.106
Federal Program Name and Granting Agency: Airport Improvement Program U.S. Department of Transportation, Federal Aviation Administration		**Pass-Through Agency Name:** NA	
Finding Caption: Kittitas County does not have adequate internal controls to ensure compliance with Davis Bacon requirements.			
Background: During our audit, we found the County was not obtaining certified weekly payrolls. The County had a contract with an engineering firm to oversee the project. The engineering firm obtained certified payrolls; however, the County did not have an internal process to monitor the engineering firm to ensure it collected certified payroll information. The County paid the contractors $306,204 or 81 percent of the grant of $379,101. The County was not aware that it needed to monitor the engineering firm to ensure it collected certified payroll information. The County is ultimately responsible for compliance with this grant requirement and cannot ensure contractors and subcontractors paid the proper prevailing wages if it does not have a process to confirm adherence to the terms of its contract. This could result in underpayment of wages to laborers working on the project.			
Status of Corrective Action: (check one) ✔ Fully Corrected ☐ Partially Corrected ☐ No Corrective Action Taken ☐ Finding is considered no longer valid			
Corrective Action Taken: *Kittitas County Public Works has not had any projects that have been managed by a consulting engineering firm since the audit finding. Staff is aware that the next project that is managed by a consulting engineering firm will require review of certified payroll prior to processing any contract payments.*			

<table>
<tr><td>Audit Period:
January 1, 2012 through December 31, 2012</td><td>Report Reference No.: 1010476</td><td>Finding Reference No.: 2</td><td>CFDA Number(s):
20.205</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
Highway Planning and Construction
U.S. Department of Transportation, Federal Highway Administration</td><td colspan="2">Pass-Through Agency Name:
Department of Transportation</td></tr>
<tr><td colspan="4">Finding Caption:
Kittitas County does not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.</td></tr>
<tr><td colspan="4">Background:
The County’s controls over suspension and debarment for public works projects did not extend to purchases of material and supplies.

The County’s staff responsible for this grant was not aware of the suspension and debarment requirements for federally funded vendor contracts applied to purchases of materials and supplies.

The County paid $365,090 of the grant funding to two vendors for material and supplies without verifying their federal status.

Without proper controls, the County cannot ensure it does not use federal funds to pay vendors or subrecipients suspended or debarred from participating in federal programs. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
✓ Fully Corrected ☐ Partially Corrected ☐ No Corrective Action Taken ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
Prior to awarding annual materials and supply contracts, Kittitas County Public Works is now checking to make sure that any contractors supplying materials to the county has not been suspended or debarred.</td></tr>
</table>

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

Kittitas County
January 1, 2013 through December 31, 2013

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, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 16, 2014. As discussed in Note 19 to the financial statements, during the year ended December 31, 2013, the County implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 16, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Kittitas County
January 1, 2013 through December 31, 2013

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Kittitas County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 16, 2014

Independent Auditor's Report on Financial Statements

Kittitas County
January 1, 2013 through December 31, 2013

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON THE FINANCIAL STATEMENTS

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, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of December 31, 2013, 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.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in 2013, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 28, budgetary comparison information on pages 80 through 82, information on postemployment benefits other than pensions on page 83, and infrastructure modified approach information on pages 84 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 16, 2014

Financial Section

Kittitas County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2013, 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 total assets of Kittitas County exceeded its liabilities at December 31, 2013 by over $124.1 million. Net Investment in capital assets (net of depreciation and related debt) account for 63% of this amount, with a value of $78.7 million. Of the remaining Net Position, $10.4 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.
- As of December 31, 2013 Kittitas County's government activities reported combined ending Net Position of $116.03 million. Of that amount, $74.7 million is Investment in Capital Assets.
- Fund Balance for the General Fund at December 31, 2013 was $10.9 million.
- Fund Balance for the County Road Fund at December 31, 2013 was $14.6 million.
- The County's total long term debt at December 31, 2013 was $14.1 million. The County's remaining debt capacity for non-voted debt is at $75 million. The Solid Waste Landfill Post-Closure liability costs are $1.18 million.
- The General Fund's fund balance increased 4% over 2012, showing an increase of $436,632. The amount of unrestricted funds is $4.74 million. This increase in fund balance is due to the Board of County Commissioners cutting expenses including not filling vacant positions, and each department head and elected official reducing their spending even further. This has helped the economic condition of the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis 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

Government-Wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Kittitas County's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of Kittitas County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The government activities of the County include a full range of local government services provided to the public, such as law enforcement, jail and probation services, community development services, public health, road maintenance and construction, airport, and superior and district courts. Also included are property assessment and collections, elections, licensing and permits and county fair.

The business-type activities are Solid Waste and Community Development Services. Solid Waste operates the two transfer stations and two landfills. In 2013, we created the Community Development Services as an Enterprise fund, moving it from the General Fund which operates the Permit Center for Building, Planning and Code Enforcement.

The Statement of Net Position presents information on all Kittitas County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as Net Position. This statement serves a purpose similar to that of the statement balance sheet in a private-sector business. Over time, increases or decreases in net position may service as a useful indictor of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of the financial health of the County. Other indicators include the condition of the County's infrastructure systems (roads and bridges, etc), changes in property tax base, and general economic conditions within the County.

The Statement of Activities presents information showing how the County's net position changed during 2013. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2013, and earned but unused employee leave, will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2013.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds

in Kittitas County can be divided into three categories:

1) Government Funds
2) Proprietary Funds
3) Fiduciary Funds

Government Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activity. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the County's own programs.

Government Funds

The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance present separate columns of financial data for the General Fund and County Road Fund, which are considered major funds. A major fund is based on criteria established by GASB Statement 34[1]. The statement defines a major fund as a fund who's assets, liabilities, revenues or expenditures comprise of the following: 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. Figures from the remaining governmental funds are combined into a single, aggregated presentation.

Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term finance requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenses and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The County maintains budgetary control over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Capital outlays are approved on an item by item basis or project basis. A budgetary comparison statement for the General Fund and County Road are included in the basic financial statements.

Proprietary Funds

There are two types of proprietary funds. The first type an Enterprise Fund is used to report the same functions presented as a business-type activity in the government-wide financial statements. Kittitas County has two Enterprise funds, Solid Waste and Community Development Services. The second type is an Internal Service fund, used to accumulate and allocate costs internally among the County's various functions. The revenues and expense of the internal service funds that are duplicated into other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

Proprietary fund statements follow the government fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more

[1] Governmental Accounting Standards Board, Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments

detail, since both apply to the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Position to the business-type column on the Government-Wide Statement of Net Position, you will notice that the total Net Position agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" and "due to other funds" from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Fiduciary Funds

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

Kittitas County has two types of fiduciary funds: Private Purpose Trust and Agency funds, which are clearing accounts for assets held by Kittitas County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In accordance with GASB Statement 34[2], Kittitas County is not required to restate prior periods for the purposes of providing comparative information.

Statement of Net Position

The following is a summary of the Statement of Net Position as of December 31, 2013, with 2012 comparative balances.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Current Assets	$46,334,246	$46,812,066	$5,845,333	$4,596,225	$52,179,579	$51,408,289
Capital Assets	84,631,104	82,608,349	4,558,609	4,656,036	89,189,712	87,264,385
Total Assets	130,965,351	129,420,415	10,403,943	9,252,259	141,369,293	138,672,673
Liabilities						
Other liabilities	2,668,142	2,838,487	460,368	169,690	$3,128,510	3,008,177
Long-term liabilities	12,285,336	13,352,446	1,825,086	2,025,705	14,110,422	15,378,150
Total Liabilities	14,953,478	16,190,932	2,285,453	2,195,394	$17,238,931	18,386,327

[2] Governmental Accounting Standards Board, Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments

Net Position						
Investment in Capital Assets	74,785,338	72,096,838	3,883,608	3,906,034	78,668,945	76,002,871
Non Spendable	260,527	54,046	0	0	260,527	54,046
Restricted	9,241,694	8,637,081	633,234	890,418	9,874,928	9,527,499
Committed	2,664,176	2,347,443	0	0	2,664,176	2,347,443
Assigned	18,666,429	20,043,347	0	0	18,666,429	20,043,347
Unassigned	10,393,709	10,050,728	3,601,648	2,260,412	13,995,357	12,311,140
Total Net Asset	**$116,011,873**	**$113,229,482**	**$8,118,490**	**$7,056,864**	**$124,130,362**	**$120,286,346**

Net Position of the County's governmental activities was $116.01 million. The County's unrestricted Net Position, the part of the Net Position that can be used to finance day-to-day operations $10.4 million.

Statement of Activities

For fiscal year ended December 31, 2013, the revenues from primary governmental activities totaled $39.1 million. Property taxes are the largest revenue source at $12.7 million, while Charges for Services are the second largest at $7.1 million.

The expenses for governmental activities totaled $35.2 million. Public Safety was the county's highest commitment at $9.36 million; Transportation is the seconded highest expense for 2013 with $9.19 million.

Continued on the next page

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues: **Program Revenues:**						
Charges for Services	$7,157,446	$8,424,400	$4,657,994	$3,119,688	$11,815,439	$11,544,087
Operating Grants	6,017,473	7,986,310	0	0	6,017,473	7,986,310
Capital Grants	367,246	0	10,837	0	378,083	0
General Revenues:						
Property Taxes	12,115,316	11,323,742	0	0	12,115,316	11,323,742
Sales Taxes	6,785,010	6,308,685	0	0	6,785,010	6,308,685
Other Taxes	4,925,174	4,991,817	0	0	4,925,174	4,991,817
Unrestricted Grants & Contributions	780,543	40,260	0	0	780,543	40,260
Unrestricted Investment Earnings	947,859	115,572	4,856	12,515	952,715	128,087
Proceeds on Disposition of Capital Assets	22,944	112,450	0	0	22,944	112,450
Total Revenues	$39,119,012	$39,303,236	$4,673,687	$3,132,203	$43,792,699	$42,435,438

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Expenses:						
Judicial	$2,714,872	$3,101,412	0	0	$2,714,872	$3,101,412
General Government	7,788,544	7,050,404	0	0	7,788,544	7,050,404
Public Safety	9,364,079	9,651,756	0	0	9,364,079	9,651,756
Physical Environment	506,401	529,751	0	0	506,401	529,751
Transportation	9,194,874	8,859,963	0	0	9,194,874	8,859,963
Economic Environment	992,246	1,607,835	0	0	992,246	1,607,835
Mental & Public Health	2,396,732	2,357,544	0	0	2,396,732	2,357,544
Culture & Recreation	1,968,976	1,773,897	0	0	1,968,976	1,773,897
Interest on Long Term Debt	315,423	350,300	0	0	315,423	350,300
Garbage & Solid Waste	0	0	3,239,146	2,877,581	3,239,146	2,877,581
Community Development Services	0	0	1,276,174	0	1,276,174	0
Total Expenses	35,242,148	35,282,861	$4,515,320	2,877,581	$39,757,467	38,160,443
Excess (Deficiency) before Special Items and Transfers						
Transfers	(903,258)	0	903,258	0	0	0
Change in Net Position	2,973,605	4,020,375	1,061,625	254,622	4,035,231	4,274,997
Net Position as of January 1	113,229,482	109,382,944	7,056,864	6,802,242	120,286,347	116,185,186
Prior Year Adjustments	(191,214)	(173,836)	0	0	(191,214)	(173,836)
Net Position as of December 31	$116,011,873	$113,229,482	$8,118,490	$7,056,864	$124,130,363	$120,286,347

See the Notes to the Financial Statements, Note 19 on discussion for the Prior Year Adjustments

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund and County Road are the two major funds in 2013. Together these funds account for 73% of the total government assets and 72% of the total government fund balance. As of December 31, 2013, the county's government funds reported combined fund balances nearly $35.25 million. Of this total amount, $4.75 million is unassigned and available for spending within each of the designated funds. There are five types of fund balance as described in Note 1-11 and the breakdown of those fund balance types are below

Fund Balance Type	Amount
Non Spendable	132,793
Restricted	9,041,787
Committed	2,659,404
Assigned	18,666,400
Unassigned	4,758,933

In the total Assets, the Cash and Investments are down from the previous year by $770,020; and receivables have decreased by $132,907 and the due from other Governmental decreased by $1.13 million. The net change in all assets is a 2% decrease.

In the total Liabilities, the biggest decrease is the payables by $602,238. The net change in all liabilities is 30% decrease.

Governmental Funds	2013	2012	Net Change
Total Assets	41,205,562	42,001,487	(795,925)
Total Liabilities	2,814,885	6,850,488	(4,035,603)
Total Fund Balance	35,259,317	35,150,999	108,318

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2013 was $436,632. The net change in the County Road fund was a ($830,747). Governmental funds had an overall net change in fund balance of $108,319 for 2013. The changes in fund balances are due to construction projects for infrastructure and the completion of the projects that are funded through the GO & Refunding Bond monies.

The overall changes in Governmental Revenues were 1% decrease. The biggest increase in the revenues occurred in Property Taxes with a 12% increase; 2012 $11.3 million compared to $12.9 million in 2013; showing an increase of $1.54 million.

The overall expenditures decreased 15% from 2012. The biggest expense was in Transportation-Capital which increased $3.86 Million.

Governmental Funds	2013	2012	Net Change
Revenues	39,157,317	39,374,061	(216,744)
Expenditures	(38,168,684)	(43,956,491)	5,787,807
Other Financing Sources	(880,314)	106,451	(986,765)
Net Change in Fund Balance	134,225	(4,475,979)	4,610,204
Fund Balance Beginning	35,150,999	39,800,813	(4,649,814)
Prior Year Adjustments	0	(173,836)	173,836
Fund Balance Ending	35,259,317	35,150,999	108,318

Enterprise Funds Net Position Analysis

The Net Position of the Solid Waste fund as of December 31, 2013 was $7.17 million; with $2.66 million in unrestricted funds. The Net Position of the Community Development Services fund as of December 31, 2013 was $948,475. This fund was created January 1, 2013, moving from the General Fund. The internal service funds have net position in the amount of $8.9 million.

Enterprise Funds Revenue/Expenditure Analysis

The Solid Waste fund collected $3.33 million in revenues and had an operating expense of $3.20 million showing a net gain of $131,260. The changes in net position for 2013 after non-operating revenues and expenses are $113,150.

The Community Development Services fund collected $1.32 million in revenues and had an operating expense of $1.22 million showing a net gain of $95,694. The changes in net position for 2013 after non-operating and expense are $948,475.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Changes in Budget

The following table shows the changes between the original and final General Fund budget as of December 31, 2013.

GENERAL FUND	2013 Original Budget	2013 Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	11,087,000	11,099,780	12,780
Licenses & Permits	848,390	848,390	0
Intergovernmental	3,057,621	3,640,699	583,078
Charges for Services	1,857,704	1,983,220	125,516
Fines & Forfeits	1,752,401	1,752,401	0
Miscellaneous	746,945	773,195	26,250
Total Revenues	**19,350,061**	**20,097,685**	**747,624**
Expenditures			
General Governmental	6,699,175	6,747,294	(48,119)
Judicial	2,634,419	2,651,592	(17,173)
Security of Persons and Property	8,749,397	9,057,336	(307,939)
Physical Environment	145,259	146,353	(1,094)
Transportation	3,717	3,717	0
Economic Environment	986,808	1,390,698	(403,890)
Culture & Recreation	1,162,954	1,285,258	(122,304)
Debt Service	119,765	125,475	(5,710)
Capital Outlay	371,669	629,658	(257,989)
Total Expenditures	**20,873,163**	**22,037,381**	**(1,164,218)**
Excess (Deficit) Revenues over Expenditures	**(1,523,102)**	**(1,939,696)**	**(416,594)**
Other Financing Sources (Uses)			
Restitution	500	500	0
Proceeds Capital Leases	0	0	0
Sale of Fixed Assets	200	1,700	1,500
Transfers In	100,000	105,000	5,000
Transfers Out	(517,539)	(748,864)	(231,325)
Total Other Financing Sources (Uses)	**(416,839)**	**(641,664)**	**(224,825)**
Net Change in Fund Balance	(1,939,941)	(2,581,360)	(641,419)
Fund Balance, January 1	6,039,451	6,680,870	641,419
Fund Balance, December 31	**4,099,510**	**4,099,510**	**0**

Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

The biggest supplemental expenditure budget increases were as follows:

Security of Persons & Property – $307,939 for grants awarded to the County.
Economic Environment- $403,890 for grants awarded to the County.
Capital Outlay- $257,989 purchase of property at the Fair Grounds.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately $20.09 million and total revenues received $20.1 million, or less than 1% above budget. The specific changes to report are taxes and licensing & permits. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales and use tax collected are slightly above the budgeted amount. Our changes in projections were a little under estimated when the budget was prepared. The licenses and permits are down because of the moving of Community Development Services into an Enterprise fund. The funds were budgeted on both the Revenue and Expenditure but nothing was spent or received.

The General Fund budgeted expenses vs. actual came in at 17% under budget. The biggest unspent budget was Security of Persons and Property, due to reduction in employees and contracted services.

GENERAL FUND	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	11,099,780	11,113,377	13,597
Licenses & Permits	848,390	83,255	(765,135)
Intergovernmental	3,640,699	3,726,605	85,906
Charges for Services	1,983,220	2,041,667	58,447
Fines & Forfeits	1,752,401	1,467,045	(285,356)
Miscellaneous	773,195	1,672,951	899,756
Total Revenues	**20,097,685**	**20,104,902**	**7,217**
Expenditures			
General Governmental	6,747,294	6,130,815	616,479
Judicial	2,651,592	2,486,984	164,608
Security of Persons and Property	9,057,336	6,869,389	2,187,947
Physical Environment	146,353	67,383	78,970
Transportation	3,717	3,717	0
Economic Environment	1,390,698	652,098	738,600
Culture & Recreation	1,285,258	1,285,119	139
Debt Service	125,475	105,505	19,970
Capital Outlay	629,658	582,680	46,978
Total Expenditures	**22,037,381**	**18,183,690**	**3,853,691**
Excess (Deficit) Revenues over Expenditures	**(1,939,696)**	**1,947,118**	**3,860,908**
Other Financing Sources (Uses)			
Restitution	500	436	(64)
Proceeds Capital Leases	0	0	0
Sale of Fixed Assets	1,700	10,663	8,963
Transfers In	105,000	154,823	49,823
Transfers Out	(748,864)	(1,650,501)	(901,637)
Total Other Financing Sources (Uses)	**(641,664)**	**(1,484,579)**	**(842,915)**
Net Change in Fund Balance	(2,581,360)	462,539	3,017,992
Fund Balance, January 1	6,680,870	10,458,619	3,777,749
Fund Balance, December 31	**4,099,510**	**10,895,251**	**6,795,741**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Kittitas County's total investment in capital assets, including construction in progress, for its government and business type activities as of December 31, 2013, amounts to over $89.1 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, infrastructure, and construction in progress on buildings and systems. Kittitas County has elected to use the modified approach to account for the infrastructure category of Gravel Roads, which eliminates the need to report depreciation expense. The biggest decrease occurred under Government Activities for construction in progress with the completion of the Jail being move to an asset in the amount of $7.1 million and Road Infrastructure Construction in the amount of $4.5 million.

Additional information on Kittitas County's capital assets can be found in Note 6 in the Notes to the Financial Statements. The information regarding the Modified Approach for Graveled Roads is in the following Required Supplementary Information Schedule.

Long-Term Debt

Kittitas County has a total outstanding liabilities as of December 31, 2013 of approximately $15.07 million.

Additional information on Kittitas County's Long Term Debt can be found in Note 10 in the Notes to the Financial Statements.

Kittitas County has an assigned rating of "AA/Stable" from the Standard & Poor's after a review and report issued on November 29, 2013. The prior rating from Standards & Poor's was affirmed an "AA-/Stable underlining rating.

ECONOMIC FACTORS

There have been a series of voter initiatives over the last several years, as well as State of Washington and Federal legal changes that will have an impact on the future finances of the County.

The Board of County Commissioners has elected over the past several years to increase property taxes by one percent plus new construction. The additional revenue from new construction has not covered the additional expenditures required in union contracts and supply costs. For the budget year 2013, the Board of County Commissioners declined to do a levy shift from the County Road fund and continued with the property taxes increase of 1% in both the General Levy and County Road.

The sales tax revenues seem to be remaining stable. We are watching very carefully the revenues and all departments are watching and limiting travel and other expenses. With the help of all the departments, not spending their total budgets increased the fund balance of the General Fund. The 2012 ending fund balance for the General fund was $10.45 million and the ending 2013 fund balance was $10.89 million.

The Board of County Commissioners have stated during the budget process that new personnel will not be considered without specific funding for the positions, and they will not use existing fund balance to support operations. The number of positions in the county has increase in 2014 from 2013 by 8 positions, primarily in the Sheriff's office for Correction officer positions.

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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash & cash equivalents	$ 17,695,943	$ 2,527,802	$ 20,223,745
Investments	20,087,284	1,999,030	22,086,314
Receivables (net)	3,202,339	226,354	3,428,693
Internal Balances	(269,661)	269,661	-
Inventories	491,549	-	491,549
Due from other Governmental	5,010,372	187,762	5,198,134
Prepaid items	116,420	1,490	117,910
Cash restricted for landfill closure & postclosure	-	633,234	633,234
Capital Assets (net of accumulated depreciation)			
Land	12,942,845	280,439	13,223,283
Intangible Assets	1,520,084	39,704	1,559,788
Buildings	20,690,988	735,814	21,426,802
Improvements	1,363,447	2,976,389	4,339,836
Equipment	2,820,974	526,263	3,347,237
Infrastructure	40,008,289	-	40,008,289
Construction in progress	5,284,477	-	5,284,477
Total Assets	$ 130,965,351	$ 10,403,943	$ 141,369,293
Deferred outflow of Resources	-	-	-
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**130,965,351**	**10,403,943**	**141,369,293**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable and accrued exp.	$ 1,545,521	$ 250,425	$ 1,795,946
Unearned revenue	6,307	-	6,307
Other current liabilities	365,322	-	365,322
Liabilities payable from restricted assets			-
Non-Current Liabilities:			
Other Long Term Debt			
Due within one year	750,992	209,943	960,935
Due in more than one year	12,285,336	1,825,086	14,110,422
Total Liabilities	$ 14,953,478	$ 2,285,453	$ 17,238,931
Deferred Inflows of Resources	-	-	-
COMBINED LIABILITES AND DEFERRED INFLOWS OF RESOURCES	14,953,478	2,285,453	17,238,931
NET POSITION			
Net Investment in Captial Assets	$ 74,785,338	$ 3,883,608	$ 78,668,945
Fund Balance			
Non Spendable	260,527	-	260,527
Restricted	9,241,694	633,234	9,874,928
Committed	2,664,176	-	2,664,176
Assigned	18,666,429	-	18,666,429
Unassigned/Unrestricted	10,393,709	3,601,648	13,995,357
Total Net Position	$ 116,011,873	$ 8,118,490	$ 124,130,362

KITTITAS COUNTY, WASHINGTON

Statement of Activities
For the Year ended December 31, 2013

		Program Revenues			Net (Expense) Revenue & Changes in Net Position		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants & Contributions**	**Capital Grants & Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental Activities:							
Judicial	$ 2,714,872	$ 1,777,559	$ 101,703	$ -	$ (835,610)	$ -	$ (835,610)
General Government	7,788,544	2,932,851	398,525	-	(4,457,168)	-	(4,457,168)
Public Safety	9,364,079	931,666	463,981	-	(7,968,431)	-	(7,968,431)
Physical Environment	506,401	176,178	21,289	-	(308,934)	-	(308,934)
Transportation	9,194,874	205,128	3,378,838	-	(5,610,908)	-	(5,610,908)
Economic Environment	992,246	794,399	101,606	367,246	271,005	-	271,005
Mental & Physical Health	2,396,732	150,393	1,551,531	-	(694,809)	-	(694,809)
Culture & Recreation	1,968,976	189,272	-	-	(1,779,705)	-	(1,779,705)
Interest on long-term debt	315,423	-	-	-	(315,423)	-	(315,423)
Total Government Activities	$ 35,242,148	$ 7,157,446	$ 6,017,473	$ 367,246	$ (21,699,984)	$ -	$ (21,699,984)
Business-type Activities:							
Garbage & Solid Waste	$ 3,239,146	$ 3,336,603	$ -	$ 10,837	$	$ 108,294	$ 108,294
Community Development Services	1,276,174	1,321,390	-	-	-	45,217	45,217
Total Business-Type Activities	$ 4,515,320	$ 4,657,994	$ -	$ 10,837	$ -	$ 153,511	$ 153,511
Total Primary Government	$ 39,757,467	$ 11,815,439	$ 6,017,473	$ 378,083	$ (21,699,984)	$ 153,511	$ (21,546,473)
General Revenues:							
Property Taxes					$ 12,115,316	$ -	$ 12,115,316
Sales Taxes					6,785,011	-	6,785,011
Other Taxes					4,925,174	-	4,925,174
Unrestricted Grants & Contributions					780,543	-	780,543
Unrestricted Investment Earnings					947,859	4,856	952,715
Proceeds on Disposition of Captial Assets					22,944	-	22,944
Transfers					(903,258)	903,258	-
Total General Revenues, Special Items & Transfers					**$ 24,673,589**	**$ 908,114**	**$ 25,581,703**
Change in Net Position					**$ 2,973,605**	**$ 1,061,625**	**$ 4,035,231**
Net Position as of January 1					$ 113,229,482	$ 7,056,864	$ 120,286,347
Prior year adjustment					(191,214)	-	(191,214)
Net Position as of December 31					$ 116,011,873	$ 8,118,490	$ 124,130,363

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	$ 9,860,561	$ 504,032	$ 5,863,630	$ 16,228,224
Investments	-	11,690,084	4,355,053	16,045,137
Receivables (net)	2,618,175	338,172	245,157	3,201,504
Due from other funds	396,552	209,290	36,666	642,508
Due from Other Governmental	1,348,236	2,881,697	745,548	4,975,481
Prepaid items	88,396	4,366	19,945	112,708
Total assets	$ 14,311,921	$ 15,627,641	$ 11,266,000	$ 41,205,562
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued exp.	$ 346,671	$ 547,743	$ 453,562	$ 1,347,976
Payable to other governments	890	2	92,546	93,437
Due to other funds	501,838	160,878	341,740	1,004,456
Interest Payable	674	-	-	674
Unearned revenue	1,720		1,300	3,020
Deposits payable	29,322	7,896	328,103	365,322
Total liabilities	881,115	716,519	1,217,250	2,814,885
DEFFERED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	2,535,555	327,258	268,547	3,131,361
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,416,670	1,043,778	1,485,798	5,946,245
FUND BALANCES				
Non Spendable	103,871	5,416	23,505	132,793
Restricted	1,963,832	219,124	6,858,830	9,041,787
Committed	886,375	-	1,773,029	2,659,404
Assigned	3,182,239	14,359,323	1,124,838	18,666,400
Unassigned	4,758,933	-	-	4,758,933
Total fund balances	10,895,251	14,583,864	9,780,203	35,259,317
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 14,311,921	$ 15,627,641	$ 11,266,000	$ 41,205,562

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	81,748,848
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	3,131,361
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(13,036,329)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.	8,908,675
Net Position of Governmental Activities	116,011,873

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 6,939,194	$ 4,675,134	$ 1,292,994	$ 12,907,323
Sales	4,143,223	-	1,976,461	6,119,684
Other	30,960	23,038	1,095,025	1,149,023
Licenses & Permits	83,255	21,360	401,331	505,946
Intergovernmental	3,726,605	5,259,505	2,134,812	11,120,922
Charges for Services	2,041,667	205,128	1,339,158	3,585,953
Fines & Forfeitures	1,467,045	-	35,480	1,502,525
Investment Earnings	913,899	17,194	10,909	942,002
Miscellaneous Revenues	759,052	6,048	558,838	1,323,938
Total revenues	$ 20,104,902	$ 10,207,407	$ 8,845,008	$ 39,157,317
EXPENDITURES				
Current:				
Judicial	$ 2,486,984	$ -	$ 172,999	$ 2,659,984
General Government	6,130,815	145,569	550,015	6,826,399
Public Safety	6,869,389	-	2,428,141	9,297,530
Physical Environ	67,383	-	434,623	502,006
Transportation	3,717	1,661,833	87,012	1,752,562
Health & Human Services	-	-	2,377,053	2,377,053
Economic Environment	652,098	-	401,482	1,053,580
Culture & Recreation	1,285,119	-	318,968	1,604,087
Debt Service:				
Principal	97,848	-	580,405	678,253
Interest/Other Expense	7,657	-	307,766	315,423
Capital Outlay:				
General government	25,596	-	8,629	34,225
Judicial	-	-	603,686	603,686
Public safety	225,762	-	13,444	239,206
Physical environment	-	-	16,157	16,157
Transportation	-	9,405,091	50,947	9,456,038
Health & Human services	-	-	7,339	7,339
Economic environment	-	-	-	-
Culture & recreation	331,322	-	413,835	745,157
Total expenditures	$ 18,183,690	$ 11,212,493	$ 8,772,501	$ 38,168,684
Excess (deficiency) of revenues over (under) expenditures	$ 1,921,212	$ (1,005,086)	$ 72,507	$ 988,633

Continued on Next Page

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 154,823	$ 174,339	$ 2,179,589	$ 2,508,751
Transfers out	(1,650,501)	-	(1,761,508)	(3,412,009)
Proceeds on Disposition of capital assets	11,099	-	11,845	22,944
Total other financing sources (uses)	$ (1,484,579)	$ 174,339	$ 429,926	$ (880,314)
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	436,632	(830,747)	502,433	108,319
Fund balances--beginning	10,458,619	15,414,610	9,277,770	35,150,999
Prior Period Adjustments	-	-	-	-
Fund balances--ending	$ 10,895,251	$ 14,583,864	$ 9,780,203	$ 35,259,317

Net changes in fund balances for governmental funds		$ 108,319
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital Outlays	$ 11,101,809	
Depreciation	(845,069)	
Reduction Construction in Progress	(12,315,279)	
Addition of Asset from Construction in Progress	7,560,444	
Cost of Assets Sold	(2,810,782)	
Adjustments to Assets	(66,504)	2,624,619
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.		
Debt Proceeds	$ -	
Debt Retired	678,253	678,253
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		(67,106)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(362,135)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.		(8,344)
Change in Net Position of governmental activities		$ 2,973,605

KITTITAS COUNTY, WASHINGTON

Statement of Net Position - Proprietary Funds
December 31, 2013

	Solid Waste	Community Development Services	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
ASSETS				
Current assets:				
Cash & cash equivalents	$ 1,713,594	$ 814,208	$ 2,527,802	$ 1,467,719
Investments	1,999,030	-	1,999,030	4,042,147
Receivables	226,354	-	226,354	835
Prepayment for Services	1,490	-	1,490	3,713
Due From Funds	53,808	384,508	438,316	127,589
Interfund Loan Receivables	100,000	-	100,000	-
Inventories	-	-	-	491,549
Due From Other governments	96,202	91,560	187,762	34,891
Total Current Assets	$ 4,190,479	$ 1,290,276	$ 5,480,755	$ 6,168,443
Noncurrent assets:				
Restricted Cash, Cash Equivalents and Investments:				
Cash restricted for landfill closure & postclosure	633,234	-	633,234	-
Total Restricted Assets	633,234	-	633,234	-
Capital assets:				
Land	280,439	-	280,439	46,227
Intangible Assets	39,704	-	39,704	-
Buildings	1,389,478	-	1,389,478	733,210
Improvements	4,513,633	-	4,513,633	170,216
Equipment	1,241,993	9,021	1,251,015	7,028,656
Construction in progress	-	-	-	250,513
Less Depreciation	(2,915,358)	(301)	(2,915,659)	(5,346,566)
Total Capital Assets	$ 4,549,888	$ 8,721	$ 4,558,609	$ 2,882,257
Total Noncurrent Assets	5,183,122	8,721	5,191,842	2,882,257
Total assets	$ 9,373,601	$ 1,298,997	$ 10,672,598	$ 9,050,700
LIABILITIES				
Current liabilities:				
Accounts payable and accrued exp.	$ 161,559	$ 88,866	$ 250,425	$ 103,426
Due to other funds	57,477	211,178	268,655	35,303
Due to other governments	-	-	-	8
Unearned Revenue	-	-	-	3,287
Landfill Closure Cost	134,513		134,513	-
Compensated absences	-	430	430	-
Bonds, notes, loans payable	75,000		75,000	-
Total Current Liabilities	$ 428,548	$ 300,474	$ 729,023	$ 142,024
Noncurrent liabilities:				
Compensated absences	$ 129,538	$ 50,047	$ 179,586	$ -
Bonds, notes, loans payable	600,001	-	600,001	-
Landfill Closure Cost	1,045,499	-	1,045,499	-
Total Noncurrent Liabilities	$ 1,775,038	$ 50,047	$ 1,825,086	$ -
Total Liabilities	$ 2,203,586	$ 350,522	$ 2,554,108	$ 142,024
NET POSITION				
Net Investment in Captial Assets	$ 3,874,887	$ 8,721	$ 3,883,608	$ 2,882,257
Restricted Net Assets	633,234	-	633,234	3,099,248
Unrestricted	2,661,894	939,754	3,601,648	2,927,170
Total Net Position	$ 7,170,015	$ 948,475	$ 8,118,490	$ 8,908,675
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	-	-	
Net Position of business-type activities	$ 7,170,015	$ 948,475	$ 8,118,490	$ 8,908,675

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2013

	Solid Waste	Community Development Services	TOTAL Business-type Activities--Enterprise Funds	Governmental Activities-Internal Service funds
OPERATING REVENUES				
Charges for Services:				
Garbage & Solid Waste	$ 3,336,560	$ -	$ 3,336,560	$ -
Other services	-	1,321,390	1,321,390	1,868,309
Total operating revenues	$ 3,336,560	$ 1,321,390	$ 4,657,950	$ 1,868,309
OPERATING EXPENSES				
Maintenance & operations	$ 2,952,057	$ 1,225,395	$ 4,177,452	$ 1,319,897
Administrative & general	-	-	-	78,946
Depreciation	253,243	301	253,544	484,252
Total operating expenses	$ 3,205,300	$ 1,225,696	$ 4,430,996	$ 1,883,095
Operating income (loss)	$ 131,260	$ 95,694	$ 226,955	$ (14,786)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	$ 4,856	$ -	$ 4,856	$ 5,856
Gain (loss) on Disposition of Capital Assets	43	-	43	-
Landfill Closure Revenues (Cost)	-	-	-	-
Miscellaneous nonoperating revenues (expenses)	(33,846)	(50,478)	(84,324)	586
Total non-operating income (expense)	$ (28,947)	$ (50,478)	$ (79,424)	$ 6,442
Income before contributions & transfers	$ 102,314	$ 45,217	$ 147,531	$ (8,344)
Capital Contribuitons	10,837	-	10,837	-
Transfers In	-	903,258	903,258	-
Change in net assets	$ 113,150	$ 948,475	$ 1,061,625	$ (8,344)
Net Position--beginning	7,056,864	-	7,056,864	9,108,233
Prior Period Adjustment	-	-	-	(191,214)
Net Position--ending	$ 7,170,015	$ 948,475	$ 8,118,490	$ 8,908,675

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2013

	Solid Waste	Community Development Services	TOTAL Business-type Activities--Enterprise Funds	Governmental Activities Internal Service funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 3,283,624	$ 845,322	$ 4,128,946	$ 2,236,725
Cash payments to suppliers	(3,126,512)	(925,351)	(4,051,863)	(1,683,516)
Net cash provided (used) by operating activities	**$ 157,112**	**$ (80,029)**	**$ 77,083**	**$ 553,209**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer from Other Funds	$ -	$ 903,258	$ 903,258	$ -
Cash Received (Paid on loans from other funds	50,000	-	50,000	-
Non-Operating Rents and Charges	321	-	321	586
Net cash provided from noncapital activities	**$ 50,321**	**$ 903,258**	**$ 953,579**	**$ 586**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Sale of Capital Assets	$ 43	$ -	$ 43	$ -
Payments for Capital Acquisition	(147,418)	(9,021)	(156,439)	(73,603)
Payment on Long Term Debt	(75,000)	-	(75,000)	-
Capital Contributions	10,837	-	10,837	-
Net cash provided (used in) capital financing activities	**$ (211,538)**	**$ (9,021)**	**$ (220,559)**	**$ (73,603)**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Interest	$ 5,525	$ -	$ 5,525	$ 6,206
Purchase of Investment	(1,558)	-	(1,558)	(6,206)
Net cash flows from investing activities	$ **3,966**	**$ -**	**$ 3,966**	**$ -**
Net increase (decrease) in cash and cash equivalent	$ (139)	$ 814,208	$ 814,069	$ 480,192
Cash and cash equivalents at beginning of year	$ 1,727,351	$ -	$ 1,727,351	$ 987,527
Cash and cash equivalents at end of year	**$ 1,727,212**	**$ 814,208**	**$ 2,541,420**	**$ 1,467,719**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Net operating income (loss)	$ 131,260	$ 95,694	$ 226,955	$ (14,786)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Depreciation expense	$ 253,243	$ 301	$ 253,544	$ 484,252
(Increase) decrease in Accounts Receivable	467	-	467	28,291
(Increase) decrease in Due from other Funds	(3,196)	(384,508)	(387,704)	183,804
(Increase) decrease in Due from other Governmental	(50,207)	(91,560)	(141,767)	156,323
(Increase) decrease in Prepayment for Services	(1,490)	-	(1,490)	(3,665)
Increase (decrease) in Salaries payable	(4,210)	-	(4,210)	-
Increase (decrease) in Vouchers Payable	(3,640)	88,866	85,226	-
Increase (decrease) in Unearned Revenue	-	-	-	3,287
Increase (decrease) in Due to other Funds	(164,834)	211,178	46,344	(7,511)
Increase (decrease) in Inventory	-	-	-	(39,052)
Increase (decrease) in Payables	-	-	-	(237,741)
Increase (decrease) in Due to other Governments	-	-	-	8
Increase (decrease) in Taxes Payable	(281)	-	(281)	-
Total Adjustments	**$ 25,851**	**$ (175,723)**	**$ (149,872)**	**$ 567,996**
Net cash provided by operating activities	**$ 157,112**	**$ (80,029)**	**$ 77,083**	**$ 553,209**

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Position
December 31, 2013

	Private Purpose Trust	Agency Funds
ASSETS		
Cash/Petty Cash	$ 5,216	$ 8,060,341
Cash with Fiscal Agency	-	89,266
Investments	1,958	22,715,478
Taxes Receivable	-	3,076,536
Other Receivables	0	-
TOTAL ASSETS	$ 7,174	$ 33,941,621
DEFERRED OUTFLOWS of RESOURCES		
LIABILITIES		
Warrants Payable	$ -	$ 2,923,660
Salary/Vouchers Payable	-	281,128
Custodial Accounts	-	27,686,203
TOTAL LIABILITIES	$ -	$ 30,890,991
DEFERRED INFLOWS of RESOURCES		
Deferred Inflows of Resources - Taxes	-	3,050,630
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	33,941,621
NET POSITION		
Held in Trust for Other Purposes	$ 7,174	$ 0
Total Net Position	$ 7,174	$ 0

KITTITAS COUNTY, WASHINGTON

Statement of Change in Fiduciary Net Position
Private Purpose Trust
For the Year Ended December 31, 2013

		Private Purpose Trust
Additions		
Investment Earnings	$	3
Miscellaneous Revenues		5,100
Total Additions	$	5,103
Deductions		
Culture & Recreation	$	-
Total Deductions	$	-
Change in Net Position		5,103
Net Position--beginning		2,072
Net Position--ending	$	7,174

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 chart of accounting conforms to the Budgeting, Accounting, and Reporting Systems (BARS) prescribed by the office of the State Auditor, to promote uniformity among cities and counties of Washington resulting in better comparability. The significant accounting policies are described below.

A. REPORTING ENTITY

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 fourth-class County with a commissioner form of government. The accounting and reporting policies of the County conform to generally accepted accounting principles for local governments.

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. Kittitas County's combined 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 16). Control by the County was determined on the basis of 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. The financial statements include the assets and liabilities of all funds for which the county has a custodial responsibility.

The Agency funds, which include Irrigation, Fire, Hospital, PUD, School, Sewer, Cemetery, Water, Weed, Cities, and State Funds, are reported as Fiduciary funds. Kittitas County does not significantly contribute to or control the operations of these districts; however the County Treasurer acts as the "bank" for these fund types and is charge with the collection of the taxes.

B. 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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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.

Kittitas County reports the following major 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 major fund reported is County Road. Solid Waste and Community Development Services are the proprietary funds and both are major funds. Additionally, reported are the following fund types: Internal service funds account for Equipment, Rental & Revolving and Unemployment Compensation provided to other departments of the county on a cost reimbursement basis.

Governmental Accounting Standards Board (GASB) defines major funds as those meeting the following criteria:

- Total assets, liabilities, revenues, and other financing sources, or expenditures/expenses and other financing uses of the individual governmental or enterprise fund are equal to or greater than 10 percent of the corresponding element total (assets, liabilities, and so forth) for all funds that considered governmental funds or enterprise funds.

- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Both criteria must be met in the same element (assets, liabilities, etc.) for both the 10 percent and 5 percent tests for a fund to be defined as major. However, Statement 34 permits a government to designate a particular fund that is of interest to users as a major fund and to individually present its information in the basic financial statements, even if it does not meet the criteria. However, a government does not have the option to NOT report a fund as major if it meets the criteria above.

It should be noted that in applying the major fund criteria to enterprise funds, the reporting entity should consider both operating and non-operating revenues and expenses, as well as gains, losses, capital contributions, additions to permanent endowments, and special items. When the major fund criteria are applied to governmental funds, revenues do not include other financing sources and expenditures do not include other financing uses. However, special items would be included.

The private-purpose trust fund is used to account for the Jerry Williams Library Trust.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected not to follow subsequent private-sector guidance.

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.

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.

As required by GASB 34, Kittitas County's procedure was to use non-restricted resources first and then restricted resources as needed. With GASB 54 our procedure is to have committed amounts reduced first, followed by assigned amounts, and then unassigned, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

D. BUDGETARY INFORMATION

1. SCOPE OF BUDGET

Annual appropriated budgets are adopted for the General and Special Revenue Funds on the modified accrual basis of accounting, except Treasurer M&O as per RCW 84.56.020 no budget is required. All Proprietary funds are budgeted on a full accrual basis. For Governmental Funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted Governmental Funds only. NCGA Statement 1 does not require and the financial statements do not present budgetary comparisons for proprietary fund types.

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. 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.

E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. CASH AND EQUIVALENTS

It is the County's policy to invest all temporary cash surplus. The amounts are classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered.

The County's deposits at year-end were entirely covered by Federal Depository Insurance and the State Public Deposit Protection Commission.

For purposes of the statement of cash flows the proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. TEMPORARY INVESTMENTS

See Investment Note 4.

3. RECEIVABLES

Taxes receivable consist of property taxes and related interest and penalties, see Property Taxes Note 5. Taxes receivable are offset by deferred inflow of resources.

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

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.

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 either “interfund loans receivable/payable” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” A separate schedule of interfund loans receivable and payable is furnished in Interfund Balances and Transfers Note No. 14.

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

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.

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.

6. CAPITAL ASSETS

See Note Number 6.

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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 11.

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. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets 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. OTHER PROPERTY AND INVESTMENTS

See Deposits and Investments Note No 4.

8. COMPENSATED ABSENCES

The County records all accumulated unused vacation, sick leave and compensatory time. For Governmental Funds, unused vacation, sick leave and compensatory time are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In Proprietary funds, the expenses are accrued when incurred and the liability is recorded in the fund.

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 & Misdemeanant Probation
    - Vacation - accumulated to a total of 30 working days
    - Sick - accumulated to a total of 132 working days
- Non-Union Personnel Policies
  - Vacation - accumulated to a total of 30 working days
  - Sick - accumulated to a total of 140 working days

9. LONG-TERM DEBT

See Long-Term Debt and Leases Note No 10.

10. DEFERRED INFLOW OF RESOURCES

This account includes amounts received in the current fiscal period that are for the next fiscal period and is the offset account for taxes and assessment receivables. Also included are court receivables for the General Fund and Misdemeanant Probation. This account includes amounts recognized as a receivable but not revenues in Governmental Funds because the revenue recognition criteria have not been met.

11. FUND RESERVES AND DESIGNATIONS

Kittitas County has an adopted policy to maintain unrestricted fund balance in the general fund of not less than two months of regular general fund operating expenditures

A. Governmental Fund Types

Fund Balance types for Governmental Fund Types and reporting practice

Non-spendable Fund Balance:

Non-spendable Fund Balance is the portion of fund balance including amounts that cannot be spent and are, therefore, not included in the current year appropriation. There are two components to this fund balance category: 1) not in spendable form and 2) legally or contractually required to be maintained intact.

Petty Cash, Revolving Funds and Till Accounts: The portion of fund balance that represents the asset amount of petty cash, held by a given fund as authorized by the Board of County Commissioners.

Inventories: The portion of fund balance that represents the asset amount of supply inventories, held by a given fund.

Prepaid Expenditures: The portion of fund balance that represents the asset amount of prepaid expenditures, held by a given fund.

Notes Receivable: The portion of fund balance that represents the asset amount of notes receivable, held by a given fund as authorized by the Board of County Commissioners.

Advances to Other Funds: The portion of fund balance that represents the asset amount of cash advanced to other funds, held by a given fund, as authorized by the Board of County Commissioners.

Loans Receivable: The portion of fund balance that represents the asset amount of loans receivable, held by a given fund, as authorized by the Board of County Commissioners.

Restricted Fund Balance:

Restricted Fund Balance reports on resources that have spending constraints that are either 1) externally imposed by creditors, grantors, contributors or laws and regulation of other governments or 2) imposed by law through constitutional provisions or enabling legislation. The amounts represented by this fund balance category have very stringent conditions imposed by external parties or by law.

Debt Redemption: The portion of fund balance derived from those funds within a given fund that has been set aside for debt redemption.

Bond Reserve: The portion of fund balance derived from those funds that are set aside from debt proceeds and maintained as a security for holders of the debt
.

Fund Balance Restricted: The portion of fund balance that is in any governmental fund that is restricted under the "Restricted Fund Balance" definition as prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise defined in this category above.

Committed Fund Balance:

Committed Fund Balance represents amounts that have internally imposed restrictions mandated by formal action by the government's highest level of decision- making authority, Board of County Commissioners. The committed amounts cannot be redeployed for other purposes unless the same type of formal action is taken by the Board of County Commissioners to reverse or modify the previously imposed restriction.

Capital Projects: The portion of fund balance that has been appropriated for specified capital projects and remains unspent.

OPEB Expenditures: The portion of fund balance that is set aside each year during budget adoption to be used in future years to meet the County's OPEB obligations.

Fund Balance – Committed: The portion of fund balance that is in any governmental fund that is committed under the "Committed Fund Balance" as prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise defined in this category above.

Assigned Fund Balance:

Assigned Fund Balance reports amounts that are constrained by the governments' intent that they will be used for specific purposes. Decision-making with regard to these amounts may be made by a committee or other governmental official.

GASB 31 Adjustment: Used to account for that portion of fund balance that is the result of unrealized investment gains that have been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Encumbrances: Used to account for that portion of fund balance that portion of fund balance that is being used to fund appropriations being carried over from the prior year into the current fiscal year.

Rainy Day Fund: Used to account for the rainy day fund established by the management team in accordance with the current policy.

Fund Balance – Assigned: The portion of fund balance that is in any governmental fund that is committed under the "Assigned Fund Balance" as prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise defined in this category above.

Unassigned Fund Balance (General Fund Only):

Unassigned Fund Balance is the residual fund balance for the General Fund. While the unassigned is intended to report exclusively by the General Fund, there is an exception that if any other fund type has a negative fund balance due to expenditures incurred exceeding the amount other fund balances types, then the funds would be reported as a negative unassigned fund balance.

Prior Year Available Fund Balance: The portion of fund balance that is brought forward from the prior fiscal year and is available for appropriation to fund current fiscal year activities.

Fund Balance: Any portion of fund balance that does not fall under any of the fund balance definitions presented above.

The following is the classifications for the Governmental funds fund balances as of December 31, 2013

	General Fund	Road Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	88,396	4,366	19,945	112,708
Petty Cash	15,475	1,050	3,560	20,085
Total Nonspendable	**103,871**	**5,416**	**23,505**	**132,793**
Restricted for:				
Law & Justice	1,913,832	-	-	1,913,832
Paths Trails	-	117,761	-	117,761
Information Technology	50,000	-	-	50,000
Special Revenue	-	101,363	5,175,072	5,276,435
Construction Performance Bond	-	-	911	911
2010 Go & Refunding Bond	-	-	-	-
County Refund	-	-	356	356
206 CRID 96-1 Bond	-	-	315,455	315,455
CRID Guaranty Fund	-	-	7,072	7,072
Other Capital Projects	-	-	1,359,963	1,359,963
Total Restricted	**1,963,832**	**219,124**	**6,858,830**	**9,041,787**
Committed to:				
Vehicle Replacement	838,725	-	-	838,725
Special Revenue	-	-	1,754,898	1,754,898
County Capital Improvements	47,650	-	-	47,650
Rodeo Grounds Capital Improvements	-	-	18,131	18,131
Total Committed	**886,375**	**-**	**1,773,029**	**2,659,404**
Assigned to:				
Rainy Day	588,419	-	-	588,419
NY Budget	2,593,820	-	-	2,593,820
Special Revenue	-	14,359,323	1,124,838	15,484,161
Equipment Reserve			-	-
Total Assigned	**3,182,239**	**14,359,323**	**1,124,838**	**18,666,400**
Unassigned	**4,758,933**	**-**	**-**	**4,758,933**
Total Fund Balance	**10,895,251**	**14,583,864**	**9,780,202**	**35,259,317**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental funds' balance sheet includes reconciliation between fund balance – total governmental funds and net position–governmental activities as reported in the government-wide statement of net position.

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

December 31, 2013 Total Fund Balance	$35,259,317
Capital assets used in governmental activities are not financial resources and are not reported in the funds	$81,748,848
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	$3,131,361
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	$(13,036,329)
Internal service funds are used by management to change the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position	$8,908,675
Net adjustment to increase total governmental funds to arrive at net position-governmental activities	$116,011,873

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

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

December 31, 2013 Net Changes in Fund Balances for Governmental Funds		108,319
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlays	$11,101,809	
Depreciation	(845,069)	
Reduction Construction in Progress	(12,315,279)	
Addition of Asset from Construction in Progress	7,560,444	
Cost of Assets Sold	(2,810,782)	
Donated Assets	(66,504)	2,624,619
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principle is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net position.		
Debt Proceeds	$ -	
Debt Retired	678,253	678,253
Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds		(67,106)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(362,135)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities		(8,344)
Change in Net Position of governmental activities		$2,973,605

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related legal or contractual provisions in any of the Funds of the County.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

B. INVESTMENTS

It is the County's policy to invest all temporary cash surplus. At December 31, 2013, the treasurer was holding $24,795,857.46 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. Investments are reported on the statements at fair value. The interest on these investments is credited to the General Fund. The County Treasurer reports the average compensating balances maintained during 2013 were approximately $3,610,000.

As of December 31, 2013, the County had the following investments:

Investment Maturities	Fair value of Investments
State Investment Pool	$69,719,269.58
U.S. Government Securities	$ 499,953.57
Total	$70,219,223.15
Less Co. Residual	($24,795,857.46)
Net Investments	$45,423,365.69

C. CREDIT RISK

Washington State statutes authorize the County to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers acceptances, primary certificates of deposit issued by qualified public depositories, the state treasurer’s Local Government Investment Pool (LGIP), municipal bonds issued by Washington State or its local governments, and repurchase agreements collateralized by any previously authorized investments. Accordingly, credit risk, if any, is extremely limited.

Kittitas County’s Investment Policy states that cash shall be invested in accordance with three objectives, listed in priority:

1. **Safety**

   Safety of principal is the foremost objective of the investment program. Each investment of the Kittitas County Treasurer shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. Each investment transaction shall seek to first insure that capital losses are avoided, whether they are from security defaults or erosion of market value.

2. **Liquidity**

   The County’s portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated.

3. **Return on Investment**

   Kittitas County’s investment portfolio shall attain a market-average rate of return throughout budgetary and economic cycles, taking into account the cash flow characteristics of the County and shall be in keeping with accepted financial management practices and procedures

Investments by Fund

Fund	Total Investments
County Road	11,690,083.61
Special Revenue-Non Major	3,744,121.62
Debt Service	195,144.14
Capital Projects	415,787.73
Total Governmental Funds	**$16,045,137.10**
Solid Waste- Proprietary Fund	2,618,645.74
Internal Service Funds	4,042,147.05
Total Proprietary Funds	**$6,660,792.79**
Agency Funds	22,717,435.80
TOTAL	**$45,423,365.69**

Balance Sheet – Governmental Funds				
	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
Assets				
Investments	$ -	$11,690,084	$4,355,053	$16,045,137

Proprietary Funds Statement of Net position		
	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Assets		
Investments	$2,618,646	$4,042,147

Agency Funds Combining Balance Sheet	
Assets	
Investments	$22,717,436

NOTE 5 - 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.

For 2012 for the 2013 tax County levied the following property taxes on an assessed value of $5,890,213,462. The Road district property value assessed was $4,260,687,630.

Fund	Levy	Amount
General fund	1.117439	$6,581,954.24
Mental Health	.025000	147,255.34
Veterans Relief	.012732	74,994.20
Total General fund Levy*	**1.155171**	**$6,804,203.78**
Road Levy	1.071687	$4,566,123.54
County Road Diverted	.046940	199,996.68
Total Road Levy*	**1.118627**	**$4,766,120.22**
Flood Control Regular Levy	.069946	411,996.87
GRAND TOTAL	**2.343744**	**$11,982,320.87**

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 is shown by asset type in the following table. The biggest decrease occurred under Government Activities for construction in progress with the completion of the Jail being move to an asset in the amount of $7,155,836 and Road Infrastructure Construction in the amount of $4,526,567.

GOVERNMENT ACTIVITES (including Internal Service Funds)	**Beginning Balance**	**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Assets not being depreciated					
Land	3,584,748	158,889	0	-1,000	3,742,637
Gravel Roads*	4,058,505	0	23,595	0	4,034,910
Easements & Right of Ways	5,160,279	5,018	0	0	5,165,297
Intangible Assets	1,594,176	8,629	0	-82,721	1,520,084
Construction in Progress	14,346,325	3,621,369	12,683,216	0	5,284,477
Total	**28,744,033**	**3,793,905**	**12,706,811**	**-83,721**	**19,747,406**
Assets Being Depreciated					
Buildings & Improvement	24,916,718	7,269,590	0	0	32,186,308
Improvements	1,909,396	450,290	0	0	2,359,686
Equipment	11,527,240	503,960	435,231	17,216	11,613,185
Infrastructure	140,138,305	6,894,924	2,368,357	0	144,664,872
Total	**178,491,659**	**15,118,764**	**2,803,589**	**17,216**	**190,824,051**
Grand Total	**207,235,692**	**18,912,670**	**15,510,400**	**-66,504**	**210,571,457**
Less accumulated depreciation for:	**Beginning Balance**	**Increase**	**Decrease**		**Ending Balance**
Buildings & Improvements	10,541,753	953,567	0	0	11,495,320
Improvements	850,068	146,172	0	0	996,239
Equipment & Machinery	8,507,483	1,191,330	906,602	0	8,792,211
Infrastructure	104,728,040	2,290,916	2,362,373	0	104,656,582
Total	**124,627,343**	**4,581,985**	**3,268,976**	**0**	**125,940,353**
Total Government Activities, net	**82,608,348**	**14,330,685**	**12,241,424**	**-66,504**	**84,631,105**
BUSINESS TYPE ACTIVITIES	**Beginning Balance**	**Increase**	**Decrease**		**Ending Balance**
Assets not being depreciated					
Land	280,439	0	0	0	280,439
Intangible Assets	40,025	0	0	-321	39,704
Construction in Progress	0	0	0	0	0
Total	**320,463**	**0**	**0**	**-321**	**320,142**
Assets Being Depreciated					
Buildings & Improvement	1,389,478	0	0	0	1,389,478
Improvements	4,513,633	17,622	17,622	0	4,513,633
Equipment	1,111,792	156,439	0	-17,216	1,251,015
Total	**7,014,903**	**174,061**	**17,622**	**-17,216**	**7,154,125**
Grand Total	**7,335,366**	**174,061**	**17,622**	**-17,538**	**7,474,268**
Less accumulated depreciation for:	**Beginning Balance**	**Increase**	**Decrease**		**Ending Balance**
Buildings & Improvements	601,649	52,015	0	0	653,664
Improvements	1,422,560	132,306	17,622	0	1,537,243
Equipment & Machinery	655,122	86,845	0	-17,216	724,751
Total	**2,679,331**	**271,166**	**17,622**	**-17,216**	**2,915,659**
Business Activities Capital Assets, net	**4,656,035**	**-97,105**	**0**	**-321**	**4,558,609**

B. ADJUSTMENTS

The Governmental Activities shows in the adjustment column $82,721 as a decrease. This is an adjustment to remove Intangible Assets under the $5,000 threshold. There is also an adjustment in the amount of $17,216 to transfer a vehicle to the Noxious Weed Department from the Solid Waste Department. The Business Type Activities shows in the adjustment column $321 as a decrease. This is an adjustment to remove Intangible Assets under the $5,000 threshold. There is also an adjustment in the amount of $17,216 to transfer a vehicle from the Solid Waste Department to the Noxious Weed Department, this also reduces the depreciation $17,216 in the Solid Waste Department.

C. DEPRECIATION EXPENSE

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

Government Activities	
Function/Program	Amount
Government activities	$846,981
Judicial Services	28,701
Public Safety	263,311
Physical Environment	20,787
Transportation	3,067,600
Health and Human Service	2,839
Economic Environment	0
Culture and Recreation	351,766
Total	**$4,581,985**

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	$270,865
Community Development Services	301
Total	**$271,166**

*See Required Supplementary Information

NOTE 7 - PENSION PLANS

A. WASHINGTON STATE RETIREMENT 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

1. Public Employees' Retirement System (PERS) Plans 1, 2, and 3

A. Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.
PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	**263,347**

B. Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both county and the employees made the required contributions. The county required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 28,682	$ 700,387	$ 119,798
2012	$ 26,008	$ 587,185	$ 104,601
2011	$ 29,407	$ 510,854	$ 97,230

2. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

A. Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	**27,784**

B. Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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 DRS' Fiscal Year 2013, the state contributed $54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

Both county and the employees made the required contributions. The county required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	$ 0	$ 113,196
2012	$ 0	$ 116,685
2011	$ 0	$ 113,024

3. Public Safety Employees' Retirement System (PSERS) Plan 2

A. Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

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.

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, 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 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Nonvested	2,167
Total	**4,337**

B. Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PSERS Plan 2
Employer*	10.54%
Employee	6.36%

* The employer rate includes an employer administrative expense fee of 0.18%.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	PSERS Plan 2
2013	$ 103,353
2012	$ 89,149
2011	$ 62,641

B. DEFERRED COMPENSATION PLAN

The County offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are with Great West Life & Annuity Insurance Company, Nationwide Retirement Solutions and the Washington State Department Retirement Systems Deferred Compensation Program. The plans, which are available to all eligible employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, local governments do not own either the amounts deferred by employee or related income on those amounts.

NOTE 8 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

Kittitas County is a member of the Washington Counties Risk Pool ("Pool"). Other Washington counties that are Pool members include: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having voluntarily terminated their memberships beginning October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was formed August 18, 1988 after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling, and risk management. Washington's pools operate under the state's "pooling" laws and regulations, more specifically, RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor's Office.

Noteworthy is the definition of "insurer" within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

> *Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an "insurer" under this code.*

Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

The Pool's mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims. Its core values include: being committed to learn, understand and respond to the member counties' insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations. The Pool's board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes, and being committed to continuous planning and innovation in product development and service delivery.

A Membership Compact was added as an addendum to the Interlocal Agreement in 2000. It constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. It obligates member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover any costs to analyze the member's loss data and risk profile, but they are normally only required to contribute their proportional shares on their entry year's insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew 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.

Joint Self-Insurance Liability Program ("JSILP"): The Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3rd-party liability coverage since October 1, 1988 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the $1 million limit that existed during the Pool's initial two insuring months to $5 million, then to $10 million and onto $15 million before reaching the $20 million occurrence limit that has existed since October 1, 2003. (Note: Additional occurrence limits of $5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.

The initial $10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to $15 million, is acquired as "following form" excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000.

Reinsurance is acquired from higher rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention ("SIR") equal to the greater of the applicable member's deductible or $100,000. The reinsuring agreements also include first and second layer corridor elements – to $1 million and from $1 to $2 million – with cumulative (WCRP) retentions of $2.95 and $0.65 million and annual aggregate limits of $40 and $20 million respectively.

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013, and added to the Pool's administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years' decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for *open* claims) increased $8.1 million during Py2013 to $250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of $5.4M, but it represents just 51% of the Py2011 increase of $16.0M, 46% of the $17.8M in Py2010, and only 39% of the $20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as *'open'* at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported ("IBNR"), the Pool's estimated ultimate claims totaled 19,539 as of September 30, 2013.

The independent actuary's projection of total reserves for claims that are expected to be the Pool's responsibility decreased slightly (-1%) from Py2012 to $14.6 million. This amount includes $3.4 million (-21% from Py2012) for losses within the Pool's self-insured retention, $10.0 million (+7%) for losses subject to the "corridor" programs with the Pool's reinsurers, $0.2 million for losses within the Py2013 quota-shared (10%) upper reinsured layer, and $1.0 million (+3%) for estimated unallocated loss adjustment expenses. *NOTE: The corridor programs involving the WCRP's first (and now second) layer reinsurers began seven years ago. These programs included an occurrence coverage maximum of $0.5 million during the first three years, $1.0 million during the next three years, and of both $1.0 million and $2.0 million beginning with Py2013. Occurrence coverage minimums have remained since the corridor program began the greater of the applicable member deductible or $100,000.*

Washington Counties Property Program ("WCPP"): Beginning with Py2006 (October 1, 2005), WCRP added property insurance as a county-by-county option that is jointly-purchased from a consortium of higher rated commercial carriers. Since the initial offering, both participation and the total values of covered properties have nearly doubled. Twenty six WCRP counties with covered properties totaling over $2.7 billion participated in the optional insuring program during Py2013.

The WCPP includes All Other Peril coverage limits of $500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being $200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverages each include annual aggregate limits of $200 million. The WCPP coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery ($100 million), Special Flood Hazard Areas ($25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism ($20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between $5,000 and $50,000. Higher deductibles are applicable to losses resulting from catastrophe relevant losses.

There were 15 claims filed during Py2013 by participating counties with loss estimates totaling $2.6 million and losses paid by fiscal year-end of $1.5 million. During its initial eight years as a WCRP optional insuring program, there have been 103 WCPP claims filed with to-date incurred losses totaling $15.5 million and losses paid through fiscal 2013 of $8.9 million. Considering the fact that to-date WCPP premiums have totaled $22.2 million, the WCPP's cumulative loss ratio is below 0.7.

Other Insurances: Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverages.

Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Board, which is made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Pool's Annual Meeting. The board of directors is responsible for a) determining the extent of the 3rd-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

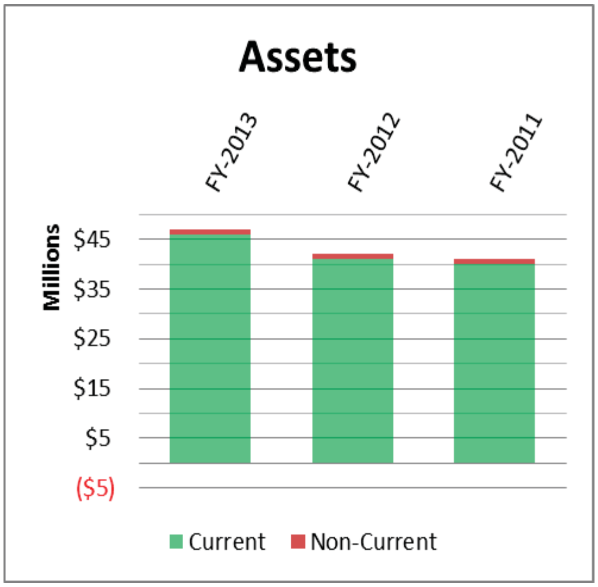
Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the Pool's financial health; b) approve case settlements exceeding the applicable member's deductible by at least $50,000; c) review all claims with incurred loss estimates exceeding $100,000; and d) evaluate the Pool's operations and program deliverables as well as the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

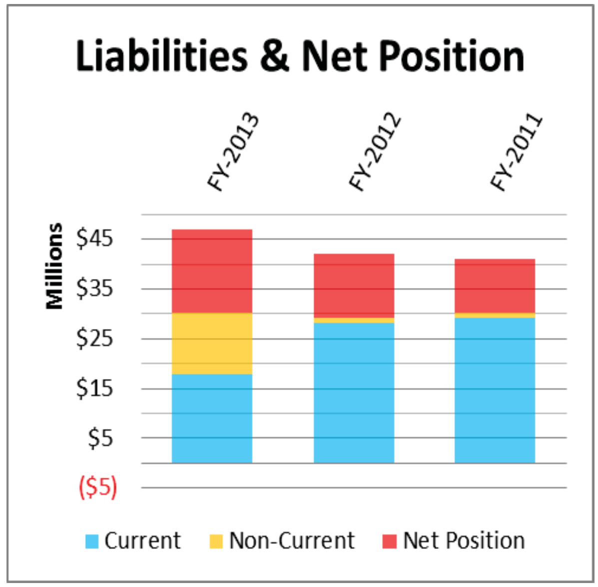
Staffing and Support Teams: The Pool's multi-person claims staff with years of combined experience handles or oversees the handling of the several hundred liability cases each year filed upon and submitted by the Pool's member counties. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other WCRP staffers provide various member services, e.g conducting member and potential member risk assessments and compliance audits, coordinating numerous Pool-sponsored trainings, researching other coverages, and marketing the Pool and its risk management services. Some address and support the organization's administrative needs.

Professionals from some of the more respected organizations worldwide are regularly called upon to address various needs of the Pool. More specifically, independent actuarial services are furnished by PricewaterhouseCoopers, LLP. Independent claims auditing is performed by Startegic Claims Direction LLC, and special claims audits are occasionally performed by the Pool's commercial reinsurers/insurers. Insurance producer (broker) and advanced loss control and prevention services are provided by Arthur J. Gallagher Risk Management Services, Inc.. Coverage counsel is furnished by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend the numerous Pool-covered cases, as well as the examinations by and services from both the State Risk Manager and State Auditor's Offices.

Financial Summary: During fiscal 2013, Pool assets grew 11% (+$4.8 million) and liabilities by 3% (+$1.0 million). Its net (financial) position, which is commonly referred to as "net assets" and sometimes as "owners' equity", improved 30% (+$3.9 million) during the Pool's Silver Anniversary year to $16.7 million as of September 30, 2013. Much of the net position is 'restricted' ($12.5 million) to address the Board of Directors' recently revised requirements in section D of its Underwriting Policy. *NOTE: This policy revision resulted in the Pool's own restriction increasing $7.5 million (+187%) and the unrestricted declining $3.8 million (-53%). The (State Risk Manager's) solvency provisions in WAC 200.100.03001(3) required $0.9 million for satisfaction, a year-over-year increase of $0.1 million (+15%).* Another $0.9 million is invested in capital assets (net of debt). The remaining $3.3 million is unrestricted.

$3.75 million in operating income was experienced during Py2013, an increase of 111% from Py2012. Operating revenues were 'flat', but expenses declined nearly $2.0 million (-15%). This reduction was in part due to even more favorable adjustments by the independent actuary, PricewaterhouseCoopers LLP ("PwC"), to the Pool's claims-related reserves, and to the reduction (-26%) in the premiums to acquire the reinsurance, excess insurance and property insurance policies requested by the Board.





Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO ($0) as there were no known contingent liabilities at that time.

B. WORKERS COMPENSATION

The County pays premiums to State of Washington Department of Labor and Industries based on hours worked for each employee. The County belongs to the Retrospective Rating program with Labor & Industries in which we joined in 1988. Each year the County selects a rate plan, showing the maximum refund/maximum premium the County is willing to risk based upon claims management. January 2013, the County has a credit account balance of $69,835.63.

C. UNEMPLOYMENT COMPENSATON

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security $57,595 in unemployment charges in 2013. The County also contracts with TALX Corporation to assist with the claims handling, and in 2013 we paid $1,699.

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2013 and no short-term debt activities during 2013.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT

LIMITED TAX G.O. & REFUNDING BONDS 2010

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

Purpose	Interest Rate	Amount
Limited Tax General Obligation and Refunding Bonds, 2010	2%-3.75%	$9,555,000

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2014	580,000	295,931
2015	600,000	284,331
2016	450,000	272,331
2017	455,000	263,331
2018	475,000	253,094
2019-2020	995,000	448,788
2021-2025	2,760,000	835,913
2026-2030	3,240,000	356,825
TOTAL	**$9,555,000**	**$3,010,544**

B. LONG TERM LIABILITIES

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	Interest Rate	Amount
Solid Waste Loan	5%	$675,000
TOTAL		**$675,000**

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

Year Ending December 31	Principal	Interest
2014	75,000	3,375
2015	75,000	3,000
2016	75,000	2,625
2017	75,000	2,250
2018	75,000	1,875
2019-2020	150,000	2,625
2021-2022	150,000	1,125
TOTAL	**$675,000**	**$16,875**

C. DEBT LIMITS

State Law provides that debt cannot be incurred in excess of the following percentages of the value of taxable property of the County:

- 1.5% - Without a vote of the people
- 2.5% - With a vote of the people

The total tax property value was $5,890,213,462 and the debt limits for the County as of December 31, 2013 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	$ 75,459,741
General Purposes – with a vote of the people	$147,255,337

NOTE 11 – LEASES

A. OPERATING LEASES

The county leased copiers and a postage machine under non-cancelable operating leases. Total cost for such leases was $8,333 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2014	7,138
2015	7,138
2016	4,905
2017	1,596
2018	0
Total	**$20,777**

B. CAPITAL LEASES

The county leases office equipment under non-cancelable capital leases for governmental activities. 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. There were no leases for Business-Type Activities to report.

The following table is a listing of the outstanding debt on the capital leases for 2013:

Asset	Governmental Activities
DM 525 Mail Machine System-UDC	4,464
Sharp MX-C401 Copier-UDC	3,278
Sharp MX-M623N-Treasurer	13,151
Ricoh 760D Scanner - Prosecutor	290
Sharp MX-C311(1) & Xerox W5655PT(2)-Prosecutors	6,249
Sharp MX-5111-Prosecutor	12,164
Mail Machine-Centormail 140 - Auditor	22,382
Sharp MX-3100N(2) & MX-M453N(1)- Sheriff	9,657
Sharp MX-3100N - Sheriff	9,991
Sharp MX_M453N (2) Copiers-Sheriff	19,710
Sharp MX-M453N – Sheriff	10,556
Xerox W5655PT - Juvenile/Clerk/Sup Court	3,749
NetApp IT Server	164,961
OCE CM4521 Copier - Public Health	0
OCE CM4521 Copier - Public Health	10,163
Total	**$290,767**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2013, are as follows:

Year Ending December 31	Governmental Activities
2014	105,653
2015	89,516
2016	77,028
2017	28,252
2018	0
Total Minimum Lease Payments	$300,449
Less: Interest	(9,683)
Present Value of Minimum Lease Payments	**$290,766**

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities: The Public Health Department returned OCE CM4521 Copier for a newer model of the same with a yearly savings of $2,118.84. The amount reported for Capital Leases on the following chart and on the General Ledger includes sales tax.

Effective January 2008, the County's Other Post Employment Benefit (OPEB) liability was required to be reported per GASB 45 (See Note 17). During 2010, the County issued bonds in the amount of $11,241,850. 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 2001 Limited Tax General Obligation Bonds, paying the costs of issuance of the Bonds, and other legal purposes of the County.

Compensated absences are recorded using the actual leave balances accumulated for each employee. The liability for the governmental funds for 2013 is $2,506,007. The due within one year amount is the average of the past three year payoff to separated employees. The average due within one year for Governmental Activities is $67,739 and the Business type was estimated at $430 due within one year. Total vacation, sick leave and compensatory time pay-off recorded during 2013 for all Governmental Funds was $62,119. At this time, the liability to the Proprietary Funds for unused vacation, sick leave and compensatory time is $180,016.

The landfill closure cost liability has been reported for Business-Type Activities (See Note 18).

	Beginning Balance 01/01/13	Additions	Adjustments	Reductions	Ending Balance 12/31/13	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	$10,130,000	$0	$0	$575,000	$9,555,000	$580,000
Capital Leases	381,512	12,508	0	103,253	290,767	103,253
Compensated Absences	2,249,813	306,672	0	50,478	2,506,007	67,739
Other Post Employment Benefits	591,122	93,433	0	0	684,555	0
Total	**$13,352,446**	**$412,613**	**$ 0**	**$728,731**	**$13,036,329**	**$ 750,992**
Business-Type Activities						
Compensated Absences	$97,737	$82,279	$0	$0	$180,016	$430
Long-Term Liabilities	750,001	0	0	75,000	675,001	75,000
Landfill Closure Cost	1,177,967	57,441	0	55,396	1,180,012	134,513
Total	**$ 2,025,705**	**$139,720**	**$0**	**$130,396**	**$ 2,035,029**	**$ 209,943**
GRAND TOTAL	**$15,378,151**	**$552,333**	**$0**	**$859,127**	**$15,071,358**	**$960,935**

NOTE 13 – CONTINGENCIES AND LITIGATIONS

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 2013 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, 2013.

1. Manna Funding, LLC v. Kittitas County: Plaintiffs allege that the County's denial of a rezone application would cause Plaintiffs to incur substantial financial damages. Manna filed Land Use Petition Act appeals, sought damages under RCW 64.40.020 and 42 U.S.C. §1983, and later, included various tort based claims. The Washington Counties Risk Pool handled the litigation, and the Court of Appeals of Washington affirmed the summary judgment order dismissing appellants' lawsuit.

2. ABC Holdings, Inc., and Chem Safe Environmental, Inc. v. Kittitas County (11-2-00234-1): Plaintiff appeals the decision of the Kittitas County Hearings Examiner regarding Kittitas County Code violations, Notice of Violation and Order of Abatement. The Plaintiffs sought reversal of these decisions and any other such relief, including an award of fees and costs as the court deems appropriate. Plaintiffs' appeal was denied and Plaintiffs appealed to the Court of Appeals, Division Three. Plaintiffs brought motions for stay in the superior court and in the Court of Appeals, both of which were denied. Plaintiffs then brought large public records requests against the County, seeking to supplement the record on appeal. The County filed an action for declaratory and injunctive relief in superior court, to protect documents which are attorney-client privileged and attorney work product, and obtained a temporary restraining order. The County also has filed a motion for contempt of court order. The court found the defendants in contempt of the previous court order. The matter was referred to the Washington Counties Risk Pool, and all aspects of this case are pending.

3. Estate of Joshua Hawthorne: Claimant states that Joshua Hawthorne was transferred from Kittitas County Jail to a corrections facility in Republic, WA, where he committed suicide on 1-17-2010, due to Kittitas County being aware of, but not having notified Republic corrections personnel of suicide attempts while in jail and immediately prior to his incarceration. The matter was referred to the Washington Counties Risk Pool, and is currently in the discovery phase.

4. Allen, et al. v. Kittitas County, et al.: The initial claim for damages submitted on January 6, 2011 was denied, so the parties filed a lawsuit against Kittitas County seeking damages for flooding they allege the county has control of. These claims asserted that the County owned and maintained a system of flood control dykes and levees along the Teanaway River that were to protect their property and that in early January of 2009, those dykes and levees failed resulting in flooding to their property. Kittitas County does not own or maintain any dykes or levees along the Teanaway River. Many of the claimants do own property in the FEMA designated 100-year floodplain. The Allen's property is not considered part of this designated 100-year floodplain. The property was flooded as a result of a levee breach. It is not clear what the levee failure mode was. The matter was referred to the Washington Counties Risk Pool, and is currently in the discovery phase.

5. Summer Seasons LLC v. Kittitas County (11-2-00198-1): Plaintiff seeks refund of 2010 and 2011 real estate taxes paid under protest, including attorney fees and costs, and other relief as the court deems proper. Coverage by risk pool was denied because the matter concerns refund of taxes. County won partial summary judgment. The parties have moved for and were granted consolidation of several related matters as described herein. The matter is pending and currently in the discovery phase.

6. Summer Seasons LLC v. Kittitas County: Plaintiff seeks refund of 2010 and 2011 real estate taxes paid under protest, including attorney fees and costs, and other relief as the court deems proper. Coverage by risk pool was denied because the matter concerns refund of taxes. The parties have moved for and were granted consolidation of this matter with case number 11-2-00198-1 matters and move for summary judgment.

7. Warren et al v. Kittitas County: Plaintiff in their personal capacity seeks refund of 2010 and 2011 real estate taxes paid under protest, including attorney fees and costs, and other relief as the court deems proper. Coverage by risk pool was denied because the matter concerns refund of taxes. The matter is pending. The parties have moved for and were granted consolidation of this matter with case number 11-2-00198-1.

8. Summer Seasons LLC v. Kittitas County (2013): Plaintiff seeks refund of 2012 real estate taxes paid under protest, including attorney fees and costs, and other relief as the court deems proper. Coverage by risk pool was denied because the matter concerns refund of taxes. The matter is pending and currently in the discovery phase.

9. Broadhead and McCoy v. Kittitas County (October 2013): Plaintiff seeks damages for costs incurred during process with County regarding a pool barrier. The matter was referred to the Washington Counties Risk Pool, and is currently in the discovery phase.

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers are activities between the funds of Kittitas County. Interfund activities are divided into two broad categories: reciprocal and non-reciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Non-reciprocal interfund activity comprises interfund transfers and interfund reimbursements.

A. INTERFUND BALANCES

Interfund balances at December 31, 2013 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 From						
		General fund	County Road	Solid Waste	Community Development Services	Equipment Rental & Revolving	All Others	Total
Due To	General Fund	$16,365	$184	$0	$384,503	$0	$785	**$401,838**
	County Road	24,759	0	0	5	127,412	8,703	**$160,878**
	Solid Waste	3,668	0	53,808	0	0	0	**$57,477**
	Community Development Services	209,635	1,543	0	0	0	0	**$211,178**
	Equipment Rental & Revolving	2,106	33,160	0	0	38	0	**$35,303**
	All Others	140,019	174,403	0	0	140	27,177	**$341,740**
	Total	**$396,552**	**$209,290**	**$53,808**	**$384,508**	**$127,589**	**$36,665**	**$1,208,414**

B INTERFUND TRANSFERS

Interfund transfers during 2013 included contributions between funds. The balances were as follows:

	Transfer From			
		General Fund	Non Major Government	**TOTAL**
Transfer To	General Fund	$0	$154,823	**$154,823**
	Road	0	174,339	**$174,339**
	Solid Waste	903,258	0	**$903,258**
	Non-Major Governmental	747,243	1,432,346	**$2,179,589**
	TOTAL	**$1,650,501**	**$1,761,508**	**$3,412,009**

C. INTERFUND LOANS

Interfund Loans between funds for 2013 were as follows:

Loan To	Loan From			
		Solid Waste	Total	Loan Purpose
	General Fund	$100,000	**$100,000**	Property purchase (913 East 8th Ave, Ellensburg)
	Total	**$100,000**	**$100,000**	

NOTE 15 – RECEIVABLE AND PAYABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2013 were as follows:

		Type								
		Accounts	**Court**	**Employee**	**Interest**	**Recording Unbilled**	**Special Assessments**	**Rent**	**Taxes**	**Total**
Funds	**General**	$47,221	$2,005,637	$7,316	$2,580	$6,534	$14,523	$18,969	$515,395	**$2,618,175**
	Non Major Governmental	$39,920	$155,433	$117	$440		$13,927		$35,321	**$245,157**
	Road	$9,339			$1,575				$327,258	**$338,172**
	Solid Waste	$225,411			$944					**$226,354**
	Community Development Services									**$0**
	Equipment Rental & Revolving	$418			$416					**$835**
	Total	**$322,309**	**$2,161,070**	**$7,433**	**$5,954**	**$6,534**	**$28,449**	**$18,969**	**$877,974**	**$3,428,693**

B. PAYABLES

Payables at December 31, 2013 were as follows:

		Type								
		Vouchers	**Salaries**	**Accrued Interest**	**Retainage**	**Custodial Account**	**Due to Other Governmental**	**Deposits**	**Taxes**	**Total**
Funds	**General**	$326,478	$7,152	$674	$13,041	$17,928		$11,394	$1,858	**$378,525**
	Non Major Governmental	$407,640	$4,946		$40,975		$92,472	$328,103	$15,367	**$889,504**
	Road	$334,224	$204,930		$8,590		$2	$7,896	$21	**$555,662**
	Solid Waste	$163,127	$1,490						($3,058)	**$161,559**
	Community Development Services	$89,116	($250)							**$88,866**
	Equipment Rental & Revolving	$63,829	$26,554				$8		$460	**$90,852**
	Unemployment	$13,043								**$13,043**
	Total	**$1,397,457**	**$244,821**	**$674**	**$62,607**	**$17,928**	**$92,482**	**$347,394**	**$14,648**	**$2,178,010**

NOTE 16 - JOINT VENTURES

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 2013 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	$38,000	$49,888
Tour Fees	5,500	2,786
Other	23,900	28,371
Total Revenues	67,400	81,045
City of Ellensburg Support	88,754	75,981

NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. PLAN DESCRIPTION

In addition to the retirement described in the Pension note 7 above, the County provides certain medical insurance benefits for retired public safety employees. Substantially the entire County's LEOFF 1 employees may become eligible for these benefits if they reach normal retirement age while working for the County. Kittitas County does not currently have any active LEOFF 1 employees employed. There are 7 retired LEOFF 1 employees who are eligible to receive these benefits.

B. FUNDING POLICY

In 2013, expenditures of $60,415 for medical premiums and billings were recognized for post employment health benefits. The program is funded "pay as you go".

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The County has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

The net OPEB obligation of $684,555 is included as a noncurrent liability on the Statement of Net position.

Annual Required Contribution (ARC)	$ 182,289
Net OPEB Obligation Interest	26,600
Net OPEB Obligation Amortization	(55,042)
Annual OPEB cost	$ 153,848
Less: Contributions made	(60,415)
Increase in net OPEB obligation	$ 93,433
Net OPEB Obligation beginning of year 2012	591,122
Net OPEB Obligation end of year 2012 (NOO)	$684,555

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through 2013 were as follows:

Fiscal Year Ended	Annual OBEB Cost	Percentage of Annual OBEB Cost Contributed	Net OPEB Obligation
12/31/2008	204,692	33.0%	137,106
12/31/2009	193,917	32.0%	131,549
12/31/2010	187,723	41.1%	110,570
12/31/2011	185,991	36.1%	118,934
12/31/2012	158,320	41.3%	92,963
12/31/2013	153,848	39.3%	93,433
		TOTAL	684,555

D. FUNDING STATUS

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $1,957,698 and the actuarial value of the assets was $0 resulting in a UAAL of $1,957,698. Historically, Kittitas County has used a pay-as-you-go approach to funding.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As 2008 was the first year Kittitas County implemented GASB 45, only six years are presented.

E. ACTUARIAL METHODS AND ASSUMPTIONS

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The Actuarial Accrued Liability and Net OPB Obligation are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 18 - 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 still continues to accept construction demolition at its limited purpose landfill. The limited purpose landfill is expected to be operational until 2021 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 2012, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be $499,623. The 2013 actual costs for post-closure care was $55,396 leaving a liability of $444,227. As required by federal, state, and local regulations, cash in the amount of $418,239 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2013 was $44,232.61 (28,537.17 tons of garbage at $1.55 per ton), which will be placed into the reserve in 2014. A plan update was completed in 2012 for regulating compliance with Department of Ecology.

Rye Grass Closure Account	Recorded Liability	Actual Costs	Year	Cash Reserve
12/31/08	662,080	(16,602)	2009	326,209
12/31/09	645,477	(51,108)	2010	326,209
12/31/10	594,369	(48,589)	2011	326,209
12/31/11	545,781	(46,157)	2012	326,209
12/31/12	499,623	(55,396)	2013	418,259
12/31/13	444,227			

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 2021 with post-closure activities to occur through 2041. The total cost of completing post-closure for the 20 year period is $242,760 (2004 dollars). The total landfill capacity is 470,258 cubic yards. The total amount of capacity used through December 31, 2013 is 300,457 cubic yards.

The recorded liability for December 31, 2013 is calculated as follows:

Total Closure Cost	$1,151,607.00	($908,847 + 242,760 post-closure)
X	300,457.00	Cumulative capacity used in 2013
	346,008,384,399.00	
÷	470,258.00	Total landfill capacity
	735,784.15	Estimated liability for post-closure
-	678,343.14	2009 thru 2012 Total recorded liability
	57,441.01	2013 Total liability recorded

As required by federal, state, and local regulations, cash in the amount of $265,433 has been restricted for post – closure care. The tip fee for the post-closure cash reserve for 2013 was $9,575.60 (3,924.43 tons of garbage at $2.44 per ton), which will be placed into the reserve in 2014.

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

NOTE 19 – OTHER DISCLOSURES

A. ACCOUNTING AND REPORTING CHANGES

1. PRIOR YEAR ADJUSTMENTS TO NET INCOME

The following list of funds had prior period adjustments. The adjustments will reflect differences in ending and beginning balances on the Statement of Net position; Net Activity and Statement of Revenues, Expenses and Changes in fund Equities.

Equipment Rental & Revolving fund had a change in prior year expenses in the amount of $-191,213.

2. PRIOR YEAR ADJUSTMENT TO STATEMENT OF ACTIVITIES

There was a prior year adjustment of $-191,213, to Net Position as indicated in Note 19 A-1.

3. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY

Kittitas County's budget policy is to show in the actual budget any asset that is over $5,000. The Washington State Auditor requires all government entities to use the Budgeting, Accounting and Reporting System (BARS). Because of this requirement there are several items that are actually treated as a capital items but are not capitalized, i.e.; see Note 1- E (6). The following amounts were adjusted for reporting purposes from operating to capital totaling $4,499,000.90.

General Fund	
General Government	(54,443.50)
Culture & Recreation	(14,403.86)
Public Safety	(7,385.00)
County Road	
Transportation	(4,395,530.39)
Trial Court Improvement	
Judicial	(27,238.15)

4. GASB 54 EVALUATION OF SPECIAL REVENUE FUNDS

The special revenue fund Recreation in 2013 did not meet the GASB 54 requirements, where a substantial portion of the inflows of resources were restricted or committed. In 2013, the main revenue source was operating transfers in from the Capital Facilities (REET) fund. The fund did not meet the 20% criteria. We elected not to roll this fund into the General Fund for reporting purposes, and to show is separately. We will be closing this fund into the General fund in 2014.

5. NEW FUND – COMMUNITY DEVELOPMENT SERVICES

In the fall of 2011 the County was notified by the Washington State Auditor's office of a potential concern regarding the use and accounting of building and land use permit fees. According to RCW 82.02.020[1], fees collected from building and land use permits may only be used to cover the cost of "processing applications, inspecting and reviewing plans, or preparing detailed (environmental) statements". Counties should also be able to show evidence that the fees collected from the permits are only used for allowable activities. This concern was reported in the State's annual audit of the County as an exit item.

Shortly after the report from the State Auditor's office was filed, the County received a public disclosure request from the Central Washington Home Builders Association (CWHBA) requesting information on the fees collected and related expenses between and including the years 2006 to 2010 for the Community Development Services Department. From the data initially included in this report, it appeared that the County may have been collecting fees substantially in excess of expenses. However, it was determined during a study session that the data set was likely incomplete and would need to be further analyzed. Among other things, the initial data did not include any land use permit revenue or related expenses even though such permits are considered in RCW 82.02.020, only those from building permits. Additionally, as the Community Development Services (CDS) Department revenue and expenses are included as part of the County's General Fund, not as separate funds, determining actual complete expenses for the uses expressly allowed by statute, as well as determining whether any excess funds had been spent elsewhere within the County organization or remained available for appropriate use, would be challenging.

To accomplish this analysis, a work group was formed including Commissioner Paul Jewell, Budget and Finance Manager Judy Pless, Planning Official Doc Hansen, Building Official and former Interim CDS Director Kirk Holmes, and CDS Administrative Assistant Mandy Weed. An analysis of all revenues and expenses for the CDS Department was conducted for the past several years, including 2011.

From the analysis completed by the work group, it appears that CDS should have a fund balance of approximately $625,258 from the collection of building and land use permit fees over the last three years.

New standards are in place to track actual employee time accurately for allocation to functions within the Department, as well as to identify time that cannot be charged against permits and must be covered by

1 RCW 82.02.020: "…Nothing in this section prohibits cities, towns, counties, or other municipal corporations from collecting reasonable fees from an applicant for a permit or other governmental approval to cover the cost to the city, town, county, or other municipal corporation of processing applications, inspecting and reviewing plans, or preparing detailed statements…"

County general funds. Additionally, new methods for determining fees annually based on actual departmental costs are being considered and will need to be implemented by the Board of Commissioners.

Finally, the work group, along with the Kittitas County Auditor, recommends that the Board of Commissioners also consider creating a new Enterprise Fund2 for the CDS Department. This will continue to assure that all revenues received from building and land use permits are spent appropriately within the CDS Department and not elsewhere in the County's General Fund.

This budget document includes the CDS department as part of the General Fund, as the decision to put the CDS department into an enterprise fund did not occur until January 2013.

6. STATEMENT GASB 65 – Items Previously Reported as Assets and Liabilities

This statement is effective for financial statements for period beginning after December 31, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Government-Wide presented statements have reflected the changes; Statement of Net Assets has changed to Statement of Net Position, and Balance Sheets has changed to Statement of Financial Position. The County does not have any items that are considered Outflows of Resources.

7. PRIOR YEAR ERROR – Individual Cash Flow Statement

Fund 511, Unemployment Compensation had an error in reporting in 2012 on the fund cash flow statement and the combining cash flow statement. The ending cash balance as of December 31, 2012 was reported as $134,161 and the beginning cash balance as of January 1, 2013 was reported at $168,664, a difference $34,503. The 2013 fund Cash flow statement was corrected to show the correct cash of $134,161. All other statements were correct.

B. SUBSEQUENT EVENTS

1. 2010 GO & REFUNDING BOND CONSTRUCTION PROJECTS

The Jail pod project closed in 2013 and was removed from Construction in Progress into Buildings. January 2012 the Upper District has purchased a new building in the amount of $1,000.000, during 2013 the remodeling is occurring and scheduled in to close in 2014. The Armory is in the also will be closing in 2014 completing the construction phase of the bond.

2. COUNTY ROAD – TEANAWAY ROAD IMPROVEMENTS

The Washington State Department of Commerce authorized $4,950,000 for improvements to the Teanaway area, approximately $4,000,000 of which is planned for improvements to Teanaway Road. The money is required to be spent before July 1, 2015. These improvements will provide safety enhancements to the road. This county road project must be adopted by the Board of County Commissioners before Public Works can proceed with design and construction. The project will be formally adopted on the annual construction plan with this action.

3. PUBLIC FACILITIES DISTRESSED SALES TAX - YAKIMA RIVER CANYON SCENIC BYWAY

The Yakima River Canyon Scenic Byway Interpretive Center is a proposed new facility to be located at the northern entrance of the Yakima River Canyon Scenic Byway, in the Helen McCabe Park near the

2 Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria:

- Debt backed solely by a pledge of the net revenues from fees and charges.
- Legal requirement to cover costs. An enterprise fund is required to be used if the cost of providing services for an activity including capital costs (such as depreciation or debt service) must be legally recovered through fees or charges.
- Policy decision to recover cost. It is necessary to use an enterprise fund if the government's policy is to establish activity fees or charges designed to recover the cost including capital costs (such as depreciation or debt service).

BARS Manual, Part 3, Chapter 1, Page 3. Effective date: 1/1/2011 intersection of State Route 821 and Canyon Road. The concept for the Yakima River Canyon Scenic Byway Interpretive Center was developed in the Yakima River Canyon Scenic Byway Interpretive Center Master Plan, a plan created in 2011 by the Kittitas Environmental Education Network (KEEN), a non-profit organization that provides environmental education experiences in the Yakima River Canyon Scenic Byway. KEEN submitted a grant application for Federal Fiscal Year 2012 National Scenic Byways Program to fund the design and construction of the above described interpretive center at the northern entrance to the Yakima River Canyon Scenic Byway.

The above described interpretive center received a Federal Fiscal Year 2012 National Scenic Byways Program grant of $796,174 and a 2014 Sales and Use Tax grant of $200,000, for a total of $996,174. Federal Highway Administration (FHWA) and Washington State Department of Transportation (WSDOT) requires that National Scenic Byways Program funds be administered by an agency who has obtained Certified Acceptance Services (CA Agency) status from WSDOT, that the project shall be completed or else the agency forfeits all of the federal funds awarded and spent on this project, that the facility use shall be in accordance with the National Scenic Byways program, and that the facility constructed shall be maintained for the life of the structure which is approximately fifty years.

KEEN, being a non-profit organization and unable to obtain CA Agency status, is ineligible to administer the National Scenic Byways Program project and requested Kittitas County to perform this work. Kittitas County has CA Agency status and has agreed to be the recipient of these funds and perform the necessary work in accordance with FHWA and WSDOT requirements and applicable building codes. Public Works plans to hire a consulting firm that can perform engineering and architectural services for the above described project. The selected consulting firm will develop all structural, mechanical, electrical, and related systems including preparing drawings, specifications, and project cost estimates; updating cost estimates as necessary; developing bidding documents in conformance with FHWA and WSDOT requirements and applicable building codes; authoring and compiling the final contract package; providing other related services as necessary including survey, environment assessment, preparation of permit applications; consulting Kittitas County and WSDOT regarding construction progress and quality; providing on-call consultation during construction; and assisting with the final inspection.

The above described project must be fully designed and constructed prior to September 30, 2015.

4. NEW FUND – TAXATION OF RENTAL VEHICLES TO SUPPORT AMATEUR SPORTS ACTIVITIES

On October 15, 2013, the Board of County Commissioners held a public hearing to enact the 1% sales and use tax increase upon rental car rentals.

RCW 82.14.049 states "the legislative authority of any county may impose a sales and use tax, in addition to the tax authorized by RCW 82.14.030, upon retail car rentals within the county that are taxable by the state under chapter 82.08 and 82.12 RCW. The rate of the tax is one percent of the selling price in the case of a sales tax or rental value of the vehicle in the case of a use tax. Proceeds of the tax may not be used to subsidize any professional sports team and must be used solely for the following purposes:

(a) Acquiring, constructing, maintaining, or operating public sports stadium facilities;

(b) Engineering, planning, financial, legal, or professional services incidental to public sports stadium facilities;

(c) Youth or amateur sport activities or facilities; or

(d) Debt or refinancing debt issues for the purposes of subsection (1) of this section."

The Board of County Commissioners adopted Ordinance 2013-010 to enact the tax, which will go into effect January 1, 2014.

5. **NEW FUNDS – ENERGY GRANT**

Kittitas County applied for funding for an energy project through Department of Commerce. This project will upgrade lighting systems throughout the County facilities; improve the elevators in the Courthouse and Jail; commission the HVAC controls in the Jail; and replace leaky wall and window construction in a portion of the Courthouse with a modern, insulated wall and window system.

The total project cost is $ $1,321,618. The county was awarded $ $330,384 in grant funding. The project has been awarded to Ameresco. The difference will be funded from local dollars and about $850,000 in financing, through the Washington State Treasurer LOCAL program.

6. **STADIUM FUND (HOTEL/MOTEL) – APPLICATION PROCESS**

Each year the four municipalities in Kittitas County collect and distribute lodging taxes for tourism promotion through an application process. Each jurisdiction distributes funds to tourism-related project and activities through a variety of means and methods. Each entity has a grant application and award process for qualifying local projects and organizations which are not coordinated with each other and differ in the schedules for the application and awards. This separate lodging tax application and awards process may result in organizations applying to multiple agencies for the same project, which can lead to overlapping funding awards for the same project, limiting opportunities for other qualified applicants. Applicants must also fill out multiple applications and negotiate different processes for each municipality at different times of the year, which may create confusion among applications and awarding jurisdictions, and may result in funding uncertainty for an event because an applicant has to apply to multiple jurisdictions for the same project at different times of the year.

It has been proposed and agreed upon that the municipalities intend to streamline, consolidate, coordinate and standardize the process for application, review and award of the lodging tax grant awards by establishing a consolidated lodging tax grant process.

The Consolidate Lodging Tax Grant process will have:

Consolidated Application The Chairperson from each Lodging Tax Advisory Committee (LTAC) or jurisdictional appointees will review existing applications and draft a consolidated application, including instructions for applicants which will include the pre-activity reporting requirements. The final consolidated application will be sent for approval by the legislative bodies for the Municipalities. After approval, applicants for lodging tax grants will be required to submit their applications to the County for distribution of funds.

Coordinated Schedule The schedule for application deadlines, review and awards will be coordinated by the Municipalities.

Coordinated Funding Each participating municipality will decide annually prior to the application acceptance period on its authorized level of funding that will be made available for lodging tax grants. The funds provided by each municipality will have public notices for award consideration, and each municipality providing the funding for the coordinated process shall be guaranteed grant awards for applications that will directly impact that jurisdiction in an amount equal to or greater than the funding level which had been committed (subject to qualifying applications).

Streamlined Application Review and Award Process Lodging tax grant applications will be processed as follows:

1. Categorize applications
   a) New Projects/Events
   b) Ongoing Project/Event Support
   c) Review, Ranking and Recommendations by LTAC – the County will compile and distribute all applications to various funding jurisdictions
2. LTAC Work Group Review – three members from the LTAC of each participating municipality, the County will act as the chair of the group
3. Legislative Decision
4. Notification

Contracts for Grant Recipients All Grantees will be required to enter into a single grant contract which clearly communicate the responsibility and expectations of the grantee as well as the amount and authorized use of the funding as approved by each legislative body.

Streamlined Reimbursement Process Grant reimbursement requests from awardees will be sent to the County for review and consistency of the grant authorization and contract prior to issuing a reimbursement. Each participating entity's share will then be billed by the County to the specific municipality according to each municipality requirements. The municipality will then send payment to the County to replenish the fund. The County will perform this service at no administrative cost to the other participants.

Post-Activity Reports Each grant recipient will comply with the post-activity reporting requirements of RCW 67.28.1816(2)(c) and provide copies of the report to all Municipalities. The County will prepare and submit all required post-activity reports to the Joint Legislative Audit Review Committee, which will conform to the reporting requirements of RCW 67.28.

The Cities of Ellensburg, Cle Elum and Roslyn signed interlocal agreements with the County for 2014 for the agreement of the above process. The current County Budget for Stadium Fund (Hotel-Motel) is $766,922 and will have to be amended to include the funds from the Municipalities.

7. HYAK MAINTENANCE SHOP

The E. R. & R. Fund and the Snoqualmie Pass Utility District is building a joint shop at Hyak. We will each own ½ of the building and have joint responsibility for the small common entrance area. A condominium agreement will be filed and an owner's association/board formed for legal purposes. The county will manage the reserves for future repairs and maintenance of the common parts of the building, grounds, etc.

8. WATER BANK PURCHASES

On May 29, 2014, the Board of County Commissioners held a public hearing and concluded with the approval an Agreement to Assign Trust Water Rights between Kittitas County and Thomas and Kathleen Roth; Kittitas County and Barton and Sheila Clennon; and two Agreements to Assign Trust Water Rights between Kittitas County and Aqua Mitigation, LLC for a total of $2,497,000. The County is planning on obtaining a line of credit or short term financing to pay for the purchases, with the funding to come from the purchase of an assignment of the water right.

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2013

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 11,087,000	$ 11,099,780	$ 11,113,377	$ 13,597
Licenses & Permits	848,390	848,390	83,255	(765,135)
Intergovernmental	3,057,621	3,640,699	3,726,605	85,906
Charges for Services	1,857,704	1,983,220	2,041,667	58,447
Fines & Forfeits	1,752,401	1,752,401	1,467,045	(285,356)
Miscellaneous	746,945	773,195	1,672,951	899,756
Total Revenues	$ 19,350,061	$ 20,097,685	$ 20,104,902	$ 7,217
Expenditures				
General Governmental	$ 6,699,175	$ 6,747,294	$ 6,130,815	$ 616,479
Judicial	2,634,419	2,651,592	2,486,984	164,608
Security of Persons and Property	8,749,397	9,057,336	6,869,389	2,187,947
Physical Environment	145,259	146,353	67,383	78,970
Transportation	3,717	3,717	3,717	-
Economic Environment	986,808	1,390,698	652,098	738,600
Culture & Recreation	1,162,954	1,285,258	1,285,119	139
Debt Service	119,765	125,475	105,505	19,970
Capital Outlay	371,669	629,658	582,680	46,978
Total Expenditures	$ 20,873,163	$ 22,037,381	$ 18,183,690	$ 3,853,691
Excess (Deficit) Revenues over Expenditures	$ (1,523,102)	$ (1,939,696)	$ 1,921,212	$ 3,860,908
Other Financing Sources (Uses)				
Restitution	$ 500	$ 500	$ 436	$ (64)
Proceeds Capital Leases	-	-	-	-
Sale of Fixed Assets	200	1,700	10,663	8,963
Transfers In	100,000	105,000	154,823	49,823
Transfers Out	(517,539)	(748,864)	(1,650,501)	(901,637)
Total Other Financing Sources (Uses)	$ (416,839)	$ (641,664)	$ (1,484,579)	$ (842,915)
Net Change in Fund Balance	$ (1,939,941)	$ (2,581,360)	$ 436,632	$ 3,017,992
Fund Balance, January 1	$ 6,039,451	6,680,870	$ 10,458,619	$ 3,777,749
Fund Balance, December 31	**$ 4,099,510**	**$ 4,099,510**	**$ 10,895,251**	**$ 6,795,741**

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2013

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 4,650,000	4,650,000	$ 4,698,172	$ 48,172
Licenses & Permits	5,864	5,864	21,360	15,496
Intergovernmental	3,892,568	3,892,568	5,259,505	1,366,937
Charges for Services	18,250	18,250	205,128	186,878
Miscellaneous	34,750	34,750	23,242	(11,508)
Total Revenues	$ 8,601,432	$ 8,601,432	$ 10,207,407	$ 1,605,975
Expenditures				
General Governmental	$ 459,000	$ 459,000	$ 145,569	$ 313,431
Transportation	8,109,840	8,109,840	1,661,833	6,448,007
Capital Outlay	3,150,500	3,150,500	9,405,091	(6,254,591)
Total Expenditures	$ 11,719,340	$ 11,719,340	$ 11,212,493	$ 506,847
Excess (Deficit) Revenues over Expenditures	$ (3,117,908)	$ (3,117,908)	$ (1,005,086)	$ 2,112,822
Other Financing Sources (Uses)				
Sale of Fixed Assets	$ -	$ -	$ -	$ -
Transfers In	-	-	174,339	174,339
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	$ -	$ -	$ 174,339	$ 174,339
Net Change in Fund Balance	$ (3,117,908)	$ (3,117,908)	$ (830,747)	$ 2,287,161
Fund Balance, January 1	$ 14,759,500	$ 14,759,500	$ 15,414,610	$ 655,110
Fund Balance, December 31	**$ 11,641,592**	**$ 11,641,592**	**$ 14,583,864**	**$ 2,942,272**

Kittitas County, Washington
Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2013

A. Budgetary Basis

Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects and all proprietary funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles.

B. Material Violations

There were no material violations of finance-related legal or contractual provisions in the general fund and special revenue funds. In addition, these fund's expenditures did not exceed legal appropriation for 2013.

Kittitas County, Washington
Required Supplemental Information
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2013

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	$ -	$2,198,297	$2,198,297	0%	-	-
12/31/09	$ -	$2,082,585	$2,082,585	0%	-	-
12/31/10	$ -	$2,016,062	$2,016,062	0%	-	-
12/31/11	$ -	$2,193,414	$2,193,414	0%	-	-
12/31/12	$ -	$1,957,698	$1,957,698	0%	-	-
12/31/13	$ -	$1,957,698	$1,957,698	0%	-	-

*2008 is the first year Kittitas County implemented GASB 45, and only six years are presented.

KITTITAS COUNTY
Required Supplementary Information
2013 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 expenses certain maintenance and preservation costs and does not report depreciation expense. 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 66 miles of gravel roads, of which about 23 miles are standard gravel roads (non-primitive) and about 43 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 five fiscal years.

Table A
Costs to Maintain Gravel Roads in Kittitas County

Fiscal Year	*Estimated Spending*	*Actual Spending*
2008	$335,500	$246,629
2009	$372,000	$218,576
2010	$347,000	$311,164
2011	$225,000	$158,237
2012	$241,016	$229,327
2013	$363,466	$281,487

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

Score	*Attribute*	*Description*
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	0.44	1.15	7.4	66.24	24.77	**98%**
2013	23.16*	0	2	17	71	10	**98%**

***Added Lambert Road (removed from Primitive Road Listing -1.57), and removed Caribou Road (1.10 mile paved).**

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	6.5	34.03	19.99	26.2	13.28	**59%**
2013	42.56*	4	41	31	21	3	**55%**

* Removed Lambert Road from Primitive Road List (-1.57).

Attachment A
Gravel Road Condition Rating Form

Kittitas County
Department of Public Works 9/18/2014
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** ____

MCAG NO. 0136 Kittitas County **Schedule 16**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce/Pacific Coast Salmon Recovery and Restoration	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	PRISM#12-1358	3,006		3,006	
Office Of Community Planning And Development, Department Of Housing And Urban Development/Wa St Community, Trade & Economic Development	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-008	57,505		57,505	5
Office Of Community Planning And Development, Department Of Housing And Urban Development/Wa St Community, Trade & Economic Development	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	1265400-005	44,101		44,101	5
Office Of Community Planning And Development, Department Of Housing And Urban Development/Wa St Community, Trade & Economic Development	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	GP64100-0035	367,246		367,246	5
			Total CFDA 14.228	**468,852**	**0**	**468,852**	
Drug Enforcement Administration, Department Of Justice/Washington State Patrol	Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001	C130904FED	12,000		12,000	4, 14
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/Wa St Dept of Health and Services	Juvenile Accountability Block Grants	16.523	663-98238 Amendment	7,750		7,750	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/Wa St Dept Social and Health Services	Juvenile Accountability Block Grants	16.523	1363-84187	92		92	
			Total CFDA 16.523	**7,842**	**0**	**7,842**	

Violence Against Women Office, Department Of Justice/Wa St Community, Trade & Economic Development, and ASPEN	Violence Against Women Formula Grants	16.588	S13-31102-517	14,525		14,525	14
Bureau Of Justice Assistance, Department Of Justice/	State Criminal Alien Assistance Program	16.606	N/A		3,698	3,698	4, 14
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	n/a		3,327	3,327	4
Federal Aviation Administration (faa), Department Of Transportation/	Airport Improvement Program	20.106	n/a		42,190	42,190	8,11
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA 7118	146,068		146,068	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA 7442	649,864		649,864	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	LA 8071	1,134,645		1,134,645	8
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transporatation	Highway Planning and Construction	20.205	LA 8028	917,173		917,173	8
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation Emergency Relief Funding	Highway Planning and Construction	20.205	LA 7654	12,135		12,135	8
			Total CFDA 20.205	**2,859,884**	**0**	**2,859,884**	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Wa Traffic Safety Commission and Kittitas Co Community Public Health	State and Community Highway Safety	20.600	n/a	701		701	4,14
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Wa Traffic Safety Commission and Kittitas Co Community Public Health	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	na	1,851		1,851	4,14

U.s. Election Assistance Commission/Office of the Secretary of State	Help America Vote Act Requirements Payments	90.401	G2844 #4 EDUCATION	2,234		2,234	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	Public Health Emergency Preparedness	93.069	C16689	58,138		58,138	14
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/Kittitas Co Community & Coalition	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	n/a	538		538	4, 14
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	Immunization Cooperative Agreements	93.268	n/a	90,834		90,834	3,4,6
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	Immunization Cooperative Agreements	93.268	C16689	10,793		10,793	6,7,14
			Total CFDA 93.268	**101,627**	**0**	**101,627**	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/Kittitas Co Community Network & Coalition	Drug-Free Communities Support Program Grants	93.276	n/a	2,089		2,089	4, 14
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	n/a	1,279		1,279	4, 14
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	n/a	28,467		28,467	4, 14
			Total CFDA 93.283	**29,746**	**0**	**29,746**	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	National Public Health Improvement Initiative	93.292	C1688900	313		313	14
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	PPHF 2012 National Public Health Improvement Initiative	93.507	C1688900	7,024		7,024	14

Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Affordable Health Care Assistance	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	n/a	1,191		1,191	4, 14
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C166889	10,586		10,586	14
Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16889	1,200		1,200	14
			Total CFDA 93.539	**11,786**	**0**	**11,786**	
Administration For Children And Families, Department Of Health And Human Services/Wa St Dept of Social and Health	Child Support Enforcement	93.563	n/a	9,554		9,554	4, 14
Administration For Children And Families, Department Of Health And Human Services/Wa St Department of Social and Health	Child Support Enforcement	93.563	2110-80577	85,864		85,864	14
			Total CFDA 93.563	**95,418**	**0**	**95,418**	

Centers For Disease Control And Prevention, Department Of Health And Human Services/Washington Department of Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733	C16889	1,691		1,691	14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Dept of Health and Human Services Centers for Medicare and Medicaid Services	Children's Health Insurance Program	93.767	n/a	1,373		1,373	4, 14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington Department of Health	Medical Assistance Program	93.778	0963-53332	20,124		20,124	14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington Department of Health	Medical Assistance Program	93.778	1166-33934	2,500		2,500	14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington Department of Health	Medical Assistance Program	93.778	K763	2,500		2,500	14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/Washington Department of Health	Medical Assistance Program	93.778	n/a	53		53	4, 14
			Total CFDA 93.778	**25,177**	**0**	**25,177**	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Yakima Health District	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	KCHD-N15850 FY 12-13	10,496		10,496	14
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/Dept of Health and Human Services-Substance Abuse and Mental Health Services Administration	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27314	46,493		46,493	5

Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/Dept of Health and Human Services-Substance Abuse and Mental Health Services Administration	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27314	55,369		55,369	5
			Total CFDA 93.959	**101,862**	**0**	**101,862**	
Health Resources And Services Administration, Department Of Health And Human Services/Washington Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16889	43,576		43,576	5,14
Department Of Homeland Security/Wa ST Parks and Recreation Commission	Boating Safety Financial Assistance	97.012	n/a	17,825		17,825	4,14
Department Of Homeland Security/State of Washington Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1817-DR-WA 2009	-119		-119	9,11,12,15
Department Of Homeland Security/FEMA Fire Management Assistance Grant	Fire Management Assistance Grant	97.046	E13-124	2,957		2,957	8,15
Department Of Homeland Security/FEMA Fire Management Assistance Grant	Fire Management Assistance Grant	97.046	E13-058	28,622		28,622	8,15
			Total CFDA 97.046	**31,579**	**0**	**31,579**	
Department Of Homeland Security/Wa St Military Dept Homeland	Interoperable Emergency Communications	97.055	E11-202A&B	41,613		41,613	14
Department Of Homeland Security/Washington State Military Department Pass through to Grant County Emergency Management	Homeland Security Grant Program	97.067	E11-109	30,175		30,175	14
Department Of Homeland Security/Washington State Military Department Homeland Security pass through to Grant County Emergency Management	Homeland Security Grant Program	97.067	E12-183	6,300		6,300	14
			Total CFDA 97.067	**36,476**	**0**	**36,476**	
Department Of Homeland Security/Wa St Military Dept and U.S. Dept of Homeland Security	Buffer Zone Protection Program (BZPP)	97.078	E13-221	14,252		14,252	14
			Total Federal Awards Expended:	**4,004,566**	**49,215**	**4,053,781**	

NOTE 1 - BASIS OF ACCOUNTING

This Schedule is prepared on the same basis of accounting as the Kittitas County financial statements. The County uses the modified accrual system of accounting.

NOTE 2 – PROGRAM COSTS

The amount shown as current year expenditures represent only federal and state grant portion of the program costs. Entire program costs, including the county's portion, may be more than shown.

NOTE 3 - NON CASH AWARDS

The amount of vaccines reported on the schedule is the value of vaccine distributed by the county Health Department during the current year.

NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain other identification number.

NOTE 5 – PASSED-THROUGH TO SUBRECIPIENTS

Passed-through dollars to Subrecipients.

NOTE 6 – VACCINE FOR CHILDRENS PROGRAMS

Vaccine supplied by Federal Government for Vaccine for Children Program.

NOTE 7 – VACCINE FOR 317 PROGRAMS

Vaccine supplied by Federal Government for Vaccine for 317 Program.

NOTE 8 – PROJECT HAS BEEN COMPLETED OR EXPIRED

Project has been completed or expired.

NOTE 9 – ADJUST CURRENT YEAR EXPENSES

Adjust current year expenses to reconcile balance at year end, difference due to variance between county rate and FEMA eligible rates

NOTE 10 –IN-LIEU OF TAXES/UNRESTRICTED FUNDS

In-Lieu of taxes, unrestricted funds used for general operations of County Road Fund.

NOTE 11 – PRIOR YEAR

Amendment to correct prior year correction, total grant award

NOTE 12 – GRANT PROJECT SHARED

This grant is shared between County Funds.

NOTE 13 – PROJECT CARRYOVER

Large project carryover: Project pending environmental review and permits.

NOTE 14 – INDIRECT COST RATE

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 39.25 percent.

Sheriff's Department: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 12.0 percent.

Prosecutor Department: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 12.0 percent

NOTE 15 – FEMA DISASTER ASSISTANCE

Disaster assistance is usually classified by FEMA as either a "small" or "large" project. Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding for projects. As with other federal awards, grantees should report the disaster-related costs in the year they are incurred.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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