Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Kittitas County

For the period January 1, 2014 through December 31, 2014

Published September 28, 2015

Report No. 1015199

Washington State Auditor's Office

September 28, 2015

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,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

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Kittitas County
January 1, 2014 through December 31, 2014

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 identified 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
10.665	Schools and Roads - Grants to States
20.205	Highway Planning and Construction

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

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

Kittitas County
January 1, 2014 through December 31, 2014

2014-001 Kittitas County's internal controls over financial statement preparation are inadequate to ensure accurate reporting.

Background

Board members, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. It is the responsibility of the County to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

We identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- County personnel preparing the financial statements did not use the correct supporting documentation when calculating and reporting capital asset activity on the Government Wide Statement of Net Position.
- Although the County independently reviewed the financial statements prepared for audit, the review was not effective or sufficiently detailed to ensure the financial statements were accurate. The individual responsible for reviewing the capital assets on the Statement of Net Position was not available to perform a final review of this activity prior to submission of the statements.

Cause of Condition

While the County has established controls over capital assets, it did not dedicate the time and resources necessary to ensure capital assets were presented correctly on the Government Wide Statement of Net Position.

Effect of Condition

The County's financial statements contained misstatements that were not detected by County staff. Our audit identified one significant misstatement. The County incorrectly classified $4,034,910 of gravel roads as intangible assets instead of infrastructure and $5,278,025 of easements and right of way as intangible assets instead of land in the Government Wide Statement of Net Position.

The County subsequently corrected this error.

Recommendation

We recommend County establish ongoing, consistent internal controls over its financial reporting, to include the following:

- Establish an effective review process of the financial statements by a person knowledgeable of Generally Accepted Accounting Principles (GAAP) and Budgeting, Accounting and Reporting Systems (BARS) reporting requirements to ensure accurate reporting of the County's financial statements.
- Establish and implement monitoring and oversight procedures to ensure staff responsible for reviewing the financial statements verifies the statements are in compliance with GAAP and BARS reporting requirements.

County's Response

We want to thank the State Auditor for their time in conducting the 2014 financial audit. Our goal is to receive the required information from all county departments in a timely manner allowing us to provide an adequate review of the Comprehensive Annual Financial Report before the submission of an accurate and timely report.

Auditor's Remarks

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

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

> The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Government Auditing Standards, July 2007 Revision - Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

> a. Significant deficiency: 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.
>
> b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Budgeting, Accounting and Reporting System (BARS) manual – Accounting, Accounting Principles and General Procedures, Internal Control, states in part:

> Management and the governing body are responsible for the government's performance, compliance, and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics, states:

> The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

The reports shall be certified as to their correctness by the state auditor, the state auditor's deputies, or other person legally authorized to make such certification.

Their substance shall be published in an annual volume of comparative statistics at the expense of the state as a public document

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, 2014 through December 31, 2014

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, 2014, 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 22, 2015.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2014-001 that we consider to be significant deficiencies.

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*.

COUNTY'S REPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 22, 2015

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, 2014 through December 31, 2014

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, 2014. 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, 2014.

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.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 22, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kittitas County
January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 19.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of December 31, 2014, 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.

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 20 through 30, budgetary comparison information on pages 83 through 85, information on postemployment benefits other than pensions on page 86 and infrastructure modified approach information on pages 87 through 91 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 22, 2015 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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 22, 2015

FINANCIAL SECTION

Kittitas County
January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Activities – 2014
Balance Sheet – Governmental Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014
Statement of Net Position – Proprietary Funds – 2014
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014
Statement of Cash Flows – Proprietary Funds – 2014
Statement of Net Position – Fiduciary Funds – 2014
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014
Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund - 2014
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – County Road – 2014
Notes to Budgetary Information Schedule – 2014
LEOFF I Retiree Medical Benefits – Schedule of Funding Progress - 2014
Information about Infrastructure Assets Reported Using the Modified Approach – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

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, 2014, 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, 2014 by over $125.8 million. Net Investment in capital assets (net of depreciation and related debt) account for 64% of this amount, with a value of $81.1 million. Of the remaining Net Position, $8.5 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.

- As of December 31, 2014 Kittitas County's government activities reported combined ending Net Position of $117.6 million. Of that amount, $77.0 million is Investment in Capital Assets.

- Fund Balance for the General Fund at December 31, 2014 was $10.5 million.

- Fund Balance for the County Road Fund at December 31, 2014 was $15.7 million.

- The County's total long term debt at December 31, 2014 was $14.5 million. The County's remaining debt capacity for non-voted debt is at $71.97 million. The Solid Waste Landfill Post-Closure liability costs are $1.13 million.

- The General Fund's fund balance decreased 3.5% over 2013, showing a decrease of ($368,065). The amount of unrestricted funds is $3.29 million. This decrease in fund balance is due to the construction projects that had cost overruns; including the Upper District Court Building, Armory and the County's share of an Energy grant to install energy efficient lights throughout all the buildings, upgrade the elevators and a building retrofit over the East wing of the courthouse.

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 2014. 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 2014, 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 2014.

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

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

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 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, 2014, with 2013 comparative balances.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current Assets	$46,414,204	$46,334,246	$5,753,404	$5,845,333	$52,167,608	$52,179,579
Capital Assets	86,227,425	84,631,104	4,613,094	4,558,609	90,840,519	89,189,712
Total Assets	132,641,629	130,965,351	10,366,498	10,403,943	143,008,127	141,369,293
Liabilities						
Other liabilities	2,468,981	2,668,142	226,417	460,368	$2,695,398	3,128,510
Long-term liabilities	12,573,401	12,285,336	1,950,542	1,825,086	14,523,944	14,110,422
Total Liabilities	15,042,382	14,953,478	2,176,960	2,285,453	$17,219,342	17,238,931
Net Position						
Investment in Capital Assets	77,051,529	74,785,338	4,013,093	3,883,608	81,064,622	78,668,945
Non Spendable	30,544	260,527	0	0	30,544	260,527
Restricted	12,684,817	9,241,694	998,714	633,234	13,683,532	9,874,928
Committed	2,705,549	2,664,176	0	0	2,705,549	2,664,176
Assigned	19,763,977	18,666,429	0	0	19,763,977	18,666,429
Unassigned	5,362,831	10,393,709	3,177,731	3,601,648	8,540,563	13,995,357
Total Net Position	**$117,599,247**	**$116,011,873**	**$8,189,538**	**$8,118,490**	**$125,788,785**	**$124,130,362**

Net Position of the County's governmental activities was $117.6 million. The County's unrestricted Net Position, the part of the Net Position that can be used to finance day-to-day operations $5.36 million.

Statement of Activities

For fiscal year ended December 31, 2014, the revenues from primary governmental activities totaled $39.4 million. Property taxes are the largest revenue source at $13.2 million, while Charges for Services are the second largest at $8.5 million.

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

The expenses for governmental activities totaled $37.7 million. Public Safety was the county's highest commitment at $10.41 million; General Government is the seconded highest expense for 2014 with $9.29 million.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues: Program Revenues:						
Charges for Services	$8,506,119	$7,157,446	$4,772,810	$4,657,994	$13,278,929	$11,815,439
Operating Grants	4,638,879	6,017,473	0	0	4,638,879	6,017,473
Capital Grants	123,482	367,246	0	10,837	123,482	378,083
General Revenues:						
Property Taxes	13,198,114	12,115,316	0	0	13,198,114	12,115,316
Sales Taxes	6,844,132	6,785,010	0	0	6,844,132	6,785,010
Other Taxes	4,367,118	4,925,174	0	0	4,367,118	4,925,174
Unrestricted Grants & Contributions	845,070	780,543	0	0	845,070	780,543
Unrestricted Investment Earnings	837,664	947,859	3,218	4,856	840,882	952,715
Proceeds on Disposition of Capital Assets	85,554	22,944	0	0	85,554	22,944
Total Revenues	**$39,446,132**	**$39,119,012**	**$4,776,028**	**$4,673,687**	**$44,222,160**	**$43,792,699**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Expenses:						
Judicial	$2,780,081	$2,714,872	0	0	$2,780,081	$2,714,872
General Government	9,294,818	7,788,544	0	0	9,294,818	7,788,544
Public Safety	10,412,970	9,364,079	0	0	10,412,970	9,364,079
Physical Environment	741,028	506,401	0	0	741,028	506,401
Transportation	9,215,814	9,194,874	0	0	9,215,814	9,194,874
Economic Environment	648,897	992,246	0	0	648,897	992,246
Mental & Public Health	2,391,916	2,396,732	0	0	2,391,916	2,396,732
Culture & Recreation	1,920,730	1,968,976	0	0	1,920,730	1,968,976
Interest on Long Term Debt	301,162	315,423	0	0	301,162	315,423
Garbage & Solid Waste	0	0	3,336,810	3,239,146	3,336,810	3,239,146
Community Development Services	0	0	1,467,169	1,276,174	1,467,169	1,276,174
Total Expenses	**$37,707,415**	**$35,242,148**	**$4,803,979**	**$4,515,320**	**$42,511,395**	**$39,757,467**
Excess (Deficiency) before Special Items and Transfers						
Change in Net Position	**1,638,716**	**2,973,605**	**72,048**	**1,061,625**	**1,710,764**	**4,035,231**
Net Position as of January 1	**116,011,873**	**113,229,482**	**8,118,490**	**7,056,864**	**124,130,362**	**120,286,347**
Prior Year Adjustments	(51,342)	(191,214)	(1,000)	0	(52,342)	(191,214)
Net Position as of December 31	**$117,599,247**	**$116,011,873**	**$8,189,538**	**$8,118,490**	**$125,788,785**	**$124,130,363**

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 2014. Together these funds account for 75% of the total government assets and 73% of the total government fund balance. As of December 31, 2014, the county's government funds reported combined fund balances nearly $35.73 million. Of this total amount, $3.29 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	30,544
Restricted	9,944,349
Committed	2,705,549
Assigned	19,763,977
Unassigned	3,281,451

In the total Assets, the Cash and Investments have increased from the previous year by $5.56 million; and receivables have decreased by $91,922 and the due from other Governmental decreased by $1.77 million. The net change in all assets is a 7.8% increase.

In the total Liabilities, the biggest increase is the Due to other funds by $2.14 million, due to the interfund loan. The net change in all liabilities is 96.8% increase.

Governmental Funds	2014	2013	Net Change
Total Assets	44,429,326	41,205,562	3,223,764
Total Liabilities	5,540,470	2,814,885	2,725,585
Total Fund Balance	35,725,869	35,259,317	466,552

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2014 was ($368,065). The net change in the County Road fund was a $1,122,900. Governmental funds had an overall net change in fund balance of $517,894 for 2014. The changes in fund balances are due to construction projects completion of the projects that are funded through the GO & Refunding Bond monies.

The overall changes in Governmental Revenues were 1% increase. The biggest change in the revenues occurred in Intergovernmental Revenues with a 10% decrease; 2013 $11.12 million compared to $10.00 million in 2014; showing a decrease of $1.12 million.

The overall expenditures increased 2% from 2013. The biggest change in expenses was in Transportation-Capital which increased $4.45 Million.

Governmental Funds	2014	2013	Net Change
Revenues	39,568,890	39,157,317	411,573
Expenditures	(38,955,025)	(38,168,684)	(786,341)
Other Financing Sources	(95,971)	(880,314)	784,343
Net Change in Fund Balance	517,894	108,319	409,575
Fund Balance Beginning	35,259,317	35,150,999	108,318
Prior Year Adjustments	(51,342)	0	(51,342)
Fund Balance Ending	35,725,869	35,259,317	466,552

Enterprise Funds Net Position Analysis

The Net Position of the Solid Waste fund as of December 31, 2014 was $7.34 million; with $2.38 million in unrestricted funds. The Net Position of the Community Development

Services fund as of December 31, 2014 was $846,793. This fund was created January 1, 2013, moving from the General Fund. The internal service funds have net position in the amount of $9.09 million.

Enterprise Funds Revenue/Expenditure Analysis

The Solid Waste fund collected $3.51 million in revenues and had an operating expense of $3.37 million showing a net gain of $139,274. The changes in net position for 2014 after non-operating revenues and expenses are $174,030.

The Community Development Services fund collected $1.27 million in revenues and had an operating expense of $1.44 million showing a net loss of ($176,629). The changes in net position for 2014 after non-operating and expense are ($101,982).

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, 2014.

	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	10,858,130	10,858,130	-
Licenses & Permits	112,800	115,400	2,600
Intergovernmental	3,069,573	3,804,616	735,043
Charges for Services	1,879,527	2,542,985	663,458
Fines & Forfeits	1,674,300	1,674,300	-
Miscellaneous	1,474,102	1,503,647	29,545
Total Revenues	**19,068,432**	**20,499,078**	**1,430,646**
Expenditures			
General Governmental	6,970,864	8,374,710	1,403,846
Judicial	2,650,286	2,633,988	(16,298)
Security of Persons and Property	8,217,436	9,021,850	804,414
Physical Environment	71,759	81,148	9,389
Transportation	3,717	3,717	-
Economic Environment	300,245	399,320	99,075
Mental & Physical Health	33,595	48,923	15,328
Culture & Recreation	1,222,091	1,434,069	211,978
Debt Service	113,425	113,425	-
Capital Outlay	362,713	1,394,063	1,031,350
Total Expenditures	**19,946,131**	**23,505,213**	**3,559,082**
Excess (Deficit) Revenues over Expenditures	(877,699)	(3,006,135)	(2,128,436)
Other Financing Sources (Uses)			
Restitution	500	500	-
Other Loan Proceeds	-	2,581,570	2,581,570
Sale of Fixed Assets	3,000	6,613	3,613
Transfers In	150,000	167,206	17,206
Transfers Out	(422,901)	(1,258,541)	(835,640)
Total Other Financing Sources (Uses)	**(269,401)**	**1,497,348**	**1,766,749**
Net Change in Fund Balance	(1,147,100)	(1,508,787)	(361,687)
Fund Balance, January 1	5,864,711	6,286,398	421,687
Fund Balance, December 31	**4,717,611**	**4,777,611**	**60,000**

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:

General Government - $1,403,846 increase in the purchase of water trust banks and increase in maintenance and repair costs
Security of Persons & Property – $804,414 for grants awarded to the County.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately $20.49 million and total revenues received $21.7 million, or 6% above budget. The specific changes to report are taxes and charges for services. 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 charges for services are above up because of charges increased in the Sheriff and Treasurers offices.

The General Fund budgeted expenses vs. actual came in at 11% under budget. The biggest unspent budget was Security of Persons and Property, due to reduction in filled positions and contracted services.

	Final Budget	**Actual**	**Variance with Final Budget Positive (Negative)**
Revenues			
Taxes	10,858,130	11,816,194	958,064
Licenses & Permits	115,400	148,561	33,161
Intergovernmental	3,804,616	3,860,146	55,530
Charges for Services	2,542,985	2,853,211	310,226
Fines & Forfeits	1,674,300	1,492,388	(181,912)
Miscellaneous	1,503,647	1,619,894	116,247
Total Revenues	**20,499,078**	**21,790,394**	**1,291,316**
Expenditures			
General Governmental	8,374,710	7,360,157	1,014,553
Judicial	2,633,988	2,537,110	96,878
Security of Persons and Property	9,021,850	7,611,876	1,409,974
Physical Environment	81,148	105,711	(24,563)
Transportation	3,717	-	3,717
Economic Environment	399,320	296,040	103,280
Mental & Physical Health	48,923	43,376	5,547
Culture & Recreation	1,434,069	1,369,638	64,431
Debt Service	113,425	102,945	10,480
Capital Outlay	1,394,063	1,582,751	(188,688)
Total Expenditures	**23,505,213**	**21,009,604**	**2,495,609**
Excess (Deficit) Revenues over Expenditures	**(3,006,135)**	**780,790**	**3,786,925**
Other Financing Sources (Uses)			
Restitution	*500*	*208*	*(292)*
Other Loan Proceeds	*2,581,570*	-	*(2,581,570)*
Sale of Fixed Assets	6,613	3,519	(3,094)
Transfers In	167,206	167,206	-
Transfers Out	(1,258,541)	(1,319,789)	(61,248)
Total Other Financing Sources (Uses)	**1,497,348**	**(1,148,856)**	**(2,646,204)**
Net Change in Fund Balance	(1,508,787)	(368,066)	1,140,721
Fund Balance, January 1	6,286,398	10,895,251	4,608,853
Fund Balance, December 31	**4,777,611**	**10,527,185**	**5,749,574**

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, 2014, amounts to over $90.8 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 Upper District Court and Armory buildings being move to an asset in the amount of $2.77 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 total outstanding liabilities as of December 31, 2014 of approximately $14.5 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.

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 2013 ending fund balance for the General fund was $10.89 million and the ending 2014 fund balance was $10.52 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 2015 from 2014 by 8 positions, primarily in the Community Development Services Department and the newly established elected Coroner position.

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, 2014

		Governmental Activities		Business-type Activities		Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash & cash equivalents	$	18,306,765	$	2,493,955	$	20,800,720
Investments		21,471,968		1,998,460		23,470,428
Receivables (net)		3,115,333		298,614		3,413,947
Internal Balances		(162,613)		162,613		-
Inventories		465,596		-		465,596
Due from other Governmental		3,204,525		61,462		3,265,987
Prepaid items		12,629		200		12,829
Cash restricted						
Cash-landfill closure & postclosure		-		116,932		116,932
Investments restricted for landfill closure & postc		-		621,169		621,169
Capital Assets (net of accumulated depreciation)						
Land, and non-depreciable infrastructure		13,107,053		280,439		13,387,492
Intangible Assets		2,673,148		39,704		2,712,852
Buildings		23,965,103		683,799		24,648,902
Improvements		1,308,278		2,899,835		4,208,113
Equipment		3,898,876		709,318		4,608,194
Infrastructure		37,992,502		-		37,992,502
Construction in progress		3,282,464		-		3,282,464
Total Assets	$	132,641,629	$	10,366,498	$	143,008,127
Deferred outflow of Resources		-		-		-
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		**132,641,629**		**10,366,498**		**143,008,127**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Accounts payable and accrued exp.	$	2,001,335	$	226,417	$	2,227,753
Unearned revenue		2,969		-		2,969
Other current liabilities		464,676		-		464,676
Liabilities payable from restricted assets		-		-		-
Non-Current Liabilities:						
Other Long Term Debt						
Due within one year		754,871		127,073		881,944
Due in more than one year		11,811,332		1,823,469		13,634,801
Miscellaneous		7,199		-		7,199
Total Liabilities	$	15,042,382	$	2,176,960	$	17,219,342
Deferred Inflows of Resources		-		-		-
COMBINED LIABILITES AND DEFERRED INFLOWS OF RESOURCES		15,042,382		2,176,960		17,219,342
NET POSITION						
Net Investment in Captial Assets	$	77,051,529	$	4,013,093	$	81,064,622
Fund Balance						
Non Spendable		30,544		-		30,544
Restricted		12,684,817		998,714		13,683,532
Committed		2,705,549		-		2,705,549
Assigned		19,763,977		-		19,763,977
Unassigned/Unrestricted		5,362,831		3,177,731		8,540,563
Total Net Position	$	117,599,247	$	8,189,538	$	125,788,785

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

KITTITAS COUNTY, WASHINGTON

Statement of Activities
For the Year ended December 31, 2014

		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	$ 2,780,081	$ 1,864,903	$ 686,032	$ -	$ (229,146)	$ -	$ (229,146)
General Government	9,294,818	2,803,523	256,041	-	(6,235,255)	-	(6,235,255)
Public Safety	10,412,970	2,367,040	256,422	-	(7,789,508)	-	(7,789,508)
Physical Environment	741,028	186,682	84,580	-	(469,766)	-	(469,766)
Transportation	9,215,814	229,337	1,930,793	-	(7,055,684)	-	(7,055,684)
Economic Environment	648,897	670,404	82,296	123,482	227,285	-	227,285
Mental & Physical Health	2,391,916	152,084	1,342,716	-	(897,116)	-	(897,116)
Culture & Recreation	1,920,730	232,147	-	-	(1,688,583)	-	(1,688,583)
Interest on long-term debt	301,162	-	-	-	(301,162)	-	(301,162)
Total Government Activities	$ 37,707,415	$ 8,506,119	$ 4,638,879	$ 123,482	$ (24,438,936)	$ -	$ (24,438,936)
Business-type Activities:							
Garbage & Solid Waste	$ 3,336,810	$ 3,507,622	$ -	$	$	$ 170,812	$ 170,812
Community Development Services	1,467,169	1,265,187	-	-	-	(201,982)	(201,982)
Total Business-Type Activities	$ 4,803,979	$ 4,772,810	$ -	$ -	$ -	$ (31,169)	$ (31,169)
Total Primary Government	$ 42,511,395	$ 13,278,929	$ 4,638,879	$ 123,482	$ (24,438,936)	$ (31,169)	$ (24,470,105)
General Revenues:							
Property Taxes					$ 13,198,114	$ -	$ 13,198,114
Sales Taxes					6,844,132	-	6,844,132
Other Taxes					4,367,118	-	4,367,118
Unrestricted Grants & Contributions					845,070	-	845,070
Unrestricted Investment Earnings					837,664	3,218	840,882
Proceeds on Disposition of Captial Assets					85,554	-	85,554
Transfers					(100,000)	100,000	-
Total General Revenues, Special Items & Transfers					**$ 26,077,651**	**$ 103,218**	**$ 26,180,869**
Change in Net Position					**$ 1,638,716**	**$ 72,048**	**$ 1,710,764**
Net Position as of January 1					$ 116,011,873	$ 8,118,490	$ 124,130,362
Prior year adjustment					(51,342)	(1,000)	(52,342)
Net Position as of December 31					$ 117,599,247	$ 8,189,538	$ 125,788,785

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	$ 12,081,802	$ 913,942	$ 4,716,398	$ 17,712,141
Investments	-	14,701,679	5,424,177	20,125,856
Receivables (net)	2,550,509	343,151	215,922	3,109,582
Due from other funds	80,671	154,571	34,323	269,565
Due from Other Governmental	1,550,780	814,064	836,929	3,201,773
Prepaid items	7,388	2,221	800	10,409
Total assets	$ 16,271,150	$ 16,929,627	$ 11,228,548	$ 44,429,326
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued exp.	$ 425,599	$ 634,339	$ 652,754	$ 1,712,693
Payable to other governments	1,630	115,204	92,970	209,804
Due to other funds	2,775,701	192,002	182,251	3,149,954
Interest Payable	375	-	-	375
Unearned revenue	-	55	2,914	2,969
Deposits payable	44,297	7,896	412,483	464,676
Total liabilities	3,247,600	949,497	1,343,372	5,540,470
DEFFERED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	2,496,364	324,424	342,199	3,162,987
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,743,964	1,273,921	1,685,572	8,703,457
FUND BALANCES				
Non Spendable	22,913	3,271	4,360	30,544
Restricted	2,433,789	687,579	6,822,981	9,944,349
Committed	986,142	-	1,719,407	2,705,549
Assigned	3,796,607	14,964,856	1,002,514	19,763,977
Unassigned	3,287,735	-	(6,284)	3,281,451
Total fund balances	10,527,186	15,655,706	9,542,977	35,725,869
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 16,271,150	$ 16,929,627	$ 11,228,548	$ 44,429,326

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	82,182,347
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	3,162,987
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(12,566,202)
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.	9,094,246
Net Position of Governmental Activities	117,599,247

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 7,059,013	$ 4,758,480	$ 1,417,248	$ 13,234,740
Sales	4,736,446	-	2,107,686	6,844,132
Other	20,735	-	1,055,320	1,076,055
Licenses & Permits	148,561	19,548	459,587	627,695
Intergovernmental	3,860,146	4,136,687	2,002,089	9,998,922
Charges for Services	2,853,211	73,662	1,243,775	4,170,649
Fines & Forfeitures	1,492,388	-	31,081	1,523,469
Investment Earnings	814,290	11,686	7,754	833,731
Miscellaneous Revenues	805,603	11,041	442,853	1,259,497
Total revenues	$ 21,790,394	$ 9,011,103	$ 8,767,393	$ 39,568,890
EXPENDITURES				
Current:				
Judicial	$ 2,537,110	$ -	$ 188,110	$ 2,725,220
General Government	7,359,378	354,409	1,147,060	8,860,846
Public Safety	7,611,876	-	2,517,339	10,129,214
Physical Environ	105,711	-	628,853	734,564
Transportation	-	6,105,368	99,058	6,204,426
Health & Human Services	43,376	-	2,330,950	2,374,326
Economic Environment	296,040	-	352,857	648,897
Culture & Recreation	1,369,638	-	349,928	1,719,566
Debt Service:				
Principal	98,070	-	584,891	682,960
Interest/Other Expense	4,875	-	296,287	301,162
Capital Outlay:			-	
General government	1,375,949	-	91,795	1,467,744
Judicial	-	-	5,645	5,645
Public safety	195,585	-	-	195,585
Physical environment	-	-	5,508	5,508
Transportation	-	1,575,638	613	1,576,251
Health & Human services	-	-	31,916	31,916
Economic environment	-	-	-	-
Culture & recreation	11,996	-	1,279,198	1,291,194
Total expenditures	$ 21,009,604	$ 8,035,415	$ 9,910,007	$ 38,955,025
Excess (deficiency) of revenues over (under) expenditures	$ 780,790	$ 975,689	$ (1,142,614)	$ 613,865

Continued on Next Page

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 167,206	$ 147,211	$ 2,001,056	$ 2,315,473
Transfers out	(1,319,789)	-	(1,095,684)	(2,415,473)
Proceeds on Disposition of capital assets	3,728	-	301	4,029
Total other financing sources (uses)	$ (1,148,855)	$ 147,211	$ 905,673	$ (95,971)
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	(368,065)	1,122,900	(236,941)	517,894
Fund balances--beginning	10,895,251	14,583,864	9,780,203	35,259,317
Prior Period Adjustments	-	(51,057)	(285)	(51,342)
Fund balances--ending	$ 10,527,186	$ 15,655,706	$ 9,542,977	$ 35,725,869

Net changes in fund balances for governmental funds		$ 517,894
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	$ 4,573,843	
Depreciation	(3,645,527)	
Reduction Construction in Progress	(2,528,815)	
Addition of Asset from Construction in Progress	2,528,815	
Cost of Assets Sold	(667,319)	
Adjustments to Assets	172,502	433,499
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	682,960	682,960
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		31,626
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.		(212,834)
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.		185,570
Change in Net Position of governmental activities		$ 1,638,716

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Net Position
December 31, 2014

	Solid Waste	Community Development Services	TOTAL Business-type Activities--Enterprise Funds	Governmental Activities-Internal Service funds
ASSETS				
Current assets:				
Cash & cash equivalents	$ 1,699,174	$ 794,781	$ 2,493,955	$ 594,624
Investments	1,998,460	-	1,998,460	1,346,112
Receivables	298,557	57	298,614	5,751
Prepayment for Services	200	-	200	2,220
Due From Funds	21,485	106,841	128,326	143,698
Interfund Loan Receivables	50,000	-	50,000	2,581,570
Inventories	-	-	-	465,596
Due From Other governments	42,066	19,396	61,462	2,753
Total Current Assets	$ 4,109,941	$ 921,075	$ 5,031,016	$ 5,142,324
Noncurrent assets:				
Restricted Cash, Cash Equivalents and Investments:				
Cash restricted for landfill closure & postclosure	116,932	-	116,932	-
Investments restricted for landfill closure & postclosure	621,169	-	621,169	-
Total Restricted Assets	738,101	-	738,101	-
Capital assets:				
Land	280,439	-	280,439	97,707
Intangible Assets	39,704	-	39,704	-
Buildings	1,389,478	-	1,389,478	936,747
Improvements	4,537,967	-	4,537,967	221,046
Equipment	1,501,526	58,855	1,560,381	8,312,298
Construction in progress	-	-	-	47,723
Less Depreciation	(3,185,502)	(9,372)	(3,194,875)	(5,570,443)
Total Capital Assets	$ 4,563,611	$ 49,483	$ 4,613,094	$ 4,045,078
Total Noncurrent Assets	5,301,712	49,483	5,351,195	4,045,078
Total assets	$ 9,411,653	$ 970,558	$ 10,382,211	$ 9,187,402
LIABILITIES				
Current liabilities:				
Accounts payable and accrued exp.	$ 187,499	$ 38,846	$ 226,345	$ 78,358
Due to other funds	6,324	9,389	15,713	7,492
Due to other governments	72		72	107
Unearned Revenue			-	
Landfill Closure Cost	52,073		52,073	
Compensated absences			-	-
Bonds, notes, loans payable	75,000		75,000	-
Total Current Liabilities	$ 320,969	$ 48,234	$ 369,204	$ 85,957
Noncurrent liabilities:				
Compensated absences	$ 140,980	$ 75,831	$ 216,810	$ -
Bonds, notes, loans payable	525,001	-	525,001	-
Condo Reserves	-	-	-	7,199
Landfill Closure Cost	1,081,658	-	1,081,658	-
Total Noncurrent Liabilities	$ 1,747,639	$ 75,831	$ 1,823,469	$ 7,199
Total Liabilities	$ 2,068,608	$ 124,065	$ 2,192,673	$ 93,156
NET POSITION				
Net Investment in Captial Assets	$ 3,963,610	$ 49,483	$ 4,013,093	$ 4,045,078
Restricted Net Assets	998,414	300	998,714	2,740,468
Unrestricted	2,381,021	796,710	3,177,731	2,308,700
Total Net Position	$ 7,343,045	$ 846,493	$ 8,189,538	$ 9,094,246
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	-	-	
Net Position of business-type activities	$ 7,343,045	$ 846,493	$ 8,189,538	$ 9,094,246

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2014

	Solid Waste	Community Development Services	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
OPERATING REVENUES				
Charges for Services:				
Garbage & Solid Waste	$ 3,507,548	$ -	$ 3,507,548	$ -
Other services	-	1,265,187	1,265,187	2,050,217
Total operating revenues	$ 3,507,548	$ 1,265,187	$ 4,772,736	$ 2,050,217
OPERATING EXPENSES				
Operations and Cost of Sales	$ 3,098,130	$ 1,432,744	$ 4,530,874	$ 1,342,586
Administrative,General & Maintenance	-	-	-	94,042
Depreciation	270,144	9,072	279,216	513,870
Total operating expenses	$ 3,368,274	$ 1,441,816	$ 4,810,090	$ 1,950,498
Operating income (loss)	$ 139,274	$ (176,629)	$ (37,354)	$ 99,719
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	$ 3,218	$ -	$ 3,218	$ 3,933
Debt Interest Expense	(3,375)	-	(3,375)	-
Gain (loss) on Disposition of Capital Assets	74	-	74	81,525
Landfill Closure Revenues (Cost)	46,280	-	46,280	-
Miscellaneous nonoperating revenues (expenses)	(11,441)	(25,353)	(36,794)	393
Total non-operating income (expense)	$ 34,756	$ (25,353)	$ 9,403	$ 85,852
Income before contributions & transfers	$ 174,030	$ (201,982)	$ (27,952)	$ 185,570
Capital Contribuitons	-	-	-	-
Transfers In	-	100,000	100,000	-
Change in net assets	$ 174,030	$ (101,982)	$ 72,048	$ 185,570
Net Position--beginning	7,170,015	948,475	8,118,490	8,908,675
Prior Period Adjustment	(1,000)	-	(1,000)	-
Net Position--ending	$ 7,343,045	$ 846,493	$ 8,189,538	$ 9,094,246

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2014

	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	$ 3,521,481	$ 1,614,961	$ 5,136,442	$ 2,061,298
Cash payments to suppliers	(3,125,354)	(1,684,554)	(4,809,909)	(1,465,249)
Net cash provided (used) by operating activities	**$ 396,127**	**$ (69,593)**	**$ 326,534**	**$ 596,049**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer from Other Funds	$ -	$ 100,000	$ 100,000	$ -
Cash Received (Paid) on loans from other funds	50,000	-	50,000	-
Non-Operating Rents and Charges	-	-	-	393
Net cash provided from noncapital activities	**$ 50,000**	**$ 100,000**	**$ 150,000**	**$ 393**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Sale of Capital Assets	$ 74	$ -	$ 74	$ 81,525
Payments for Capital Acquisition	(283,867)	(49,834)	(333,701)	(1,676,691)
Payment on Long Term Debt	(75,000)	-	(75,000)	-
Capital Contributions	-	-	-	-
Net cash provided (used in) capital financing activities	**$ (358,793)**	**$ (49,834)**	**$ (408,627)**	**$ (1,595,166)**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Interest	$ 3,542	$ -	$ 3,542	$ 3,965
Interfund Loans Receivable	-	-	-	(2,581,570)
Prior Year Adjustment Cash in Bank	(1,000)	-	(1,000)	
Proceeds Reserves Condominium	-	-	-	7,198
Purchase of Investment	(983)	-	(983)	2,696,035
Net cash flows from investing activities	**$ 1,559**	**$ -**	**$ 1,559**	**$ 125,628**
Net increase (decrease) in cash and cash equivalent	$ 88,893	$ (19,427)	$ 69,466	$ (873,096)
Cash and cash equivalents at beginning of year	$ 1,727,212	$ 814,208	$ 2,541,420	$ 1,477,221
Cash and cash equivalents at end of year	**$ 1,816,106**	**$ 794,781**	**$ 2,610,887**	**$ 604,124**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Net operating income (loss)	$ 135,899	$ (176,629)	$ (40,729)	$ 99,719

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

		Solid Waste		Community Development Services		TOTAL Business-type Activities-- Enterprise Funds		Governmental Activities
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Depreciation expense	$	270,144	$	9,072	$	279,216	$	513,870
(Increase) decrease in Accounts Receivable		(72,527)		(57)		(72,584)		(4,948)
(Increase) decrease in Due from other Funds		32,323		277,667		309,990		(16,108)
(Increase) decrease in Due from other Governmental		54,136		72,164		126,301		32,138
(Increase) decrease in Prepayment for Services		1,290		-		1,290		1,492
Increase (decrease) in Salaries payable		5,674		-		5,674		-
Increase (decrease) in Vouchers Payable		17,209		(50,020)		(32,811)		-
Increase (decrease) in Unearned Revenue		-				-		(3,287)
Increase (decrease) in Due to other Funds		(51,152)		(201,790)		(252,942)		(27,811)
Increase (decrease) in Inventory		-		-		-		25,953
Increase (decrease) in Payables		-		-		-		(25,068)
Increase (decrease) in Due to other Governments		-		-		-		99
Increase (decrease) in Taxes Payable		3,130		-		3,130		-
Total Adjustments	**$**	**260,228**	**$**	**107,035**	**$**	**367,263**	**$**	**496,330**
Net cash provided by operating activities	**$**	**396,127**	**$**	**(69,593)**	**$**	**326,534**	**$**	**596,049**

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

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Position
December 31, 2014

	Private Purpose Trust	Agency Funds
ASSETS		
Cash/Petty Cash	$ 5,216	$ 10,494,632
Cash with Fiscal Agency	-	149,733
Investments	1,960	28,951,612
Taxes Receivable	-	2,788,402
Other Receivables	0	-
TOTAL ASSETS	$ 7,176	$ 42,384,379
DEFERRED OUTFLOWS of RESOURCES		
LIABILITIES		
Warrants Payable	$ -	$ 2,565,843
Salary/Vouchers Payable	-	456,427
Custodial Accounts	-	36,573,707
TOTAL LIABILITIES	$ -	$ 39,595,977
DEFERRED INFLOWS of RESOURCES		
Deferred Inflows of Resources - Taxes	-	2,788,402
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	42,384,379
NET POSITION		
Held in Trust for Other Purposes	$ 7,176	$ 0
Total Net Position	$ 7,176	$ 0

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

KITTITAS COUNTY, WASHINGTON

Statement of Change in Fiduciary Net Position
Private Purpose Trust
For the Year Ended December 31, 2014

		Private Purpose Trust
Additions		
Investment Earnings	$	2
Miscellaneous Revenues		-
Total Additions	$	2
Deductions		
Culture & Recreation	$	-
Total Deductions	$	-
Change in Net Position		2
Net Position--beginning		7,174
Net Position--ending	$	7,176

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

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. In the Proprietary funds, Solid Waste is considered a major fund but we choose to report both Solid Waste and Community Development Services. 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 & Assessment receivables consist of property taxes and related interest and penalties, see Property Taxes Note 5. Taxes and Assessment receivables 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. The amount of the inventory will be recorded as reserved in Net Position.

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
  - Vacation - accumulated to a total of 30 working days
  - Sick - accumulated to a total of 132 working days
- Local 760 - Misdemeanant Probation
  - Vacation - accumulated to a total of 30 working days
  - Sick - accumulated to a total of 140 working days

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

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

<u>Non-spendable Fund Balance:</u>

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.

Fund Balance Actuals

The following is the classifications for the Governmental funds fund balances as of December 31, 2014:

	General Fund	Road Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	7,388	2,221	800	10,409
Petty Cash	15,525	1,050	3,560	20,135
Total Nonspendable	**22,913**	**3,271**	**4,360**	**30,544**
Restricted for:				
Law & Justice	2,383,789	-	-	2,383,789
Paths Trails	-	120,095	-	120,095
Information Technology	50,000	-	-	50,000
Special Revenue	-	567,484	5,414,365	5,981,849
Construction Performance Bond	-	-	949	949
206 CRID 96-1 Bond	-	-	315,637	315,637
CRID Guaranty Fund	-	-	7,079	7,079
Other Capital Projects	-	-	1,084,951	1,084,951
Total Restricted	**2,433,789**	**687,579**	**6,822,981**	**9,944,349**
Committed to:				
Vehicle Replacement	838,725	-	-	838,725
Special Revenue	-	-	1,701,261	1,701,261
County Capital Improvements	147,417	-	-	147,417
Rodeo Grounds Capital Improvements	-	-	18,145	18,145
Total Committed	**986,142**	**-**	**1,719,407**	**2,705,549**
Assigned to:				
Rainy Day	663,419	-	-	663,419
NY Budget	3,133,188	-	-	3,133,188
Special Revenue	-	14,964,856	1,002,514	15,967,370
Equipment Reserve			-	-
Total Assigned	**3,796,607**	**14,964,856**	**1,002,514**	**19,173,977**
Unassigned	**3,287,735**	**-**	**-6,284**	**3,281,451**
Total Fund Balance	**10,527,186**	**15,655,706**	**9,542,977**	**35,725,869**

There are three funds that have a negative fund balances. Those funds are debt service and capital type funds.

Fund	Amount	Explanation
2010 GO Refunding Bond Fund	-53.64	There was a debt expense that was paid in 2014
County Refund Fund	-5,643.98	Outstanding Interfund Loan due to the General Fund, due to refund in tax liability
Courthouse Jail Construction Fund	-586.73	The transfer in from the General Fund did not occur until 2015
Total	**6,284.35**	

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, 2014 Total Fund Balance	$35,725,869
Capital assets used in governmental activities are not financial resources and are not reported in the funds	$82,182,347
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	$3,162,987
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	$(12,566,202)
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	$9,094,246
Net adjustment to increase total governmental funds to arrive at net position-governmental activities	$117,599,247

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, 2014 Net Changes in Fund Balances for Governmental Funds		517,894
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	$4,573,843	
Depreciation	(3,645,527)	
Reduction Construction in Progress	(2,528,815)	
Addition of Asset from Construction in Progress	2,528,815	
Cost of Assets Sold	(667,319)	
Adjustments to Assets	172,502	433,499
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	682,960	682,960
Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds		31,626
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		(212,834)
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		185,570
Change in Net Position of governmental activities		$1,638,716

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, 2014, the treasurer was holding $13,673,871.46 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.

As of December 31, 2014, the County had the following investments:

Investment Maturities	Fair value of Investments
State Investment Pool	$66,719,041.13
U.S. Government Securities	$499,949.33
Total	$67,218,990.46
Less Co. Residual	($13,673,871.46)
Net Investments	$53,545,119.00

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	14,248,108.01
Special Revenue-Non Major	5,138,872.06
Debt Service	322,696.70
Capital Projects	416,179.64
Total Governmental Funds	**$20,125,856.41**
Proprietary Fund	2,619,628.73
Internal Service Funds	1,346,112.07
Total Proprietary Funds	**$3,965,740.80**
Agency Funds	28,953,572.46
TOTAL	**$55,741,204.65**

Balance Sheet – Governmental Funds				
	General Fund	**County Road**	**Other Governmental Funds**	**Total Governmental Funds**
Assets				
Investments	$ -	$14,701,679	$5,424,177	$20,125,856

Proprietary Funds Statement of Net position		
	Business-type Activities Enterprise Funds	**Governmental Activities Internal Service Funds**
Assets		
Investments	$2,618,629	$1,346,112

Agency Funds Combining Balance Sheet	
Assets	
Investments	$28,953,572

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 2013 for the 2014 tax County levied the following property taxes on an assessed value of $5,629,046,903. The Road district property value assessed was $3,992,232,185.

Fund	Levy	Amount
General fund	1.206335	$6,790,516.30
Mental Health	.026894	151,387.59
Veterans Relief	.007994	44,998.60
Total General fund Levy*	**1.241223**	**$6,986,902.48**
Road Levy	1.176264	$4,695,919.00
County Road Diverted	.050097	199,998.86
Total Road Levy*	**1.226361**	**$4,895,917.85**
Flood Control Regular Levy	.071750	403,884.12
GRAND TOTAL	**2.485084**	**$12,286,704.45**

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is shown by asset type in the following table. The largest decrease occurred under Government Activities for construction in progress with the completion of the Armory remodel being moved to an asset in the amount of $3,098,225, the completion of Upper District Court remodel in the amount of $652,025, and the completion of the Handicap ramp in the amount of $58,542. The largest increase occurred under Government Activities for purchase of Water Banks in the amount of $1,055,624 and the improvement to the windows in the Treasurer and Assessor Offices in the amount of $244,996.

GOVERNMENT ACTIVITES (including Internal Service Funds)	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	3,742,637	51,481	0	0	3,794,118
Infrastructure - Gravel Roads*	4,034,910	0	0	0	4,034,910
Land - Easements & Right of Ways	5,165,297	112,728	0	0	5,278,025
Intangible Assets	1,520,084	97,440	0	0	1,617,524
Intangible Assets - Water Banks	0	1,055,624	0	0	1,055,624
Construction in Progress	5,284,477	777,315	2,779,328	0	3,282,464
Total	**19,747,406**	**2,094,587**	**2,779,328**	**0**	**19,062,665**
Assets Being Depreciated					
Buildings & Improvement	32,186,308	4,243,617	0	0	36,429,925
Improvements	2,359,686	116,576	0	0	2,476,262
Equipment	11,613,185	1,970,833	756,491	-17,865	12,809,662
Infrastructure	144,664,872	794,617	200,821	0	145,258,668
Total	**190,824,051**	**7,125,643**	**957,312**	**-17,865**	**196,974,517**
Grand Total	**210,571,457**	**9,220,231**	**3,736,641**	**-17,865**	**216,037,182**
Less accumulated depreciation for:	Beginning Balance	Increase	Decrease		Ending Balance
Buildings & Improvements	11,495,320	969,502	0	0	12,464,822
Improvements	996,239	171,745	0	0	1,167,984
Equipment & Machinery	8,792,211	884,045	747,605	17,865	8,910,786
Infrastructure	104,656,582	2,623,273	13,690	0	107,266,165
Total	**125,940,353**	**4,648,565**	**761,295**	**17,865**	**129,809,757**
Total Government Activities, net	**84,631,105**	**4,571,665**	**2,975,345**	**0**	**86,227,425**

BUSINESS TYPE ACTIVITIES	Beginning Balance	Increase	Decrease		Ending Balance
Assets not being depreciated					
Land	280,439	0	0	0	280,439
Intangible Assets	39,704	0	0	0	39,704
Construction in Progress	0	0	0	0	0
Total	**320,142**	**0**	**0**	**0**	**320,142**
Assets Being Depreciated					
Buildings & Improvement	1,389,478	0	0	0	1,389,478
Improvements	4,513,633	24,334	0	0	4,537,967
Equipment	1,251,015	309,366	0	0	1,560,381
Total	**7,154,125**	**333,701**	**0**	**0**	**7,487,826**
Grand Total	**7,474,268**	**333,701**	**0**	**0**	**7,807,968**
Less accumulated depreciation for:	**Beginning Balance**	**Increase**	**Decrease**		**Ending Balance**
Buildings & Improvements	653,664	52,015	0	0	705,679
Improvements	1,537,243	100,889	0	0	1,638,132
Equipment & Machinery	724,751	126,312	0	0	851,063
Total	**2,915,659**	**279,216**	**0**	**0**	**3,194,875**
Business Activities Capital Assets, net	**4,558,609**	**54,485**	**0**	**0**	**4,613,094**

B. ADJUSTMENTS

The Governmental Activities shows in the adjustment column $17,865 as a decrease. This is an adjustment to remove a duplicate entry of a vehicle. Seven vehicles were transferred between funds in the amount of $190,368 as follows:

Transfer To		Transfer From				
		Public Safety	Health and Human Services	Economic Environment	Culture and Recreation	Total
	General Fund	$82,785		$16,826	$69,561	**$190,368**
	Noxious Weed		$21,196			
	Total	**$82,785**	**$21,196**	**$16,826**	**$69,561**	**$190,368**

C. DEPRECIATION EXPENSE

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

Government Activities	
Function/Program	Amount
Government activities	$750,121
Judicial Services	37,785
Public Safety	138,547
Physical Environment	26,344
Transportation	3,452,146
Health and Human Service	9,692
Economic Environment	0
Culture and Recreation	233,931
Total	**$4,648,565**

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	$270,144
Community Development Services	9,072
Total	**$279,216**

*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.

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, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Nonvested	101,191
Total	**368,272**

B. <u>Funding Policy</u>

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, 2014, 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
2014	$ 23,799	$ 810,762	$ 143,652
2013	$ 28,682	$ 700,387	$ 119,798
2012	$ 26,008	$ 587,185	$ 104,601

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

A. <u>Plan Description</u>

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, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members Nonvested	1,600
Total	**29,640**

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 2014, the state contributed $55.6 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, 2014, 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
2014	$ 0	$ 142,941
2013	$ 0	$ 113,196
2012	$ 0	$ 116,685

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

A. <u>Plan Description</u>

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 2014, 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, 2013:

Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	119
Active Plan Members Vested	4,513
Active Plan Members Nonvested	1,383
Total	**6,058**

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, 2014, 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
2014	$ 128,991
2013	$ 103,353
2012	$ 89,149

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

Kittitas County remains one of several Washington counties that are members of the Washington Counties Risk Pool ("Pool" or "WCRP"). The others include: Adams, Benton and Chelan, Clallam, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Lewis, Mason and Okanogan, Pacific, Pend Oreille, San Juan and Skagit, Skamania, Spokane, Thurston and Walla Walla, Whatcom and Yakima Counties.

Clark, Kitsap, Klickitat and Whitman Counties were Pool members. Clark had its membership cancelled by the Pool's Board of Directors effective April 29, 2014. The others voluntarily terminated their memberships effective October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was "Created *by* Counties *for* Counties" in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP's foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington ("RCW"), "to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services."

Noteworthy is the definition of "insurer" in RCW 48.01.050 as it pertains to the application of the Washington Insurance Code (Title 48). The statutory definition reads:

> *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.*

WCRP is not an "insurer" and thus not an insurance company or subject to the special laws and rules that govern insurers and insurance companies. Washington's pools operate under the state's "pooling" laws and regulations, specifically Chapters 48.62 RCW and 200-100 Washington Administrative Code ("WAC"). Pools are risk-sharing entities that initially must be approved by then annually report to and are overseen by the State Risk Manager – they are not regulated by the Office of the Insurance Commissioner. In addition, as public entities, pools are subject to annual audits by the State Auditor's Office.

The mission for the Pool as determined by the members' directors and alternate directors is to:

- Provide comprehensive and economical risk coverage;
- Reduce the frequency and severity of losses;
- Decrease costs incurred in the managing and litigation of claims.

The core values adopted by the Pool's Board of Directors 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 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.

The Pool's Membership Compact, added in 2000 as an addendum to the Interlocal Agreement, 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. The Compact obligates the 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 the costs to analyze their loss data and risk profiles. In recent years, new members have only been required to contribute their proportional shares of the entry year's assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

Joint Self-Insurance Liability Program ("JSILP"): The Washington Counties Risk Pool has since its beginning administered the membership's occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits per occurrence have grown from the $1 million existing during the Pool's initial two months to $5 million, then to $10 million and onto $15 million before reaching the $20 million limit that has existed since October 2003. (Note: Additional $5 million limits were available as individual county-by-county options during many recent years, including the 2013-14 and 2014-15 coverage years.)

Since the 2003-04 coverage year, the initial $10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is "risk shared" amongst the membership. Each member selects its occurrence deductible amount for the ensuing coverage year from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000.

The Board of Directors has decided for years now to acquire reinsurance as further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or $100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to $1 million, but with an aggregated stop loss of $2.975 million (later reduced with Clark County's termination to $2,900,625), and the second increasing the SIR further, to $2 million, but with an aggregated stop loss of $650,000 (also reduced with Clark County's departure to $596,875). Other reinsurance agreements respond to the remaining $8 million – one for the $3 million excess of the $2 million SIR, and another for the $5 million excess of $5 million.

The remaining $10 million (or $15 million) of JSILP occurrence coverage has been acquired as "following form" excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of $40 million (lowest reinsured layer), $20 million, (second layer), $30 million (third layer) and $50 million (final reinsured layer).

584 third-party liability claims (and lawsuits) were reported by member counties to the Pool during the 2013-14 coverage year, a 5.5% reduction in year-over-year filings and a continuation of the decline in filings experienced the past several years. The new filings raised the to-date (October 1988 – September 2014) total to 19,820. Yet only 359 remained classified as '*open'* at year-end. Projections from the required independent actuary retained by the Pool's Board of Directors suggest another 283 cases from all years as being *incurred but not yet reported* ("IBNR") and raise the Pool's estimated ultimate case count (as of September 30, 2014) to 20,103. Total incurred losses (payments made plus estimates for *open* claims) increased $14.6 million during the year to $264.6 million. And while that represents a significant increase from recent years' corresponding amounts, it is less than the several earlier years' amounts of $16.0M (2010-11), $17.8M (2009-10), and the $20.8M (average for 2006-07 through 2008-09).

Claims reserves for the JSILP coverage are determined annually, and the actuary's estimates of net reserves as of September 30, 2014 totalled $14.68 million, a modest year-over-year increase of $0.06 million (0.4%), and included $2.69 million for losses in the basic SIR, $10.84 million for the increased SIRs from the "corridor" programs, $0.13 million for losses in the quota-shared (10%) upper reinsured layer retained by the Pool during 2012-13, and $1.02 million for unallocated loss adjustment expenses (ULAE). NOTE: Estimates for gross reserves declined $1.10 million (3.3%) to $32.67 million, with $17.99 million ceded to the commercial insurers.

Washington Counties Property Program ("WCPP"): The Board of Directors agreed to add property insurance, beginning with the 2005-06 coverage year, as a county-by-county option. This optional coverage is jointly-purchased from a consortium of higher rated commercial carriers. Both participation and the total values of covered properties have nearly doubled since the WCPP was added. Twenty six counties participated in the WCPP during 2013-14 with covered properties totaling in excess of $2.7 billion.

Lossses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of $500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being $200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of $200 million each. Coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery ($100 million), Special Flood Hazard Areas ($25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism ($20 million).

AOP occurrence deductibles, which each participating county confirms each year and is solely responsible for paying, range between $5,000 and $50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Cyber Risk and Other Coverages: Beginning this coverage year (2014-15), the Board agreed to add jointly-purchased cyber risk and security coverage from a higher-rated commercial insurer.

Other Insurances: Several member counties use the producer (broker) retained by the Board on behalf of the Pool to secure other (specialty) coverages. Examples include public officials bonds and insurance coverages for crime (and fidelity), special events/concessionaires, UST and other environmental hazards, as well as airport, ferry, and railroad operations.

Governance / Oversight: The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county's legislative authority. The Board of Directors, which includes both elected and appointed officials, meets three times each year with the Annual Meeting of the Pool being held mid-summer. The Board a) determines the extent of risk-sharing from the 3rd-party self-insured liability coverage by approving the JSILP Coverage Form, b) selects the reinsurance(s) to acquire and the excess insurance(s) to jointly-purchase or offer for "member option" purchase, c) approves the Pool's annual operating budget(s) and work program(s), and d) approves the formulas used for computing members' deposit assessments and, when necessary, reassessments.

Ongoing oversight of the Pool is furnished by an 11-person executive committee that is elected by and from the WCRP Board for staggered, 3-year terms. The membership of the 2014-15 committee averages more than nine years with the Pool. The committee meets throughout the year and a) approves all disbursements and reviews the Pool's financial health, b) approves case settlements exceeding the applicable member's deductible by at least $50,000, c) reviews all claims with incurred loss estimates exceeding $100,000, and d) evaluates the Pool's operations and program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

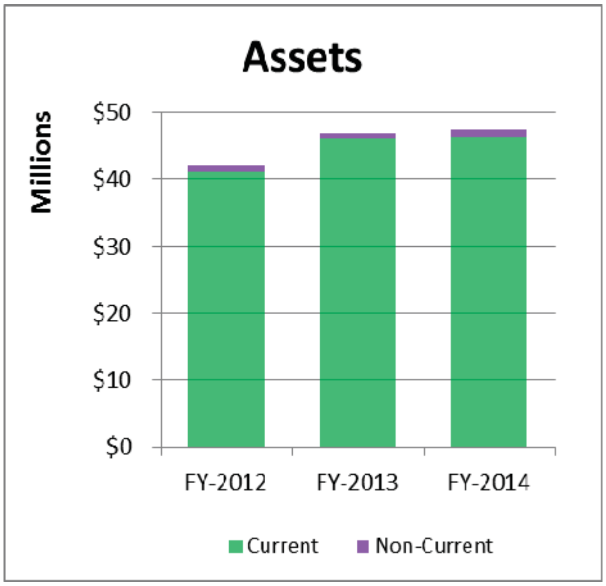
Staffing and Support Teams: Six of the Pool's 11-person staff handle and/or manage the several hundred liability cases filed annually upon the member counties and submitted for risk-shared coverage consideration. This includes determining coverage, establishing reserves for covered events by estimating future payments for the losses and their related claims adjustment expenses. The claims staff have 115 years of combined claims handling experience.

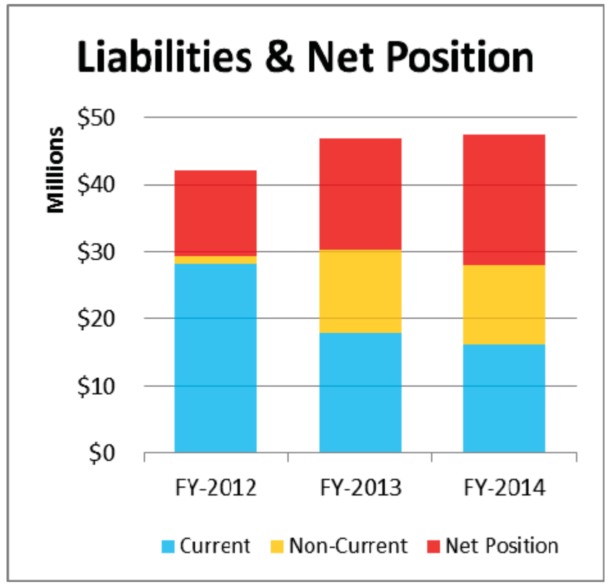
The remaining staff support the Pool's administrative needs and provide member services that include, but are not limited to assessing the memberships' risks, coordinating trainings, performing compliance audits, and developing and presenting/promoting coverages.

There are also the professionals from some of the most respected organizations worldwide which are retained by the Board to address specific needs of the Pool – PricewaterhouseCoopers, LLP furnishes independent actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing; Arthur J. Gallagher Risk Management Services, Inc. provides insurance producer (broker) and advanced loss control services; and J. William Ashbaugh of Hackett Beecher & Hart serves as coverage counsel. NOTE: Claims audits are occasionally performed by commercial insurers. The numerous attorneys retained and assigned to defend covered claims as well as the State Risk Manager and State Auditor's Offices cannot be overlooked.

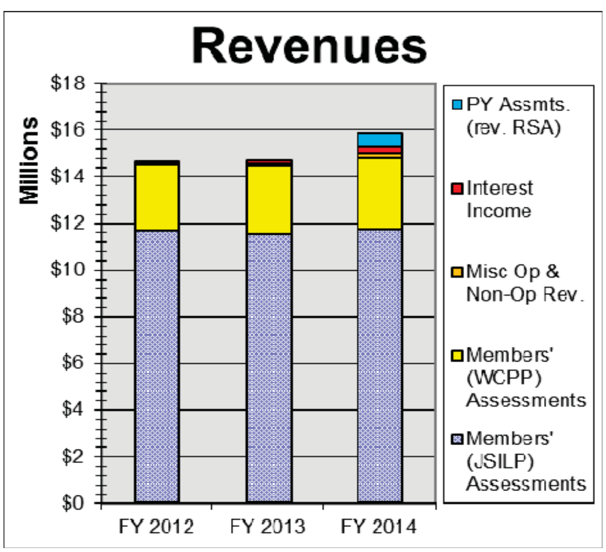
Financial Summary: During fiscal 2014, WCRP assets grew 1% ($0.48 million) to $47.41 million while its liabilities decreased 7% ($2.17 million) to $28.04 million. That produced a (assets to liabilities) ratio of 1.69:1. For comparison, the fiscal 2004 ratio was 0.94:1 which, except for the members' reassessments receivables ("retroactive assessments") that were included, would have been 0.74:1.

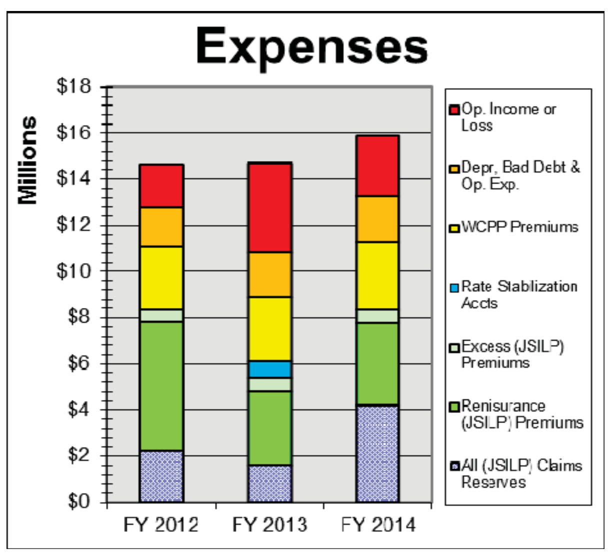
Net Position, which is frequently referred to as "Net Assets" or "Owners' Equity", improved 16% ($2.65 million) to $19.37 million as of September 30, 2014. And since 2004 ended "negative" $0.69 million, Net Position improved by more than $20 million over the course of the past decade. $1.07 million of Net Position were held in Capital Assets (net of debt), leaving $18.30 million to both satisfy the State Risk Manager's solvency provisions (WAC 200.100.03001(3)) and substantially fulfill WCRP's own sufficiency requirements in section D.2 of the Board of Directors' Underwriting Policy.





Operating Income of $2.38 million was realized in fiscal 2014. And though a 37% decrease from 2013, the 2014 amount was the third greatest in recent years and 55% more than the annual average from 2004 through 2013. Revenues grew $1.05 million (7%) while Expenses increased $2.42 million (22%), primarily due to the $2.54 million in independent actuary adjustments to the Pool's claims-related reserves and $0.58 million in premium increases for the reinsurance and excess liability and property insurance policies acquired.





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) of the deficient year's membership in proportion with the initially levied and collected deposit assessments.

The Pool's reassessments receivable balance as of December 31, 2014 was ZERO ($0). As such, there are no known contingent liabilities at that time for disclosure by the member counties.

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. On December 2014, the County has a credit account balance of $50,574.

C. UNEMPLOYMENT COMPENSATON

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security $46,054 in unemployment charges in 2014. The County also contracts with TALX Corporation to assist with the claims handling, and in 2014 we paid $1,762.

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2014 and no short-term debt activities during 2014.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT – GOVERNMENTAL TYPE

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	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation and Refunding Bonds, 2010	20 years Dec 2010-2030	2%-3.75%	$11,185,000	$580,000

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2015	600,000	284,331
2016	450,000	272,331
2017	455,000	263,331
2018	475,000	253,094
2019	485,000	234,094
2020	510,000	214,694

2021-2025	2,760,000	835,913
2026-2030	3,240,000	356,825
TOTAL	**$8,975,000**	**$2,714,613**

B. LONG TERM LIABILITIES – BUSINESS TYPE

SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

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

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

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

Year Ending December 31	Principal	Interest
2015	75,000	3,000
2016	75,000	2,625
2017	75,000	2,250
2018	75,000	1,875
2019	75,000	1,500
2020	75,000	1,125
2021-2022	150,000	1,125
TOTAL	**$600,000**	**$13,500**

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 $5,629,046,903 and the debt limits for the County as of December 31, 2014 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	$ 71,969,710
General Purposes – with a vote of the people	$140,726,173

NOTE 11 – LEASES

A. OPERATING LEASES

The county leased two copiers under non-cancelable operating leases. Total cost for such leases was $7,056 for the year ended December 31, 2014. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2015	7,634
2016	5,177
2017	4,336
2018	0
Total	**$17,147**

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 2014:

Asset	Governmental Activities
DM 525 Mail Machine System-UDC	1,488
Sharp MX-C401 Copier-UDC	1,311
Sharp MX-M623N-Treasurer	8,642
Ricoh 760D Scanner-Prosecutor	0
Sharp MX-C311(1) & Xerox W5655PT(2)-Prosecutors	481
Sharp MX-5111-Prosecutor	8,017
ViewScan II-Auditor	5,663
Mail Machine-Centormail 140-Auditor	14,243
Sharp MX-3100N(2) & MX-M453N(1)-Sheriff	1,379
Sharp MX-3100N-Sheriff	5,857
Sharp MX_M453N (2) Copiers-Sheriff	12,543
Sharp MX-M453N-Sheriff	7,861
Xerox W5655PT-Juvenile/Clerk/Sup Court	938
ViewScan II-Clerk	5,663
NetApp IT Server	119,774
OCE CM4521 Copier-Public Health	7,036
Total	**$200,896**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2014, are as follows:

Year Ending December 31	Governmental Activities
2015	96,060
2016	81,809
2017	28,252
2018	0
Total Minimum Lease Payments	$206,121
Less: Interest	(5,226)
Present Value of Minimum Lease Payments	**$200,895**

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2014, the following changes occurred in long-term liabilities: new leases for two View Scan II for the County Auditor and County Clerk with a lease value of $6,545 each. 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 2014 is $2,618,777. 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 $62,093 and the Business type was estimated at $0 due within one year. Total vacation, sick leave and compensatory time pay-off recorded during 2014 for all Governmental Funds was $51,693. At this time, the liability to the Proprietary Funds for unused vacation, sick leave and compensatory time is $216,811.

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

	Beginning Balance 01/01/14	Additions	Adjustments	Reductions	Ending Balance 12/31/14	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	$9,555,000	$0	$0	$580,000	$8,975,000	$600,000
Capital Leases	290,767	13,090	0	102,960	200,896	92,778
Compensated Absences	2,506,007	112,771	0	0	2,618,777	62,093
Other Post Employment Benefits	684,555	86,974	0	0	771,529	0
Total	**$13,036,329**	**$212,834**	**$ 0**	**$682,960**	**$12,566,202**	**$ 754,871**
Business-Type Activities						
Compensated Absences	$180,016	$36,794	$0	$0	$216,811	$0
Long-Term Liabilities	675,001	0	0	75,000	600,001	75,000
Landfill Closure Cost	1,180,012	0	0	46,280	1,133,732	50,534
Total	**$ 2,035,029**	**$36,794**	**$0**	**$121,280**	**$ 1,950,543**	**$ 125,534**
GRAND TOTAL	**$15,071,357**	**$249,629**	**$0**	**$804,241**	**$14,516,745**	**$880,405**

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 2014 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, 2014.

1. ABC Holdings, Inc., and Chem Safe Environmental, Inc. (11-2-00234-1): Plaintiffs appeal 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. All aspects of this case are pending.

2. Allen et al v. Kittitas County: 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.

3. Chem-Safe Environmental, Inc. and ABC Holdings, Inc.: Plaintiffs seeks unspecified damages (as deemed by the Court at trial) claiming that the County prohibited them from restricted/prohibited claimant from conducting business and creating the necessity for legal counsel causing great losses of income and funds. Risk pool is currently handling this matter.

4. Adam Mellishrencken: Plaintiff seeks unspecified damages for violation of the Public Records Act regarding public disclosure requests that he made to the Prosecutor's office in 2013 and 2014. This lawsuit is not covered by Risk Pool Insurance and being handled by the Prosecutor's office.

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, 2014 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

Due To		Due From						
		General fund	County Road	Solid Waste	Community Development Services	Equipment Rental & Revolving	All Others	Total
	General Fund	$7,311	$11,421	$0	$100,000	$64	$25,334	**$144,131**
	County Road	26,055	0	21,485	33	143,336	1,093	**$192,002**
	Solid Waste	5,237	1,087	0	0	0	0	**$6,324**
	Community Development Services	8,227	1,161	0	0	0	0	**$9,389**
	Equipment Rental & Revolving	2,122	5,312	0	0	59	0	**$7,492**
	All Others	25,719	135,589	0	6,809	239	7,895	**$176,251**
	Total	**$74,671**	**$154,571**	**$21,485**	**$106,841**	**$143,698**	**$34,323**	**$535,589**

B INTERFUND TRANSFERS

Interfund transfers during 2014 included contributions between funds. The balances were as follows:

Transfer To		Transfer From		
		General Fund	Non Major Government	**TOTAL**
	General Fund	$0	$167,206	**$167,206**
	Road	0	147,211	**$147,211**
	Solid Waste	100,000	0	**$100,000**
	Non-Major Governmental	1,219,789	781,267	**$2,001,056**
	TOTAL	**$1,319,789**	**$1,095,684**	**$2,415,473**

C. INTERFUND LOANS

Interfund Loans between funds for 2014 were as follows:

Loan To		Loan From				
		General Fund	Solid Waste	Equipment Rental & Revolving	Total	Loan Purpose
	General Fund	$0	$50,000	$2,581,570	**$2,631,570**	SW-property purchase (913 E 8th Ave, Ellensburg) ER&R-Armory Renovation Project
	County Refund	$6,000	$0	$0	**$6,000**	Judgment for Recovery
	Total	**$6,000**	**$50,000**	**$2,581,570**	**$2,637,570**	

NOTE 15 – RECEIVABLE AND PAYABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2014 were as follows:

		Type								
		Accounts	Court	Employee	Interest	Recording Unbilled	Special Assessments	Rent	Taxes	Total
Funds	General	$34,317	$1,998,770	$4,901	$1,156	$9,178	$17,481	$4,593	$480,112	**$2,550,509**
	Non Major Governmental	$10,227	$153,851	$0	$442	$0	$14,590	$0	$36,811	**$215,922**
	Road	$16,564	$0	$0	$2,162	$0	$0	$0	$324,424	**$343,151**
	Solid Waste	$297,938	$0	$0	$619	$0	$0	$0	$0	**$298,557**
	Community Development Services	$57	$0	$0	$0	$0	$0	$0	$0	**$57**
	Equipment Rental & Revolving	$5,367	$0	$0	$384	$0	$0	$0	$0	**$5,751**
	Total	**$364,471**	**$2,152,621**	**$4,901**	**$4,764**	**$9,178**	**$32,072**	**$4,593**	**$841,347**	**$3,413,947**

B. PAYABLES

Payables at December 31, 2014 were as follows:

		Type								
		Vouchers	Salaries	Accrued Interest	Retainage	Custodial Account	Due to Other Governmental	Deposits	Taxes	Total
Funds	General	$370,810	$27,578	$375	$40,252	$19,183	$0	$25,113	$1,630	**$484,941**
	Non Major Governmental	$572,463	$8,414	$0	$71,877	$0	$92,931	$412,483	$39	**$1,158,208**
	Road	$398,931	$224,169	$0	$11,240	$0	$115,204	$7,896	$0	**$757,440**
	Solid Waste	$180,336	$7,164	$0	$0	$0	$0	$0	$72	**$187,572**
	Community Development Services	$38,341	$504	$0	$0	$0	$0	$0	$0	**$38,846**
	Equipment Rental & Revolving	$46,900	$25,379	$0	$0	$0	$0	$0	$107	**$90,852**
	Unemployment	$6,079								**$6,079**
	Total	**$1,613,860**	**$293,208**	**$375**	**$123,369**	**$19,183**	**$208,135**	**$445,493**	**$1,848**	**$2,705,471**

NOTE 16 - JOINT VENTURES

A. City of Ellensburg

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2014 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	$38,000	$48,479
Tour Fees	5,500	3,032
Other	23,900	23,489
Total Revenues	67,400	75,000
City of Ellensburg Support	90,425	86,466

B. Snoqualmie Pass Utility District

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. $7,198.96

C. Related Parties

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

NOTE 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 2014, expenditures of $49,984 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 $771,529 is included as a noncurrent liability on the Statement of Net position.

Annual Required Contribution (ARC)	$ 169,895
Net OPEB Obligation Interest	30,805
Net OPEB Obligation Amortization	(63,742)
Annual OPEB cost	$ 136,958
Less: Contributions made	(49,984)
Increase in net OPEB obligation	$ 86,974
Net OPEB Obligation beginning of year 2014	684,555
Net OPEB Obligation end of year 2014 (NOO)	$771,529

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through 2014 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
12/31/2014	136,958	36.5%	86,974
		TOTAL	771,529

D. FUNDING STATUS

As of December 31, 2014, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $1,824,594 and the actuarial value of the assets was $0 resulting in a UAAL of $1,824,594. 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 seven 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 2013, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be $444,227. The 2014 actual costs for post-closure care was $46,280 leaving a liability of $397,947. As required by federal, state, and local regulations, cash in the amount of $462,856 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2014 was $44,181.26 (28,504.04 tons of garbage at $1.55 per ton), which will be placed into the reserve in 2015. A plan update was completed in 2012 for regulating compliance with Department of Ecology for monitoring. A plan for cost and air space analysis is to be updated in 2016.

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	(46,280)	2014	462,856
12/31/14	397,947			

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, 2014 is 274,813 cubic yards.

The recorded liability for December 31, 2014 is calculated as follows:

Total Closure Cost		$1,151,607.00	($908,847 + 242,760 post-closure)
	X	274,813.00	Cumulative capacity used in 2014
		316,476,574,491.00	
	÷	470,258.00	Total landfill capacity
		672,984.99	Estimated liability for post-closure
	-	735,784.15	2009 thru 2013 Total recorded liability
		(62,799.16)	2014 Total liability
		0.00	**Zero Liability recorded for 2014**

As required by federal, state, and local regulations, cash in the amount of $275,245 has been restricted for post – closure care. The tip fee of $2.44 per ton for the post-closure cash reserve for 2014 was $10,486.39, which will be placed into the reserve in 2015.

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 ADJUSTMENT TO STATEMENT OF ACTIVITIES

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.

Airport fund had a change in prior year accruals in the amount of $-285.00
County Road fund had a change in prior year accruals in the amount of $-51,057.07
Solid Waste had a change in prior year in revenues in the amount of $-1,000.00

2. PRIOR YEAR ADJUSTMENT TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

The following list of funds had prior period adjustments. The adjustments will reflect differences in ending and beginning balances

Airport fund had a change in prior year accruals in the amount of $-285.00
County Road fund had a change in prior year accruals in the amount of $-51,057.07

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 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 the following:

General Fund	
General Government	(779.00)
County Road	
Transportation	(513,654.06)

4. PRIOR YEAR ERROR – Individual Cash Flow Statement

Fund 401, Solid Waste had an error in reporting in 2013 on the fund cash flow statement and the combining cash flow statement. The entry for the Cash in Bank was posted twice.

<u>B. SUBSEQUENT EVENTS</u>

1. 2010 GO & REFUNDING BOND CONSTRUCTION PROJECTS

The Upper District Court and Armory projects closed in 2014 and were removed from Construction in Progress into Buildings.

2. COUNTY ROAD – CONSTRUCTION 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.

Kittitas Highway road project is a three year project. The work started in 2013 as a resurface of the roadway for $1.3 million. The project consists of intersection improvements for improving turning; shoulder turnouts for law enforcement, emergency vehicles and disabled vehicles; wider shoulder for bicycle and pedestrian traffic; and bridges will be replaced to accommodate them also. The total project is estimated $3.98 million for the 4.61 miles of road.

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 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. **This project was cancelled by the Board of County Commissioners in March 2015.**

4. FUND ACTIVITY

a. 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 retail 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.

b. Leased Water Fund

On May 31, 2014, the Board of County Commissioners created the Lease Water Fund to receive funds for the County cost of leased water under the Kittitas County Water Mitigation Program. The fund shall solely be used for the cost recovery for the leased water for the Water Mitigation Program.

c. Adult Misdemeanor Pre-Charging Diversion Fund

On February 17, 2015, the Board of County Commissioners approved Resolution #2015-035 closing this fund, as it would be more efficient to deposit the money received form the program into the General Fund.

5. 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.

6. 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. In 2014, the County paid $1,055,624.40 and on January 8, 2015 we paid $1,441,027.08. 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, 2014

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 10,858,130	$ 10,858,130	$ 11,816,194	$ 958,064
Licenses & Permits	112,800	115,400	148,561	33,161
Intergovernmental	3,069,573	3,804,616	3,860,146	55,530
Charges for Services	1,879,527	2,542,985	2,853,211	310,226
Fines & Forfeits	1,674,300	1,674,300	1,492,388	(181,912)
Miscellaneous	1,474,102	1,503,647	1,619,894	116,247
Total Revenues	$ 19,068,432	$ 20,499,078	$ 21,790,394	$ 1,291,316
Expenditures				
General Governmental	$ 6,970,864	$ 8,374,710	$ 7,360,157	$ 1,014,553
Judicial	2,650,286	2,633,988	2,537,110	96,878
Security of Persons and Property	8,217,436	9,021,850	7,611,876	1,409,974
Physical Environment	71,759	81,148	105,711	(24,563)
Transportation	3,717	3,717	-	3,717
Economic Environment	300,245	399,320	296,040	103,280
Mental & Physical Health	33,595	48,923	43,376	5,547
Culture & Recreation	1,222,091	1,434,069	1,369,638	64,431
Debt Service	113,425	113,425	102,945	10,480
Capital Outlay	362,713	1,394,063	1,582,751	(188,688)
Total Expenditures	$ 19,946,131	$ 23,505,213	$ 21,009,604	$ 2,495,609
Excess (Deficit) Revenues over Expenditures	$ (877,699)	$ (3,006,135)	$ 780,790	$ 3,786,925
Other Financing Sources (Uses)				
Restitution	$ 500	$ 500	$ 208	$ (292)
Other Loan Proceeds	-	2,581,570	-	(2,581,570)
Sale of Fixed Assets	3,000	6,613	3,519	(3,094)
Transfers In	150,000	167,206	167,206	-
Transfers Out	(422,901)	(1,258,541)	(1,319,789)	(61,248)
Total Other Financing Sources (Uses)	$ (269,401)	$ 1,497,348	$ (1,148,856)	$ (2,646,204)
Net Change in Fund Balance	$ (1,147,100)	$ (1,508,787)	$ (368,066)	$ 1,140,721
Fund Balance, January 1	$ 5,864,711	6,286,398	$ 10,895,251	$ 4,608,853
Fund Balance, December 31	**$ 4,717,611**	**$ 4,777,611**	**$ 10,527,185**	**$ 5,749,574**

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2014

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 5,796,061	5,796,061	$ 4,758,480	$ (1,037,581)
Licenses & Permits	15,000	15,000	19,548	4,548
Intergovernmental	6,343,307	6,343,307	4,136,687	(2,206,620)
Charges for Services	43,250	43,250	73,622	30,372
Miscellaneous	27,000	27,000	22,727	(4,273)
Total Revenues	$ 12,224,618	$ 12,224,618	$ 9,011,063	$ (3,213,555)
Expenditures				
General Governmental	$ 1,224,000	$ 1,224,000	$ 354,409	$ 869,591
Transportation	9,090,013	9,090,013	6,619,022	2,470,991
Capital Outlay	7,907,500	7,907,500	1,061,984	6,845,516
Total Expenditures	$ 18,221,513	$ 18,221,513	$ 8,035,415	$ 10,186,098
Excess (Deficit) Revenues over Expenditures	$ (5,996,895)	$ (5,996,895)	$ 975,649	$ 6,972,544
Other Financing Sources (Uses)				
Sale of Fixed Assets	$ -	$ -	$ -	$ -
Transfers In	-	-	147,211	147,211
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	$ -	$ -	$ 147,211	$ 147,211
Net Change in Fund Balance	$ (5,996,895)	$ (5,996,895)	$ 1,122,860	$ 7,119,755
Fund Balance, January 1	$ 15,042,552	$ 15,042,552	$ 15,655,706	$ 613,154
Fund Balance, December 31	**$ 9,045,657**	**$ 9,045,657**	**$ 16,778,566**	**$ 7,732,909**

Kittitas County, Washington
Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2014

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 2014.

Kittitas County, Washington
Required Supplemental Information
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2014

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%	-	-
12/31/14	$ -	$1,824,594	$1,824,594	0%	-	-

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

KITTITAS COUNTY
Required Supplementary Information
2014 Annual Report
Information about Infrastructure Assets Reported Using the Modified Approach

Asset Management System

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

Required Documentation

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

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

Condition Assessment Methods

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

Gravel Roads in Kittitas County

Kittitas County owns and maintains over 67 miles of gravel roads, of which about 23 miles are standard gravel roads (non-primitive) and about 44 miles are primitive gravel roads. The standard gravel roads (non-primitive) are those roads that have an average of 101 or more annual daily vehicles and have road signs and warning signs placed along the roadway in accordance with the Manual on Uniform Traffic Control Devices. Primitive gravel roads have 100 or less annual daily vehicles and no design, signing, or maintenance standards are required other than the requirement that warning signs be placed that apply to primitive roads.

Budgeted and Estimated Costs to Maintain Infrastructure

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

Table A
Costs to Maintain Gravel Roads in Kittitas County

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
2014	$552,324	$275,667

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	.09mi 0.44%	0.26mi 1.15%	1.68mi 7.40%	15.03mi 66.24%	5.63mi 24.77%	**22.34mi 98.41%**
2013	23.16	0	0.05mi 0.22%	4.06mi 17.53%	16.06mi 69.34%	2.45mi 10.57%	**22.57mi 97.44%**
2014	22.52	0	.05 mi 0.22%	1.12mi 4.97%	7.91mi 35.12%	13.44mi 59.68%	**22.47mi 99.78%**

Table E Condition Rating of Primitive Gravel Roads in Kittitas County							
Year	*Total Miles*	*Primitive Gravel Road Condition Rating Scores as a Percentage*					
		1	*2*	*3*	*4*	*5*	*% Rated 3 +*
2012	44.13	2.87mi 6.50%	15.02mi 34.03%	8.82mi 19.99%	11.56mi 26.20%	5.86mi 13.28%	**26.24mi 59.47%**
2013	42.56	1.81mi 4.25%	17.57mi 41.29%	13.29mi 31.22%	9.27mi 21.79%	0.62mi 1.45%	**23.18mi 54.46%**
2014	43.20	0.87mi 2.01%	13.5mi 31.25%	3.47mi 8.26%	12.42mi 28.75%	12.84mi 29.72%	**28.83mi 66.74%**

* Added Bently and Fern Rds. to primitive road list (0.64 miles in length)

Attachment A
Gravel Road Condition Rating Form

Kittitas County
Department of Public Works 9/18/2015
Gravel Road Rating Worksheet

Road Name: ________________________________ **Road No.** __________________________________

From:___________________________________ **to** ____

ADT ________________ **FFC** ________ **Posted Speed Limit** _______**Scorer**______________________

Check the following:
CROWN
DRAINAGE
GRAVEL LAYER
SURFACE DEFORMATION
SURFACE DEFECTS
ROUTES : **US Mail Route ?**
School Bus Route?

CONNECTOR
MAINTENANCE COSTS _____________

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

TOTAL PROJECT RATING ______________________________ **DATE** ____

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Note
Department of Agriculture Cluster							
Department of Agriculture	Schools and Roads - Grants to States	10.665	na	0	347,243	347,243	
	Total Department of Agriculture Cluster:			**0**	**347,243**	**347,243**	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	GP64100-0035	123,482	-	123,482	5
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14-65400-008	32,751	-	32,751	5
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-008	25,545	-	25,545	5
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-039	24,000	-	24,000	5
	Total CDBG - State-Administered CDBG Cluster:			**205,778**	**-**	**205,778**	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA 7118	637,573	-	637,573	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA 7442	59,293	-	59,293	8
	Total Highway Planning and Construction Cluster:			**696,866**	**-**	**696,866**	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	na	4,542	-	4,542	4,8,14
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	na	698	-	698	4,14
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	na	2,797	-	2,797	4,8,14
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	na	443	-	443	4,8,14

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	na	3,275	-	3,275	4,8
		Total Highway Safety Cluster:		**11,755**	**-**	**11,755**	
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Health)	Medical Assistance Program	93.778	K763	4,850	-	4,850	14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Health)	Medical Assistance Program	93.778	1163-35250	12,488	-	12,488	14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Health)	Medical Assistance Program	93.778	na	3,371	-	3,371	4,14
		Total Medicaid Cluster:		**20,709**	**-**	**20,709**	
Other Programs							
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington State Department of Commerce)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	PRISM#13-1315P	6,919	-	6,919	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington State Department of Commerce)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	PRISM#12-1358	50,747	-	50,747	
		Total CFDA 11.438:		**57,666**	**-**	**57,666**	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Washington State Department Social and Health)	Juvenile Accountability Block Grants	16.523	1363-84187-01	5,393	-	5,393	8
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce) and ASPEN	ARRA Violence Against Women Formula Grants	16.588	S15-31102-517	12,820	-	12,820	14
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	n/a	-	3,271	3,271	4,8,14
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	n/a	-	5,783	5,783	4
Drug Enforcement Administration, Department Of Justice (via Washington State Patrol)	Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.C141438FED	C1414328FED	5,942	-	5,942	14
U.s. Election Assistance Commission (via Washington Secretary State)	Help America Vote Act Requirements Payments	90.401	G2844	1,620	-	1,620	8

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	Medical Reserve Corps Small Grant Program	93.008	MRC 14-2569	3,450	-	3,450	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C16889	65,433	-	65,433	8,14
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department Social and Health)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	na	1,402	-	1,402	4,14
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C16889	12,546	-	12,546	6,7,8,14
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	na	49,686	-	49,686	3,4,6
			Total CFDA 93.268:	**62,232**	**-**	**62,232**	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department Social and Health) and Kittitas Co Community Network & Coalition	Drug-Free Communities Support Program Grants	93.276	na	1,039	-	1,039	4,14
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	na	5,370	-	5,370	4,8,14
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	National Public Health Improvement Initiative	93.292	C16889	10,468	-	10,468	8,14
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations-financed in part by Prevention and Public Health Funds (PPHF)	93.524	2013-121221	17,175	-	17,175	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Health)	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	na	13,478	-	13,478	4,14

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C16889	13,338	-	13,338	8,14
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department Social and Health)	Child Support Enforcement	93.563	75-1501-0-1-609	11,745	-	11,745	14
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department Social and Health)	Child Support Enforcement	93.563	2110-80579	88,740	-	88,740	14
			Total CFDA 93.563:	**100,485**	**-**	**100,485**	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State 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)	93.733	C16889	303	-	303	8,14
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department Social and Health)	ARRA Medicare_Supplementary Medical Insurance	93.774	na	1,247	-	1,247	4
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State Department Social and Health)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27314	27,435	-	27,435	5
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Preventive Health and Health Services Block Grant	93.991	na	25,398	-	25,398	4,8
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C16889	42,851	-	42,851	5,14
Department Of Homeland Security (via Washington State Military Department)	Boating Safety Financial Assistance	97.012	na	15,579	-	15,579	4,8,14
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D15-232	11,206	-	11,206	8
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D11-012	310	-	310	11,13
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D15-232	611	-	611	

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Note
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D15-232	16,614	-	16,614	8
			Total CFDA 97.036:	**28,741**	**-**	**28,741**	
Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E14-149	21,804	-	21,804	8
Department Of Homeland Security (via Washington State Military Department)	Fire Management Assistance Grant	97.046	FM-#5071	61,477	-	61,477	8
Department Of Homeland Security (via Washington State Military Department) passed through Grant County Emergency Management	Homeland Security Grant Program	97.067	K1038	1,753	-	1,753	8,14
Department Of Homeland Security (via Washington State Military Department) passed through Grant County Emergency Management	Homeland Security Grant Program	97.067	E12-183	62,466	-	62,466	8,14
Department Of Homeland Security (via Washington State Military Department) passed through Grant County Emergency Management	Homeland Security Grant Program	97.067	E13-149	14,272	-	14,272	14
Department Of Homeland Security (via Washington State Military Department) passed through Grant County Emergency Management	Homeland Security Grant Program	97.067	E14-150	3,913	-	3,913	14
			Total CFDA 97.067:	**82,404**	**-**	**82,404**	
Transit Services Programs Cluster							
Federal Transit Administration (fta), Department Of Transportation (via Washington State Department of Transportation)	Job Access And Reverse Commute Program	20.516	GCB1746	69,645	-	69,645	
			Total Transit Services Programs Cluster:	**69,645**	**-**	**69,645**	
			Total Federal Awards Expended:	**1,689,303**	**356,297**	**2,045,599**	

The accompanying notes are an integral part of this statement.

KITTITAS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2014

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

KITTITAS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2014

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.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

Kittitas County
January 1, 2014 through December 31, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of Kittitas County.

Finding ref number: 2014-01	**Finding caption:** Kittitas County's internal controls over financial statement preparation are inadequate to ensure accurate reporting.
Name, address, and telephone of auditee contact person: Jerry Pettit, Auditor Kittitas County 205 W. 5th Ellensburg, WA 98926	
Corrective action the auditee plans to take in response to the finding: *We want to thank the State Auditor for their time in conducting the 2014 financial audit. Our goal is to receive the required information from all county departments in a timely manner allowing us to provide an adequate review of the Comprehensive Annual Financial Report before the submission of an accurate and timely report.*	
Anticipated date to complete the corrective action: Immediately	

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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