



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
Kittitas County

For the period January 1, 2018 through December 31, 2018

Published September 30, 2019

Report No. 1024778





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

September 30, 2019

Board of Commissioners
Kittitas County
Ellensburg, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Summary Schedule of Prior Audit Findings	11
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.....	12
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	15
Independent Auditor's Report on Financial Statements.....	18
Financial Section.....	22
Corrective Action Plan for Findings Reported Under Uniform Guidance	115
About the State Auditor's Office.....	116

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2018-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Kittitas County

January 1, 2018 through December 31, 2018

2018-001 The County's internal controls over financial statement preparation were inadequate to ensure accurate and timely reporting.

Background

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

Our audit identified internal control deficiencies that hinder the County's ability to produce accurate and timely financial statements. *Government Auditing Standards* requires auditors to communicate material weaknesses, as identified in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over financial preparation that, when taken together, represent a material weakness:

- County departments did not submit necessary financial information to the County Auditor's Office with enough time to allow for an effective preparation and review of the financial statements, notes, and required supplementary information before the required reporting deadline. The County Auditor's Office did not receive some of this information from departments until August 2019, after the deadline for submitting the annual report.
- The County did not adequately research accounting requirements to properly classify and report its external investment pool.

- The County did not perform an effective overall review of the financial statements to ensure all balances agreed between the financial statements, notes, and required supplementary information, and that the notes contained all necessary disclosures.
- The County did not perform an adequate review of capital assets to determine whether all assets were classified correctly within the proprietary fund, rolled up properly to the government-wide statements, and depreciated accurately.
- The County did not perform an adequate review of journal entries related to the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75) to ensure all balances for other post-employment benefits were accurately presented and reported.

Cause of Condition

The County experienced significant turnover in several departments, and these departments did not make it a priority to provide financial information to the County Auditor's office in a timely manner.

Effect of Condition

The County submitted the 2018 annual report 96 days late. Similar issues were noted in previous audits. Delays in the availability of complete annual financial reports prevent County officials, public bond agencies, and other interested parties from obtaining timely information.

The County's financial information contained errors that were not detected by County management. During our audit of the County's financial statements, we identified the following misstatements:

- The County reported about \$24.8 million as investments in the agency funds instead of the external investment trust fund on the Statement of Changes in Fiduciary Net Position.
- The County incorrectly classified payments to employees, totaling \$737,137, on the solid waste Cash Flow Statement as payments to suppliers.
- The County incorrectly classified unrestricted net assets for the solid waste fund, totaling \$1,188,840, as restricted.

- The County incorrectly classified improvements totaling \$2,005,470 as land on the Government-Wide Statement of Net Position and did not report accumulated depreciation of \$2,005,470 and depreciation expense of \$31,075 on the Statement of Activities. Also, the County did not report accumulated depreciation and depreciation expense on the proprietary statements of the same amount. Because this error affected prior years, the County should report a prior-period adjustment of \$1,974,395.
- The County over-reported the change in accounting principal related to the implementation of GASB 75 by \$1,030,253 on the Government-Wide Statement of Activities and incorrectly classified the current liability for other post-employment benefits of \$150,024 as a non-current liability on the Government-Wide Statement of Net Assets.

We also identified several notes to the financial statements that were missing standard template language from the *Budgeting, Accounting and Reporting System* (BARS) Manual and that several amounts on the notes and required supplementary information did not correspond to the basic financial statements.

Recommendation

We recommend all County departments submit accurate and timely information to the County Auditor's Office and that the County perform a detailed and effective review of the financial statements, notes and required supplementary information to ensure accurate reporting. We also recommend the County submit annual reports within 150 days of the fiscal year-end.

County's Response

We want to thank all the State Auditors who audited the County and appreciate their time and dedication.

The Kittitas County Auditor was late in completing the 2018 financial report, as we were caught off guard with the vast changes in personnel and the skill set of employees in submitting information to the Auditor's office to complete the financial report. We had five new elected officials, three new department heads and five key financial personnel that were new to the job, due to retirements, employees changing departments, and separation of employment. The amount of additional time spent by the auditor's staff to audit the financial data took extra time, especially when the information needed to be corrected several times. In addition, there were new GASB reporting standards to be implemented, as well as new changes that needed to be implemented with payroll, including the new Family Medical Leave Act and the implementation of the County employee's medical plans.

The auditor's staff also processes the payables for the special purpose districts and there were significant personnel changes in support staff, which needed assistance.

The County Treasurer implemented the external investment pool in September 2018, but did not have the system set up to comply with the GASB 31 and GASB 79 reporting standards.

The County Auditor's office did not have the adequate time to complete the review of the financial statements due to the time constraints on completing and submitting the Annual Financial Report to the State Auditor, especially since we were under the deadline of September 30, for the Single Audit to be complete.

The capital assets reported in 2018 included several changes in depreciating due to the implementation of the audit requirements of 2017, where the state auditor found depreciation was calculating incorrect due to incorrect dates in the system. There were two assets, in Solid Waste Improvements, that over time, were classified as a depreciated assets and then when moved to new system, the review of the asset was determined to be non-depreciated. After questions from the state auditor, we found the records from 2000, with the actual project detail, and it was determined the assets should have been depreciated. We corrected this record in 2018, including the prior year's depreciation.

The reporting of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions was implemented in 2018. Kittitas County has fewer than 100 participating plan members, all retirees, resulting in the selection to use the alternative method to a professional actuarial valuation. The Office of the State Actuary developed online valuation tools using simplified assumptions and calculations. In researching the implementation guidance, most references discussed the reporting guidance for an OPEB trust, with Kittitas County utilizing the alternative method and no trust, the reporting implementation guidance was limited, especially in creating and implementing the actual journal entries that needed to be performed. The State Auditor specialist assisted in the review of our journal entries and provided additional guidance.

We have assessed the training that needs to be performed for county personnel and will implement that before the year-end in 2019. Kittitas County has purchased OpenGov to assist in compiling the data and has worked with its Information Technology department to create a reporting module for tracking and reporting the federal and state grants. We anticipate the reporting for 2019 to meet all the GASB compliance requirements of the external investment pool, and the completion of the 2019 financial reports to be completed, processed, reviewed and submitted in a timely manner.

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

Governmental Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal controls, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts or grant agreements.

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



KITTITAS COUNTY

DEPARTMENT OF PUBLIC WORKS

Mark R. Cook, Director, P.E.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Kittitas County

January 1, 2018 through December 31, 2018

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

Audit Period: January 1, 2017 through December 31, 2017	Report Ref. No.: 1022280	Finding Ref. No.: 2017-001	CFDA Number(s): 97.036
Federal Program Name and Granting Agency: Disaster Grants-Public Assistance		Pass-Through Agency Name: Department of Homeland Security	
Finding Caption: The County did not have adequate internal controls in place to ensure compliance with suspension and debarment requirements.			
Background: During fiscal year 2017, the County spent \$763,723 in federal grant money from the Federal Emergency Management Agency (FEMA). The County used all of the Program funds it spent in 2017 to purchase five pieces of heavy equipment. The County participates in a purchasing cooperative. The County purchased the equipment from contractors listed by the purchasing cooperative's approved list. The County is responsible for verifying the suspension and debarment status when entering into a purchase with contractors with whom it intends to do business. The County's controls were not adequate in ensuring it complied with federal suspension and debarment requirements for the purchases it made through the cooperative.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>All contractors used within Public Works regardless of funding are now checked for debarment and/or suspension. Dated screen shots are filed in paper and electronically for federally funded projects.</i>			

**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, 2018 through December 31, 2018**

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2018, 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 27, 2019. As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As discussed in Note 19 to the financial statements, the prior year 2017 financial statements have been restated to correct a misstatement.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

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 RESPONSE 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.

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

Pat McCarthy
State Auditor
Olympia, WA

September 27, 2019

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

**Kittitas County
January 1, 2018 through December 31, 2018**

Board of Commissioners
Kittitas County
Ellensburg, Washington

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

We have audited the compliance of Kittitas County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 27, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kittitas County **January 1, 2018 through December 31, 2018**

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 22.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter. As discussed in Note 19 to the financial statements, the prior year 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 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.

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Pat McCarthy

State Auditor

Olympia, WA

September 27, 2019

FINANCIAL SECTION

Kittitas County **January 1, 2018 through December 31, 2018**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2018

Proprietary Funds Statement of Net Position – 2018

Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position –
– 2018

Proprietary Funds Statement of Cash Flows – 2018

Statement of Fiduciary Net Position – 2018

Statement of Changes in Fiduciary Net Position – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP)
and Actual – General Fund – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP)
and Actual – County Road – 2018

Notes to Budgetary Comparison Schedule – 2018

Information about Infrastructure Assets Reported Using the Modified Approach – 2018

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2018

Notes to Pension – OPEB Retired LEOFF 1 Employees

Schedule of Employer Contributions – PERS 1, PERS 2 and 3, PSERS 2, LEOFF 1,
LEOFF 2 – 2018

Pension Obligation Schedule of Funding Progress - PERS 1, PERS 2 and 3, PSERS 2,
LEOFF 1, LEOFF 2 – 2018

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2 and 3,
PSERS 2, LEOFF 1, LEOFF 2 – 2018
Notes to Pension – State Sponsored Plans

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

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, 2018, 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, 2018 by over \$144.0 million. Net Investment in capital assets (net of depreciation and related debt) account for 65.8% of this amount, with a value of \$95.3 million. Of the remaining Net Position, \$7.0 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.
- As of December 31, 2018 Kittitas County's government activities reported combined ending Net Position of \$127.2 million. Of that amount, \$82.2 million is Investment in Capital Assets.
- Fund Balance for the General Fund at December 31, 2018 was \$21.8 million.
- Fund Balance for the County Road Fund at December 31, 2018 was \$9.1 million.
- The County's total long term debt at December 31, 2018 was \$25.4 million. The County's remaining debt capacity for non-voted debt is at \$73.8 million. The Solid Waste Landfill Post-Closure liability costs are \$1.22 million.
- The General Fund's fund balance increased 6.2% over 2018, showing an increase of \$1,273,646. The amount of unrestricted funds is \$9.37 million. The restricted and assigned fund balances have increased due to increases in restricted revenue and budgeted beginning fund balance.

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, 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, Community Development Services and Water Mitigation. Solid Waste operates the two transfer stations and two landfills. The Community Development Services as an Enterprise fund, which operates the Permit Center for Building, Planning and Code Enforcement. The Water Mitigation fund is created as an utility fund for Groundwater Mitigation.

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 serve as a useful indicator 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 2018. 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 2018, 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 2018.

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 34¹. The statement defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise of the following: 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. Figures from the remaining governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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 three Enterprise funds, Solid Waste, Community Development Services and Water Mitigation. 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 34², 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, 2018, with 2017 comparative balances.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets:						
Current Assets	\$62,872,988	\$58,194,878	\$5,255,059	\$8,263,759	\$68,128,047	\$66,458,637
Capital Assets	92,047,567	94,103,774	14,254,490	9,463,613	106,302,057	103,567,387
Deferred outflow of Resources -Pension	1,614,887	1,766,210	105,928	123,207	1,720,815	1,889,417
Deferred outflow of Resources -OPEB	75,015	0	0	0	75,015	0
Total Assets	156,610,457	154,064,863	19,615,477	17,850,579	176,225,934	171,915,441
Liabilities						
Other liabilities	2,689,595	2,479,910	326,730	431,409	\$3,016,324	\$2,911,319
Long-term liabilities	23,734,069	23,489,226	2,776,708	3,883,223	26,510,777	27,372,449
Deferred Inflows of Resources-Pension	3,008,781	1,870,600	246,796	143,629	3,255,577	2,014,229
Total Liabilities	29,432,445	27,839,736	3,350,233	4,458,261	\$32,782,678	\$32,297,997
Net Position						
Investment in Capital Assets	82,249,481	83,539,377	11,068,408	7,366,612	3,317,889	90,905,989
Non Spendable	105,935	142,908	18,793	0	124,729	142,908
Restricted	27,163,919	25,428,413		1,169,118	27,163,919	26,597,531
Committed	3,572,616	3,477,527	0	0	3,572,616	3,477,527
Assigned	9,038,753	6,373,552	0	0	9,038,753	6,373,552
Unassigned	5,047,307	7,263,349	3,172,573	4,856,588	8,219,880	12,119,937
Total Net Position	\$127,178,012	\$126,225,127	\$14,259,774	\$13,392,318	141,437,786	\$139,617,445

Net Position of the County's governmental activities was \$127.1 million. The County's unrestricted Net Position, the part of the Net Position that can be used to finance day-to-day operations \$5,047,307.

Statement of Activities

For fiscal year ended December 31, 2018, the revenues of primary governmental activities totaled \$49.2 million. Property taxes are the largest revenue source at \$13.9 million, while Sales taxes are the second largest at \$12.4 million.

The expenses for governmental activities totaled \$50.4 million. Public Safety was the county's highest commitment at \$13.3 million; Transportation is the seconded highest expense for 2018 with \$13.1 million.

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

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$9,434,696	\$8,426,815	\$7,580,109	\$6,788,500	\$17,014,805	\$15,215,315
Operating Grants	6,570,747	5,391,607	0	0	6,570,747	5,391,607
Capital Grants	0	439,707	250,000	2,952,911	250,000	3,392,619
General Revenues:						
Property Taxes	13,877,148	13,550,745	0	0	13,877,148	13,550,745
Sales Taxes	12,363,464	11,709,468	0	0	12,363,464	11,709,468
Other Taxes	6,045,056	5,009,067	0	0	6,045,056	5,009,067
Unrestricted Grants & Contributions	39,208	1,030,027	0	0	39,208	1,030,027
Unrestricted Investment Earnings	2,002,702	1,281,811	146,572	73,139	2,149,274	1,354,950
Proceeds on Disposition of Capital Assets	52,809	85,130	0	0	52,809	85,130
Transfers	(1,109,137)	475,662	1,109,137	472,737	0	948,399
Total Revenues	\$49,276,692	\$47,400,039	\$9,085,819	\$10,287,288	\$58,362,511	\$57,687,327

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Expenses:						
Judicial	\$2,849,956	\$2,884,680	0	0	\$2,849,956	\$2,884,680
General Government	11,808,269	12,292,485	0	0	11,808,269	12,292,485
Public Safety	13,268,126	10,889,664	0	0	13,268,126	10,889,664
Physical Environment	180,689	800,779	0	0	180,689	800,779
Transportation	13,078,278	11,056,316	0	0	13,078,278	11,056,316
Economic Environment	1,792,521	981,781	0	0	1,792,521	981,781
Mental & Physical Health	3,970,923	2,728,721	0	0	3,970,923	2,728,721
Culture & Recreation	3,049,361	2,396,379	0	0	3,049,361	2,396,379
Interest on Long Term Debt	367,812	393,146	0	0	367,812	393,146
Garbage & Solid Waste	0	0	4,331,918	4,189,734	4,331,918	4,189,734
Community Development Services	0	0	1,861,846	1,517,775	1,861,846	1,517,775
Water Mitigation	0	0	2,305	0	2,305	
Total Expenses	\$50,365,936	\$44,423,951	\$6,196,069	\$5,707,510	\$56,562,005	\$50,131,460
Excess (Deficiency) before Special Items and Transfers						
Change in Net Position	(1,089,243)	2,976,089	2,889,750	4,579,778	1,800,507	7,555,867
Net Position as of January 1	126,225,127	123,249,038	13,392,318	8,812,539	139,617,445	132,061,578
Change in Accounting Principles-GASB 75	3,179,140	0	0	0	3,179,140	
Prior Year Adjustments	(1,137,012)	0	(16,824)	0	(1,153,836)	0
Net Position as of December 31	\$127,178,012	\$126,225,127	\$16,265,244	\$13,392,318	\$143,443,256	\$139,617,445

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 2018. Together these funds account for 64% of the total government assets and 63% of the total government fund balance. As of December 31, 2018, the county's government funds reported combined fund balances nearly \$49.24 million. Of this total amount, \$9.37 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	101,556
Restricted	27,147,468
Committed	3,572,616
Assigned	9,038,753
Unassigned	9,376,620

In the total Assets, the Cash and Investments have increased from the previous year by \$3,427,652; and receivables have decreased by \$349,461 and the due from other Governmental increased by \$534,958. The net change in all assets is a 6.2% increase.

In the total Liabilities, the biggest decrease is the Due to other funds/ Interfund Loans by \$744,968, and accounts payable and accrued exp. by a decrease of \$92,597. The net change in all liabilities is a 18.3% decrease.

Governmental Funds	2018	2017	Net Change
Total Assets	54,919,704	51,735,619	3,184,085
Total Liabilities	3,393,535	4,152,752	(759,217)
Total Fund Balance	49,237,014	44,862,442	4,374,572

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2018 was \$1,273,646. The net change in the County Road fund was a (\$747,947). Other Governmental Funds had an overall net change in fund balance of \$3,848,872 for 2018. The changes in fund balances for the General Fund are the additional Sales Taxes collected; County Road is due to the completion of Transportation Construction Projects.

The overall changes in Governmental Revenues were 6.29% increase. The biggest change in the revenues occurred in Investment Earnings with a 53.8% increase; 2017 \$1.2 million compared to \$1.9 million in 2018; showing an increase of \$668,163.

The overall expenditures increased .3% from 2017. The biggest change in expenses was in Transportation-Capital, which increased \$1.09 Million.

Governmental Funds	2018	2017	Net Change
Revenues	50,913,860	47,902,575	3,011,285
Expenditures	(45,124,114)	(44,949,857)	(174,257)
Other Financing Sources	(1,419,907)	(502,712)	(917,195)
Net Change in Fund Balance	4,369,838	2,450,005	1,919,833
Fund Balance Beginning	44,862,442	42,412,437	2,450,005
Prior Year Adjustments	4,734	0	4,734
Fund Balance Ending	49,237,014	44,862,442	4,374,572

Proprietary Funds Net Position Analysis

The Net Position of the Solid Waste fund as of December 31, 2018 was \$9.84 million; with \$318,286 in unrestricted funds. The Net Position of the Community Development Services fund as of December 31, 2018 was \$1.19 million. The Net Position of the Water Mitigation fund as of December 31, 2018 was \$5.23 million. The internal service funds have net position in the amount of \$11.37 million.

Proprietary Funds Revenue/Expenditure Analysis

The Solid Waste fund collected \$5.03 million in revenues and had an operating expense of \$4.29 million showing a net gain of \$739,808. The changes in net position for 2018 after non-operating revenues and expenses are \$862,959.

The Community Development Services fund collected \$2.23 million in revenues and had an operating expense of \$1.86 million showing a net gain of \$370,472. The changes in net position for 2018 after non-operating and expense are \$453,574.

The Water Mitigation fund collected \$247,837 in revenues and had an operating expense of \$2,305 showing a net gain of \$245,632. The changes in net position for 2018 after non-operating and expense are \$1,573,217.

Continued on the next page

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, 2018.

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual For the Year Ended December 31, 2018			
General Fund			
	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 14,490,260	\$ 14,589,242	\$ 98,982
Licenses & Permits	175,050	175,650	600
Intergovernmental	3,256,477	3,275,371	18,894
Charges for Services	2,874,647	2,881,497	6,850
Fines & Forfeits	1,765,165	1,765,165	-
Miscellaneous	2,397,333	2,403,257	5,924
Total Revenues	\$ 24,958,932	\$ 25,090,182	\$ 131,250
Expenditures			
General Governmental	\$ 9,242,651	\$ 9,693,783	\$ 451,132
Judicial	2,390,249	2,396,249	6,000
Security of Persons and Property	9,603,953	9,661,962	58,009
Physical Environment	133,867	133,867	-
Economic Environment	100	350,100	350,000
Mental & Physical Health	442,961	476,461	33,500
Culture & Recreation	1,578,335	1,897,303	318,968
Debt Service	265,776	265,776	-
Capital Outlay	445,633	952,864	507,231
Total Expenditures	\$ 24,103,525	\$ 25,828,365	\$ 1,724,840
Excess (Deficit) Revenues over Expenditures	\$ 855,407	\$ (738,183)	\$ (1,593,590)
Other Financing Sources (Uses)			
Restitution	\$ 750	\$ 750	-
Other Loan/Bond Proceeds	-	-	-
Sale of Fixed Assets	5,000	5,000	-
Transfers In	-	25,000	25,000
Transfers Out	(2,076,750)	(4,024,602)	(1,947,852)
Total Other Financing Sources (Use)	\$ (2,071,000)	\$ (3,993,852)	\$ (1,922,852)
Net Change in Fund Balance	\$ (1,215,593)	\$ (4,732,035)	\$ (3,516,442)
Fund Balance, January 1	\$ 12,875,702	\$ 14,246,978	\$ 1,371,276
Fund Balance, December 31	\$ 11,660,109	\$ 9,514,943	\$ (2,145,166)

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 increase was in Transfer Out in the amount of \$1,947,852. The Board of County Commissioners created a new fund, Courthouse Construction fund and authorized a transfer out of the General Fund of \$2 million.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately \$25.09 million and total revenues received \$28.09 million, or 11.93% 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 under estimated due to the additional revenue received in sales tax in December 2018.

The General Fund budgeted expenses vs. actual came in at 10.92% 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	\$ 14,589,242	\$ 16,934,667	\$ 2,345,425
Licenses & Permits	175,650	282,612	106,962
Intergovernmental	3,275,371	3,209,139	(66,232)
Charges for Services	2,881,497	3,254,383	372,886
Fines & Forfeits	1,765,165	1,748,564	(16,601)
Miscellaneous	2,403,257	2,655,894	252,637
Total Revenues	\$ 25,090,182	\$ 28,085,259	\$ 2,995,077
Expenditures			
General Governmental	9,693,783	8,652,122	1,041,661
Judicial	2,396,249	2,340,232	56,017
Security of Persons and Proper	9,661,962	8,287,450	1,374,512
Physical Environment	133,867	110,069	23,798
Economic Environment	350,100	342,053	8,047
Mental & Physical Health	476,461	438,300	38,161
Culture & Recreation	1,897,303	2,048,556	(151,253)
Debt Service	265,776	122,235	143,541
Capital Outlay	952,864	664,691	288,173
Total Expenditures	\$ 25,828,365	\$ 23,005,709	\$ 2,822,656
Excess (Deficit) Revenues over Exp	\$ (738,183)	\$ 5,079,550	\$ 5,817,733
Other Financing Sources (Uses)			
Restitution	\$ 750	\$ 835	\$ 85
Other Loan/Bond Proceeds	-	-	-
Sale of Fixed Assets	5,000	23,318	18,318
Transfers In	25,000	26,224	1,224
Transfers Out	(4,024,602)	(3,856,279)	168,323
Total Other Financing	\$ (3,993,852)	\$ (3,805,903)	\$ 187,949
Net Change in Fund Balance	\$ (4,732,035)	\$ 1,273,647	\$ 6,005,682
Fund Balance, January 1	\$ 14,246,978	\$ 20,570,426	\$ 6,323,448
Fund Balance, December 31	\$ 9,514,943	\$ 21,844,072	\$ 12,329,129

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, 2018, amounts to over \$93.3 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 largest increase in the Governmental activities is in Construction in Progress; \$1.17 million. This includes County Road projects, and Equipment Rental & Revolving Fund Projects. In the Business Type Activities, the largest increase was for the purchase of land for the new transfer station for \$3.5 million.

Additional information on Kittitas County's capital assets can be found in Note 5 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, 2018 of approximately \$25.46 million; of which Governmental was \$22.68 million and Business type activities were \$2.77 million.

Additional information on Kittitas County's Long Term Debt can be found in Note 9 and Note 11 for Changes in Long-Term Liabilities 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 are increasing due to construction projects. We are continuing to watch 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 2017 ending fund balance for the General fund was \$20.57 million and the ending 2018 fund balance was \$21.84 million.

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>

KITITAS COUNTY, WASHINGTON

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash & cash equivalents	\$ 28,158,442	\$ 1,263,225	\$ 29,421,666
Investments	25,753,657	1,881,700	27,635,356
Receivables (net)	2,597,438	543,496	3,140,934
Internal Balances	(494,354)	494,354	-
Inventories	386,516	-	386,516
Pension Assets	1,857,298	-	1,857,298
Due from other Governmental	4,510,389	43,243	4,553,632
Prepaid items	85,170	15,593	100,764
Cash restricted			
Cash	18,432	-	18,432
Investments	-	1,013,449	1,013,449
Capital Assets (net of accumulated depreciation)			
Land, and non-depreciable infrastructure	15,399,147	3,786,518	19,185,665
Intangible Assets	1,891,868	6,664,556	8,556,423
Buildings	20,554,748	474,419	21,029,167
Improvements	824,041	707,891	1,531,933
Equipment	5,047,592	298,926	5,346,518
Infrastructure	43,981,703	-	43,981,703
Construction in progress	4,348,467	316,710	4,665,177
Total Assets	<u>\$ 154,920,555</u>	<u>\$ 17,504,080</u>	<u>\$ 172,424,634</u>
Deferred outflow of Resources			
Deferred outflow of Resources - Pension	1,614,887	105,928	1,720,815
Deferred outflow of Resources - OPEB	75,015	-	75,015
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>156,610,457</u>	<u>17,610,008</u>	<u>174,220,464</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable and accrued exp.	\$ 2,154,314	326,730	\$ 2,481,043
Unearned revenue	73,059	-	73,059
Other current liabilities	462,222	-	462,222
Liabilities payable from restricted assets	-	-	-
Non-Current Liabilities:	-	-	-
Other Long Term Debt (See Note 11)	-	-	-
Due within one year	868,279	1,104,887	1,973,166
Due in more than one year	21,817,871	1,671,821	23,489,692
Miscellaneous	1,047,919	-	1,047,919
Total Liabilities	<u>\$ 26,423,664</u>	<u>\$ 3,103,437</u>	<u>\$ 29,527,101</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources-Pensions	3,008,781	246,796	3,255,577
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>29,432,445</u>	<u>3,350,233</u>	<u>32,782,678</u>
NET POSITION			
Net Investment in Capital Assets	\$ 82,249,481	\$ 11,068,408.33	\$ 93,317,889
Fund Balance			
Non Spendable	105,935	18,793.22	124,729
Restricted	27,163,919	-	27,163,919
Committed	3,572,616	-	3,572,616
Assigned	9,038,753	-	9,038,753
Unassigned/Unrestricted	5,047,307	3,172,572.88	8,219,880
Total Net Position	<u>\$ 127,178,012</u>	<u>\$ 14,259,774.43</u>	<u>\$ 141,437,786</u>

KITTITAS COUNTY, WASHINGTON

**Statement of Activities
For the Year ended December 31, 2018**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Judicial	\$ 2,849,956	\$ 1,710,803	\$ 82,763	\$ -	\$ (1,056,391)	\$ -	\$ (1,056,391)
General Government	11,808,269	4,251,181	226,707	-	(7,330,382)	-	(7,330,382)
Public Safety	13,268,126	1,681,856	1,169,078	-	(10,417,192)	-	(10,417,192)
Physical Environment	180,689	248,695	54,295	-	122,301	-	122,301
Transportation	13,078,278	338,746	3,602,173	-	(9,137,359)	-	(9,137,359)
Economic Environment	1,792,521	735,242	192,685	-	(864,593)	-	(864,593)
Mental & Physical Health	3,970,923	284,603	1,198,426	-	(2,487,894)	-	(2,487,894)
Culture & Recreation	3,049,361	222,778	44,619	-	(2,781,964)	-	(2,781,964)
Interest on long-term debt	367,812	-	-	-	(367,812)	-	(367,812)
Total Government Activities	\$ 50,365,936	\$ 9,473,904	\$ 6,570,747	\$ -	\$ (34,321,285)	\$ -	\$ (34,321,285)
Business-type Activities:							
Garbage & Solid Waste	\$ 4,325,688	\$ 5,030,353	\$ -	\$ -	\$ -	\$ 704,665	\$ 704,665
Community Development Services	1,861,846	2,301,919	-	-	-	440,073	440,073
Water Mitigation	39,612	247,837	-	250,000	-	458,225	458,225
Total Business-Type Activities	\$ 6,227,147	\$ 7,580,109	\$ -	\$ 250,000	\$ -	\$ 1,602,963	\$ 1,602,963
Total Primary Government	\$ 56,593,082	\$ 17,054,013	\$ 6,570,747	\$ 250,000	\$ (34,321,285)	\$ 1,602,963	\$ (32,718,322)
General Revenues:							
Property Taxes					\$ 13,877,148	\$ -	\$ 13,877,148
Sales Taxes					12,363,464	-	12,363,464
Other Taxes							-
Motor Vehicle Excise Tax					2,515,940	-	2,515,940
Bureau of Land Management PILT					1,315,861	-	1,315,861
Real Estate Excise Tax - REET					1,092,426	-	1,092,426
Remaining Other Taxes					1,120,829	-	1,120,829
Unrestricted Investment Earnings					2,002,702	146,572	2,149,274
Proceeds on Disposition of Capital Assets					52,809	-	52,809
Transfers					(1,109,137)	1,109,137	-
Total General Revenues, Special Items & Transfers					\$ 33,232,042	\$ 1,255,709	\$ 34,487,751
Change in Net Position					\$ (1,089,243)	\$ 2,858,672	\$ 1,769,429
Net Position as of January 1							
Change in Accounting Principles -GASB 75					\$ 126,225,127	\$ 13,392,318	\$ 139,617,445
Prior Year Adjustments					3,179,140	-	3,179,140
					(1,137,012)	(1,991,215)	(3,128,227)
					-	-	-
Net Position as of December 31					\$ 127,178,012	\$ 14,259,774	\$ 141,437,786

KITTITAS COUNTY, WASHINGTON

**Balance Sheet
Governmental Funds
December 31, 2018**

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 20,694,443	\$ 662,742	\$ 6,591,735	\$ 27,948,921
Investments	-	8,105,793	11,562,136	19,667,929
Receivables (net)	2,158,800	181,035	242,565	2,582,399
Due from other funds	91,173	14,477	23,625	129,275
Due from Other Governmental	1,732,813	1,603,402	1,174,174	4,510,389
Prepaid items	58,178	10,168	12,445	80,791
Total assets	<u>\$ 24,735,407</u>	<u>\$ 10,577,617</u>	<u>\$ 19,606,680</u>	<u>\$ 54,919,704</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued exp.	\$ 378,305	\$ 840,404	\$ 509,552	\$ 1,728,261
Payable to other governments	2,461	8	93,046	95,515
Due to other funds	543,871	451,095	39,512	1,034,478
Interfund Loans Payable	-	-	-	-
Interest Payable	-	-	-	-
Unearned revenue	75	46	72,939	73,059
Deposits payable	30,987	7,896	423,338	462,222
Total liabilities	<u>955,698</u>	<u>1,299,450</u>	<u>1,138,387</u>	<u>3,393,535</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	1,935,636	163,293	190,226	2,289,156
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
	2,891,335	1,462,743	1,328,612	5,682,690
FUND BALANCES				
Non Spendable	74,153	11,218	16,185	101,556
Restricted	5,460,839	9,103,655	12,582,974	27,147,468
Committed	1,355,854	-	2,216,762	3,572,616
Assigned	5,576,606	-	3,462,147	9,038,753
Unassigned	9,376,620	-	-	9,376,620
Total fund balances	<u>21,844,072</u>	<u>9,114,874</u>	<u>18,278,067</u>	<u>49,237,014</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 24,735,407</u>	<u>\$ 10,577,617</u>	<u>\$ 19,606,680</u>	<u>\$ 54,919,704</u>

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	86,430,706
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,289,156
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(22,686,150)
Adjustment Related to Pensions -GASB 68	463,404
Adjustment Related to Pensions -GASB 75	75,015
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 position.	<u>11,368,868</u>
Net Position of Governmental Activities	<u><u>127,178,012</u></u>

KITTITAS COUNTY, WASHINGTON

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018**

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 9,029,118	\$ 4,246,329	\$ 664,786	\$ 13,940,233
Sales	7,606,324	-	4,757,139	12,363,464
Other	299,225	8,536	1,092,834	1,400,595
Licenses & Permits	282,612	145,423	662,235	1,090,270
Intergovernmental	3,209,139	6,066,786	2,025,878	11,301,803
Charges for Services	3,254,383	355,282	1,841,391	5,451,056
Fines & Forfeitures	1,748,564	-	18,547	1,767,111
Investment Earnings	1,538,043	172,223	199,541	1,909,806
Miscellaneous Revenues				
Rentals	921,509	-	-	921,509
Other Miscellaneous Revenues	196,336	6,548	565,123	768,007
Total revenues	\$ 28,085,252	\$ 11,001,127	\$ 11,827,474	\$ 50,913,853
EXPENDITURES				
Current:				
Judicial	\$ 2,340,232	\$ -	\$ 206,540	\$ 2,546,772
General Government	8,652,122	10,658	606,211	9,268,991
Public Safety	8,287,450	-	2,838,841	11,126,291
Physical Environ	110,069	-	40,171	150,241
Transportation	-	7,325,147	436,147	7,761,294
Economic Environment	342,053	-	1,329,566	1,671,619
Health & Human Services	438,300	-	3,302,837	3,741,138
Culture & Recreation	2,048,556	-	474,225	2,522,780
Debt Service:				
Principal	81,277	-	697,274	778,551
Interest	40,831	-	326,554	367,385
Debt Expense	128	-	300	428
Capital Outlay:				
General government	243,862	-	28,719	272,581
Judicial	-	-	-	-
Public safety	197,357	-	210,826	408,184
Physical environment	-	-	-	-
Transportation	-	4,274,755	-	4,274,755
Health & Human services	-	-	-	-
Economic environment	-	-	9,634	9,634
Culture & recreation	223,471	-	-	223,471
Total expenditures	\$ 23,005,709	\$ 11,610,560	\$ 10,507,845	\$ 45,124,114
Excess (deficiency) of revenues over (under) expenditures	\$ 5,079,543	\$ (609,433)	\$ 1,319,629	\$ 5,789,739
Continued on Next Page				
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 26,224	\$ 177,863	\$ 3,462,150	\$ 3,666,237
Transfers out	(3,856,279)	(316,377)	(946,947)	(5,119,603)
Debt Proceeds	-	-	-	-
Proceeds on Disposition of capital assets	24,153	-	9,306	33,459
Total other financing sources (uses)	\$ (3,805,903)	\$ (138,514)	\$ 2,524,510	\$ (1,419,907)
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	1,273,640	(747,948)	3,844,139	4,369,831
Fund balances--beginning	20,570,426	9,862,821	14,429,195	44,862,442
Prior Period Adjustments	-	-	4,734	4,734
Fund balances--ending	\$ 21,844,066	\$ 9,114,874	\$ 18,278,067	\$ 49,237,007

Continued Next Page

KITTITAS COUNTY, WASHINGTON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

Net changes in fund balances for governmental funds \$ 4,369,831

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	\$ 5,188,624	
Depreciation	(4,760,759)	
Reduction Construction in Progress	(1,991,034)	
Cost of Assets Sold	(831,711)	
Adjustments to Assets	(1,637,850)	
Donated Assets	47,527	
Assets from Construction Progress	1,460,264	
		(2,524,939)

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 position.

Debt Proceeds	\$ -	
Debt Retired	778,551	778,551

Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds. (431,270)

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. (3,542,345)

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. 492,445

Adjustment to reconciliation (231,524)

Change in Net Position of governmental activities \$ (1,089,250)

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds Statement of Net Position
December 31, 2018**

	<u>Solid Waste</u>	<u>Community Development Services</u>	<u>Water Mitigation</u>	<u>TOTAL Business- type Activities-- Enterprise Funds</u>	<u>Governmental Activities- Internal Service funds</u>
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 612,630	\$ 362,704	\$ 287,891	\$ 1,263,225	\$ 209,521
Investments	1,016,538	864,620	541	1,881,700	6,085,728
Receivables	541,784	1,673	39	543,496	15,039
Prepayment for Services	6,034	9,559	-	15,593	4,379
Due From Funds	-	300,246	220,000	520,246	425,450
Interfund Loan Receivables	-	-	-	-	-
Inventories	-	-	-	-	386,516
Due From Other governments	32,016	11,227	-	43,243	-
Total Current Assets	\$ 2,209,002	\$ 1,550,029	\$ 508,471	\$ 4,267,503	\$ 7,126,633
Noncurrent assets:					
Restricted Cash, Cash Equivalents and Investments:					
Cash restricted	-	-	-	-	18,432
Investments restricted	1,013,449	-	-	1,013,449	-
Total Restricted Assets	1,013,449	-	-	1,013,449	18,432
Capital assets:					
Land	3,786,518	-	-	3,786,518	447,473
Intangible Assets	1,061,499	2,590	5,600,467	6,664,556	-
Buildings	1,382,534	-	-	1,382,534	936,747
Improvements	4,782,104	-	-	4,782,104	268,738
Equipment	1,686,378	119,602	-	1,805,980	9,828,196
Construction in progress	316,710	-	-	316,710	673,118
Less Depreciation	(6,387,003)	(102,378)	-	(6,489,381)	(6,537,410)
Total Capital Assets	\$ 6,628,739	\$ 19,814	\$ 5,600,467	\$ 12,249,020	\$ 5,616,861
Total Noncurrent Assets	7,642,188	19,814	5,600,467	13,262,469	5,635,293
Deferred Outflow of Resources	-	-	-	-	-
Deferred Outflow of Resources-Pension	38,568	67,360	-	105,928	-
Total Assets and Deferred Outflows	\$ 9,889,758	\$ 1,637,204	\$ 6,108,938	\$ 17,635,900	\$ 12,761,926
LIABILITIES					
Current liabilities:					
Accounts payable and accrued exp.	\$ 226,737	\$ 99,960	\$ -	\$ 326,697	\$ 329,304
Due to other funds	5,912	9,980	10,000	25,892	14,602
Due to other governments	33	-	-	33	1,233
Unearned Revenue	-	-	-	-	-
Landfill Closure Cost	143,257	-	-	143,257	-
Compensated absences	4,262	9,601	-	13,862	-
Leases Payable	-	2,768	-	2,768	-
Bonds, notes, loans payable	75,000	-	870,000	945,000	-
Total Current Liabilities	\$ 455,200	\$ 122,309	\$ 880,000	\$ 1,457,509	\$ 345,139
Noncurrent liabilities:					
Compensated absences	\$ 120,771	\$ 84,097	\$ -	\$ 204,868	\$ -
Leases Payable	-	7,843	-	7,843	-
Bonds, notes, loans payable	225,001	-	-	225,001	-
Pension Obligations	78,424	70,888	-	149,312	-
Condo Reserves	-	-	-	-	1,047,919
Landfill Closure Cost	1,084,796	-	-	1,084,796	-
Total Noncurrent Liabilities	\$ 1,508,992	\$ 162,828	\$ -	\$ 1,671,821	\$ 1,047,919
Deferred Inflow of Resources	-	-	-	-	-
Deferred Inflow of Resources - Pensions	89,701	157,095	-	246,796	-
Total Combined Liabilities and Deferred Inflows of Resources	\$ 2,053,894	\$ 442,232	\$ 880,000	\$ 3,376,126	\$ 1,393,058
NET POSITION					
Net Investment in Capital Assets	\$ 6,328,738	\$ 9,203	\$ 4,730,467	\$ 11,068,408	\$ 5,616,861
Restricted Net Position	-	9,859	-	9,859	3,439,918
Unrestricted Net Position	1,507,126	1,175,910	498,471	3,181,507	2,312,090
Total Net Position	\$ 7,835,864	\$ 1,194,972	\$ 5,228,938	\$ 14,259,774	\$ 11,368,868
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	-	-	-	-
Net Position of business-type activities	\$ 7,835,864	\$ 1,194,972	\$ 5,228,938	\$ 14,259,774	\$ 11,368,868

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2018**

	<u>Solid Waste</u>	<u>Community Development Services</u>	<u>Water Mitigation</u>	<u>TOTAL Business-type Activities-- Enterprise Funds</u>	<u>Governmental Activities- Internal Service funds</u>
OPERATING REVENUES					
Charges for Services:					
Garbage & Solid Waste	\$ 5,032,544	\$ -	\$ -	\$ 5,032,544	\$ -
Other services	-	2,232,318	247,837	2,480,155	2,578,735
Total operating revenues	\$ 5,032,544	\$ 2,232,318	\$ 247,837	\$ 7,512,699	\$ 2,578,735
OPERATING EXPENSES					
Operations and Cost of Sales	\$ 3,988,054	\$ 1,842,904	\$ 2,305	\$ 5,833,263	\$ 1,750,147
Administrative, General & Maintenance	-	-	-	-	78,929
Depreciation	335,760	18,942	-	354,702	785,633
Total operating expenses	\$ 4,323,813	\$ 1,861,846	\$ 2,305	\$ 6,187,965	\$ 2,614,709
Operating income (loss)	\$ 708,730	\$ 370,472	\$ 245,532	\$ 1,324,734	\$ (35,973)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	\$ 127,216	\$ 13,501	\$ 5,855	\$ 146,572	\$ 92,896
Debt Interest Expense	(1,875)	-	(37,307)	(39,182)	-
Gain (loss) on Disposition of Capital Assets	(2,270)	-	-	(2,270)	19,350
Landfill Closure Revenues (Cost)	(37,878)	-	-	(37,878)	-
Compensated Absences	(2,679)	(2,825)	-	(5,505)	-
Pension Expense	40,637	72,426	-	113,063	-
Miscellaneous nonoperating revenues (expenses)	-	-	-	-	6
Total non-operating income (expense)	\$ 123,151	\$ 83,102	\$ (31,452)	\$ 174,801	\$ 112,252
Income before contributions & transfers	\$ 831,881	\$ 453,574	\$ 214,080	\$ 1,499,535	\$ 76,279
Capital Grants	-	-	250,000	250,000	-
Capital Contributions	-	-	-	-	-
Transfers In (Out)	-	-	1,109,137	1,109,137	344,229
Change in net assets	\$ 831,881	\$ 453,574	\$ 1,573,217	\$ 2,858,672	\$ 420,508
Net Position--beginning	8,981,820	754,776	3,655,721	13,392,318	12,080,638
Prior Year Adjustment	(1,977,837)	(13,379)	-	(1,991,215)	(1,132,278)
Net Position--ending	\$ 7,835,864	\$ 1,194,972	\$ 5,228,938	\$ 14,259,774	\$ 11,368,868

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2018

	Solid Waste	Community Development Services	Water Mitigation	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities
					Internal Service funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 4,973,556	\$ 1,968,444	\$ 27,837	\$ 6,969,837	\$ 2,325,105
Cash payments to employees	(737,137)	-	-	(737,137)	-
Cash payments to suppliers	(3,429,835)	(1,772,367)	7,695	(5,194,507)	(1,378,387)
Net cash provided (used) by operating activities	\$ 806,584	\$ 196,077	\$ 35,532	\$ 1,038,192	\$ 946,718
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Received (Paid) on loans from other funds	\$ 1,231,584	\$ -	\$ -	\$ 1,231,584	\$ -
Transfer from Other Funds	-	-	-	-	27,852
Non-Operating Expenses	-	-	-	-	6
Net cash provided from noncapital activities	\$ 1,231,584	\$ -	\$ -	\$ 1,231,584	\$ 27,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Capital Assets	\$ (2,270)	\$ -	\$ -	\$ (2,270)	\$ 19,350
Payments for Capital Acquisition	(4,653,188)	-	(468,718)	(5,121,906)	(686,197)
Construction in Progress	-	-	-	-	(625,395)
Proceeds from Capital Grant	-	-	250,000	250,000	-
Proceeds from Debt	-	-	-	-	-
Transfer from Other Funds In (Out)	-	-	1,109,137	1,109,137	316,377
Depreciation - prior year	3,445	-	-	3,445	-
Payment on Long Term Debt	(75,000)	(2,767)	(852,000)	(929,767)	-
Debt Interest Expense	(1,875)	-	(37,307)	(39,182)	-
Net cash provided (used in) capital financing activities	\$ (4,728,888)	\$ (2,767)	\$ 1,112	\$ (4,730,544)	\$ (975,864)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment Interest	\$ 127,216	\$ 13,501	\$ 5,855	\$ 146,572	\$ 92,897
Interest Receivable	882	(1,111)	(39)	(269)	(103)
Balancing Item	514	-	-	514	-
Sale (Purchase) of Investment	2,603,782	(312,390)	(541)	2,290,851	(3,352,727)
Net cash flows from investing activities	\$ 2,732,394	\$ (300,000)	\$ 5,274	\$ 2,437,669	\$ (3,259,933)
Net increase (decrease) in cash and cash equivalent	\$ 41,675	\$ (106,690)	\$ 41,918	\$ (23,098)	\$ (3,261,221)
Cash and cash equivalents at January 1	\$ 570,955	\$ 469,395	\$ 245,973	\$ 1,286,323	\$ 3,489,174
Cash and cash equivalents at December 31	\$ 612,630	\$ 362,704	\$ 287,891	\$ 1,263,225	\$ 227,953
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Net operating income (loss)	\$ 708,730	\$ 370,472	\$ 245,532	\$ 1,324,734	\$ (35,973)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation expense	\$ 335,760	\$ 18,942	\$ -	\$ 354,702	\$ 785,633
(Increase) decrease in Receivables	(34,087)	-	-	(34,087)	71,085
(Increase) decrease in Due from other Funds	-	(300,246)	(220,000)	(520,246)	(27,644)
(Increase) decrease in Due from other Governmental	(24,901)	36,372	-	11,471	(1,191)
(Increase) decrease in Prepayment for Services	812	(223)	-	589	627
Increase (decrease) in Non Current Liability	-	-	-	-	12,022
Increase (decrease) in Due to other Funds	(6,256)	1,965	10,000	5,709	(332,147)
Increase (decrease) in Inventory	-	-	-	-	250,374
Increase (decrease) in Payables	(173,268)	68,795	-	(104,473)	223,933
Increase (decrease) in Due to other Governments	-	-	-	-	-
Increase (decrease) in Taxes Payable	(206)	-	-	(206)	-
Total Adjustments	\$ 97,853	\$ (174,395)	\$ (210,000)	\$ (286,542)	\$ 982,691
Net cash provided by operating activities	\$ 806,584	\$ 196,077	\$ 35,532	\$ 1,038,192	\$ 946,718

KITITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Position December 31, 2018

	Private Purpose Trust	Investment Trust	Private Water Trust	Agency Funds
ASSETS				
Cash/Petty Cash	\$ 150	\$ -	\$ 28,321	\$ 11,741,682
Cash with Fiscal Agency	-	-	-	244,103
Investments	7,078	23,592,210	-	1,250,341
Taxes Receivable	-	-	-	1,554,620
Other Receivables	14	81,174	-	250,019
	<u>14</u>	<u>81,174</u>	<u>-</u>	<u>250,019</u>
TOTAL ASSETS	\$ <u>7,242</u>	\$ <u>23,673,384</u>	\$ <u>28,321</u>	\$ <u>15,040,764</u>
DEFERRED OUTFLOWS of RESOURCES				
LIABILITIES				
Warrants Payable	\$ -	\$ -	\$ 26,424	\$ 3,872,008
Salary/Vouchers Payable	-	-	-	912,489
Custodial Accounts	-	23,592,210	-	8,701,648
	<u>-</u>	<u>23,592,210</u>	<u>-</u>	<u>8,701,648</u>
TOTAL LIABILITIES	\$ -	\$ 23,592,210	\$ 26,424	\$ 13,486,145
DEFERRED INFLOWS of RESOURCES				
Deferred Inflows of Resources - Taxes	-	-	-	1,554,620
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554,620</u>
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	-	-	15,040,765
NET POSITION				
Held in Trust for Other Purposes	\$ 7,242	\$ 81,174	\$ 1,897	\$ -
Total Net Position	\$ <u>7,242</u>	\$ <u>81,174</u>	\$ <u>1,897</u>	\$ <u>-</u>

KITTITAS COUNTY, WASHINGTON
Statement of Change in Fiduciary Net Position
Private Purpose Trust
For the Year Ended December 31, 2018

	Private Purpose Trust	Investment Trust	Private Water Trust
Additions			
Investment Earnings	\$ 103	\$ 81,174	\$ 48,139
Miscellaneous Revenues	-	-	-
Total Additions	<u>\$ 103</u>	<u>\$ 81,174</u>	<u>\$ 48,139</u>
Deductions			
General Government	\$ -	\$ -	\$ 46,242
Culture & Recreation	35	-	-
Total Deductions	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 46,242</u>
Change in Net Position	\$ 68	\$ 81,174	\$ 1,897
Net Position--beginning	7,156	-	-
Net Position--ending	<u><u>\$ 7,224</u></u>	<u><u>\$ 81,174</u></u>	<u><u>\$ 1,897</u></u>

KITTITAS COUNTY, WASHINGTON
Notes to the Basic Financial Statements
Dated as of and for the year Ended December 31, 2018

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 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, Parks & Recreation, 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. The Agency funds are omitted from the government-wide financial statements.

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 collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kittitas County considers revenues to be available if they are 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. Per RCW 36.40.20 all appropriations shall lapse at the end of the fiscal year: PROVIDED, That the appropriation accounts may remain open for a period of thirty days, and may, at the auditor's discretion, remain open for a period not to exceed sixty days thereafter for the payment of claims incurred against such appropriations prior to the close of the fiscal year. After such period has expired all appropriations shall become null and void and any claim presented thereafter against any such appropriation shall be provided for in the next ensuing budget: PROVIDED that this shall not prevent payments upon uncompleted improvements in progress at the close of the fiscal year.

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

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 and Community Developmental Services are considered major funds, but we choose to report Solid Waste, Community Development Services and Water Mitigation. Additionally, reported are the following fund types: Internal service funds account for Equipment, Rental & Revolving, Dental Self Insurance, Unemployment Compensation and Computer Replacement 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 funds are used to account for the Jerry Williams Library Trust, Investment Trust and the Private Water 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 Investment Revolving and Treasurer M&O as per RCW 36.29.024 and 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 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. In, the Required Supplementary section is the comparison of original budget and the final budget.

E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. CASH AND EQUIVALENTS

It is the County's policy to invest all temporary cash surplus. At December 31, 2018 the treasurer was holding \$149,019,45 in short-term residual investment of surplus cash. 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 3.

3. RECEIVABLES

Taxes & Assessment receivables consist of property taxes and related interest and penalties, see Property Taxes Note 4. 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. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

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. The reserve for inventory is equal to the (average/ending) amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in Proprietary Funds are valued at cost using the average cost method, which approximates the market value. Items that are inventoried are Pits, Central Stores, Mechanical Parts, Fuel Depot and Sign Inventory. The amount of the inventory will be recorded as reserved in Net Position. Inventories in proprietary funds are valued by the average method (which approximates the market value).

6. CAPITAL ASSETS

See Note Number 5.

Capital assets, which includes property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the county as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Kittitas County has elected to use the modified approach to account for the infrastructure account; Gravel Roads, which eliminates the need to report depreciation expense.

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

Capital Leases are defined as long term debt to the county. The asset is tracked but there is not value placed in the Capital Assets. Capital Leases are determined by one of the following four criteria; 1) The lease transfers ownership of the property to the lessee by, or at, the end of the lease term; 2) The lease contains an option to purchase the leased property at a bargain price; 3) The lease is equal to or greater than 75% of the estimated economic life of the leased property; 4) The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90% of the fair value of the lease property. See Note Number 10.

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. There were no projects in 2018 that had interest allocated to an asset.

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 3.

8. COMPENSATED ABSENCES

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

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

- Washington State Council of County & City Employees
 - Local 792CH - Courthouse Employees
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days
 - Local 792 - County Road Employees
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days
 - Local 2658 - Appraisers
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days
- Teamsters
 - Local 760 - Sheriff Deputies & Correction Officers
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 132 working days
 - Local 760 - Misdemeanant Probation
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days
- Non-Union Personnel Policies
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days

9. LONG-TERM DEBT

See Long-Term Debt and Leases Note No 9.

10. DEFERRED OUTFLOW/INFLOW OF RESOURCES

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of all state sponsored pension plans and additions to/deduction from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at a fair value.

This account also 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.

Effective 2018 Kittitas County implemented GASB 75 for OPEB reporting. The deferred outflow is reporting the Payments subsequent to the measurement date June 30.

11. FUND RESERVES AND DESIGNATIONS

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

A. Governmental Fund Types

Fund Balance types for Governmental Fund Types and reporting practice

Non-spendable Fund Balance:

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

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

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

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

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

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

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

Restricted Fund Balance:

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

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

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

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

Committed Fund Balance:

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

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

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

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

Assigned Fund Balance:

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

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

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

New Year Budget Appropriation – The appropriation of existing fund balance to eliminate the projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

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.

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

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, 2018:

	General Fund	Road Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	58,178	10,168	12,445	80,791
Petty Cash	15,975	1,050	3,740	20,765
 Total Nonspendable	74,153	11,218	16,185	101,556
Restricted for:				
Law & Justice	5,460,839	-	-	5,460,839
Paths Trails	-	24,319	-	24,319
Special Revenue	-	8,834,432	10,190,311	19,024,743
Construction Performance Bond	-	14,992	-	14,992

Title 1 Roads	-	229,912	-	229,912
GO Refunding Bond	-	-	18,680	18,680
Refund Fund	-	-	398	398
206 CRID 96-1 Bond	-	-	-	-
CRID Guaranty Fund	-	-	-	-
Other Capital Projects	-	-	2,374,037	2,374,037
Total Restricted	5,460,839	9,103,655	12,583,426	27,147,921
Committed to:				
Vehicle Replacement	838,725	-	-	838,725
Special Revenue	-	-	2,198,113	2,198,113
County Capital Improvements	517,129	-	-	517,129
Rodeo Grounds Capital Improvements	-	-	18,649	18,649
Total Committed	1,355,854	-	2,216,762	3,572,616
Assigned to:				
NY Budget	5,576,606	-	-	5,576,606
Special Revenue	-	-	1,462,147	1,462,147
New Courthouse Capital Projects	-	-	2,000,000	2,000,000
Total Assigned	5,576,606	-	3,462,147	9,038,753
Unassigned	9,376,620	-	-	9,376,620
Total Fund Balance	21,844,072	9,114,874	18,278,520	49,237,466

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, 2018 Total Fund Balance	\$49,237,466
Capital assets used in governmental activities are not financial resources and are not reported in the funds	86,430,706
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,289,156
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(22,686,150)
Adjustment Related to Pensions-GASB 68	463,404
Adjustment Related to Pensions-GASB 75	75,015
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	<u>11,368,868</u>
Net adjustment to increase total governmental funds to arrive at net position-governmental activities	<u>127,178,012</u>

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, 2018 Net Changes in Fund Balances for Governmental Funds		\$4,369,838
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	5,188,624	
Depreciation	(4,760,759)	
Reduction Construction in Progress	(1,991,034)	
Cost of Assets Sold	(831,711)	
Adjustments to Assets	(1,637,850)	
Donated Assets	47,527	
Assets from Construction in Progress	1,460,264	
		(2,524,939)
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	<u>778,551</u>	778,551
Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds		(431,270)
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		(3,542,345)
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		492,445
Adjustment to reconciliation		(231,524)
Change in Net Position of governmental activities		<u>(\$1,089,243)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

The County Treasurer, acting in their legal capacity as Treasurer for the County and other taxing districts, receipts, disburses, and invests all cash.

A. DEPOSITS

The County maintains deposit relationships with several Washington State commercial banks and savings and loan institutions.

Cash on hand at December 31, 2018 was \$62,989,691.42. The carrying amount of the County’s deposits and investments was \$55,055,575.09 in the LGIP, and the bank balance was \$7,934,116.33 in various banks.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the County would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The county has a formal investment policy that addresses this risk. All deposits held at December 31, 2018 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name. The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not covered by the Federal Depository Insurance Corporation (FDIC). The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool that insures public deposits. In such a pool, a group of financial institutions, holding public funds, pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, by monitoring the financial condition of all public depositories, and by optimizing collateralization requirements. In the event of a bank failure, claims for the County's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the deposit. Kittitas County does not participate in making deposits or investments that are exposed to this type of risk.

B. INVESTMENTS

Through the office of the County Treasurer, Kittitas County collects taxes, licenses, fees, and other revenues. It collects not only for the County but also for special purpose districts located within the County. In its custodial role, the Treasurer has the authority to deposit any public funds available for investment and to secure those funds by appropriate collateral. Cash is deposited and invested on behalf of the County and local districts per its debt and investment policies. These investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute, including U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market account, and the State Treasurer's Local Government Investment Pool (LGIP). Starting in 2016 the State Treasurer allowed counties the authority to purchase corporate notes.

The total fair market value of Kittitas County's investments was \$91,722,971.69 on December 31, 2018, including cash on hand invested in various banks and the LGIP. Fair market value for purchased securities is determined monthly using information from current market prices as reported by U.S. Bank, itemized by security. Fair market value for the LGIP and WA Fed money market accounts are the current monthly balance reported by those entities. Fair market value for the Kittitas School District #403 bond held by the County is based on the bond's actual current principal value.

Management intends to hold all time deposits and securities until maturity, unless a situation arises where we can reduce credit risk and purchase at a higher rate of return than what was currently being earned. In accordance with GAAP applicable to regulated industries and GASB Statement 31, changes in fair value are reflected as unrealized income in the financial statements. Other gains or losses on investments sold or exchanged are recognized at the time transactions are completed.

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the county may face should interest rate variances affect the fair value of investments. The county has a formal policy that addresses interest rate risk.

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

The adopted investment policy limits investment maturities to a maximum of five years, with the exception of preapproval by the County Treasurer. During 2018 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1	1 to 5	6 to 10	More than 10	
Debt Securities						
Corporate Notes	\$ 8,446,954.00	\$ 6,475,289.00	\$ 1,971,665.00	\$ -	\$ -	
Federal Agency Callables	\$ 7,701,548.53	\$ 2,741,654.75	\$ 4,959,893.78	\$ -	\$ -	
Federal Agency Coupon	\$ 7,503,159.50	\$ 1,498,876.50	\$ 6,004,283.00	\$ -	\$ -	
Federal Agency Disc-Amortizing	\$ 2,091,820.87	\$ 2,091,820.87	\$ -	\$ -	\$ -	
Misc Coupon Securities-Kittitas SD #403 Bond	\$ 182,446.48		\$ 182,446.48	\$ -	\$ -	
Municipal Bonds	\$ 3,644,878.80	\$ 201,686.00	\$ 3,443,192.80	\$ -	\$ -	
SUPRA Nationals	\$ 1,975,032.00	\$ -	\$ 1,975,032.00	\$ -	\$ -	
WA State LGIP	\$ 55,055,575.09	\$ 55,055,575.09	\$ -	\$ -	\$ -	
Total Debt Securities	\$ 86,601,415.27	\$ 68,064,902.21	\$ 18,536,513.06	\$ -	\$ -	
Other Securities						
Money Market Account	\$ 5,104,002.90	\$ 5,104,002.90		\$ -	\$ -	
Total Other Securities	\$ 5,104,002.90	\$ 5,104,002.90	\$ -	\$ -	\$ -	
Grand Total Securities	\$ 91,705,418.17	\$ 73,168,905.11	\$ 18,536,513.06	\$ -	\$ -	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the County will do business. The credentials of these business partners are reviewed at least annually. Kittitas County had one securities lending transaction in 2018, described in the paragraph below and in section D of this Note.

Debt Security Ratings		
as of 12/31/2018		
	S&P Rating	Moody's
US Agency Security		
Federal Home Loan Bank (FHLB)	AA+	Aaa
Federal National Mortgage Association (FNMA)	AA+	Aaa
Federal Home Loan Mortgage Corp. (FHLMC)	AA+	Aaa
Federal Farm Credit Bank System (FFCB)	AA+	Aaa
Federal Agricultural Mtg Corp (FAMC)	None	None
WA Municipal Bonds		
Energy Northwest WA Elec Rev	AA-	Aa1
Skagit County	None	Aaa
Non-WA Municipal Bonds		
Oregon State GO UNLT	AA+	None
Madison AL GO Unit	AA+	None
New York NY GO	AA	Aa2

Other Security Ratings		
as of 12/31/2018		
	S&P Rating	Moody's
Corporate Notes		
Toronto-Dominion Bank	AA-	Aa2
Berkshire Hathaway Fin	AA	Aa2
Apple Inc	AA+	Aa1
Johnson & Johnson	AAA	Aaa
Exxon Mobil Corp	AA+	Aaa
Microsoft	AAA	Aaa
SUPRA National		
International Bank for Reconstr & Development	AAA	Aaa
Toronto-Dominion Bank	AA-	Aa2
Misc Coupon Securities		
Kittitas School District #403	None	Aaa
Federal Agency Discount Notes-Amortized		
Financing Corp	None	None
Resolution Funding Corp	None	Aaa

At December 31, 2018, Kittitas County's investments had no credit quality distribution for securities with credit exposure of less than the three highest ratings of a national rating agency at the time of investment, as per the county's investment policy, with the following exceptions that have no assigned ratings. However, the County Treasurer's analysis prior to purchase determined them to be of comparable credit quality to securities that have been rated within the highest category of long-term credit ratings. Additionally, the investment policy had no credit rating requirement until the policy was updated effective June 11, 2018.

Debt Security Ratings							
US Agency Security	S&P Rating	Moody's	Market Value	Principal Amount	Interest Rate	Purchase Date	Maturity Date
Federal Agricultural Mtg Corp (FAMC)	None	None	\$ 1,001,042.00	\$ 1,000,000.00	2.67%	4/12/2018	4/12/2021
Federal Agricultural Mtg Corp (FAMC)	None	None	\$ 1,001,042.00	\$ 1,000,000.00	2.67%	4/13/2018	4/12/2021

Other Security Ratings							
Federal Agency Discount Notes-Amort.	S&P Rating	Moody's	Market Value	Principal Amount	Interest Rate	Purchase Date	Maturity Date
Federal Financing Corp	None	None	\$ 1,107,000.00	\$ 1,070,435.79	1.49%	6/15/2017	9/26/2019
Federal Financing Corp	None	None	\$ 1,400,000.00	\$ 1,385,062.00	1.95%	4/12/2018	11/2/2018

All data as of 12/31/18 or maturity date.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The county has a formal policy for concentration of credit risk which requires diversification of the portfolio and limits the percentage of the total portfolio which may belong to federal and municipal bonds, repurchase agreements, bankers' acceptances, corporate notes, supranationals, and registered warrants. The portfolio may consist of up to 100% in Treasury and Federal Agencies, Certificates of Deposit, Savings or Time accounts, and/or the Washington State Local Government Investment Pool (LGIP).

Below is a list of investments held by the County as of December 31, 2018 and the type of investment. The County continues to work towards diversifying its portfolio.

Investment by Type - 12/31/2018	Market Value	Percentage	% Allowed	Difference
Corporate Notes	\$ 8,441,570	9.21%	10.00%	0.79%
Federal Agency Callables	\$ 7,758,336	8.46%	100.00%	91.54%
Federal Agency Coupon	\$ 7,465,403	8.14%	100.00%	91.86%
Federal Agency Disc-Amortizing	\$ 2,070,033	2.26%	100.00%	97.74%
Misc Coupon Securities-Kittitas SD	\$ 182,446	0.20%	OK	OK
Money Market	\$ 5,104,003	5.57%	100.00%	94.43%
Municipal Bonds	\$ 3,626,994	3.96%	20.00%	16.04%
SUPRA National	\$ 1,992,350	2.17%	5.00%	2.83%
WA LGIP	\$55,055,575	60.04%	100.00%	39.96%
	\$91,696,710	100.00%		

Percent allowed per accepted county investment policy, dated 6/11/2018.

Kittitas School District has a \$200,000 face value bond dated 7/25/2018 carried by the County

For investment purposes, the County uses the fund by fund approach of cash balances of County funds and allows for participation by other legally separate entities such as special districts and public agencies, for which the County is ex officio treasurer. Kittitas County established an Investment Pool effective September 1, 2018. There are currently over 40 special districts and 63 special district funds participating in the county's investment pool, with only seven investment funds not participating as of December 31, 2018. Several of those funds have since signed investment agreements with the county in 2019.

Investments in the Local Government Investment Pool (LGIP)

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

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

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

Investments in Kittitas County Investment Pool (KCIP)

The County operates and is a participant in the Kittitas County Investment Pool, an external investment pool. The pool was initiated September 1, 2018. The county reports its investment in the KCIP at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The County Treasurer, by law, is the Treasurer of most local governments and districts within the County, including schools, fire, and library districts. These districts do not have a legal option to have their cash handled by anyone other than the County Treasurer. The Pool is established per the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. The county's investment policy is established by the County Finance Committee consisting of the County Treasurer, County Auditor, and County Commissioner Chairperson as well as all three members of the Board of County Commissioners. The county external investment pool does not have a credit rating and had a weighted average maturity of 400 days or 1.096 years as of December 31, 2018. The interest on these investments is allocated between all participating funds, including the General Fund, based on their percentage of participation, except where prohibited by statute or bond covenant.

There are no legally binding guarantees for the KCIP. Authorized investments for the KCIP are the same as investments held outside of the pool. These are defined in statute. The KCIP also has holdings in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure investments at amortized cost. The only limitations or restrictions with the money in LGIP are a minimum transaction size of \$5,000 for deposits and withdrawals and a request to notify LGIP of a deposit or withdrawal of ten million dollars (\$10,000,000) or more of at least one day prior to the transfer. All funds deposited in the KCIP are available to the participant at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are allocated and distributed monthly, calculated on the average daily balance of the participant's cash balances.

Participation in the KCIP by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the Treasurer. The County and districts are able to take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the County's objectives of safety, liquidity, and yield.

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

Kittitas County measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy by: Level 1 Quoted prices in active markets for identical assets or liabilities, Level 2 Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable, or Level 3 Unobservable inputs for an asset or liability. As of December 31, 2018, Kittitas County had the following fair value measurement:

Investment	Level 1	Level 2	Level 3	Total
Mortgage and other asset-backed securities	\$ -	\$ 10,604,432.48	\$ -	\$ 10,604,432.48
Municipal Bonds	\$ -	\$ 3,644,878.80	\$ -	\$ 3,644,878.80
U.S. Government & agency securities	\$ -	\$ 17,296,528.90	\$ -	\$ 17,296,528.90
Total	\$ -	\$ 31,545,840.18	\$ -	\$ 31,545,840.18

D. Investments by Fund

Fund	Total Investments
County Road	\$8,105,793
Special Revenue-Non Major	9,758,744
Debt Service	1,567
Capital Projects	1,801,826
Total Governmental Funds	19,667,929
Enterprise Funds	2,895,148
Internal Service Funds	6,085,728
Total Proprietary Funds	8,980,876
Agency Funds	24,849,629
TOTAL	\$53,498,434

Balance Sheet – Governmental Funds				
	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
Assets				
Investments	\$ -	\$8,105,793	\$11,562,136	\$19,667,929
Proprietary Funds Statement of Net position				
	Business-type Activities Enterprise Funds		Governmental Activities Internal Service Funds	
Assets				
Investments	\$2,895,148		\$6,085,728	

Agency Funds Combining Balance Sheet	
Assets	
External Investment Pool	23,592,210
Investments	\$1,250,341

NOTE 4 - 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 2017 for the 2018 tax County levied the following property taxes on an assessed value of \$6,434,855,673. The Road district property value assessed was \$4,501,291,504.

Fund	Levy	Amount
General fund	1.347118	\$8,668,509.90
Mental Health/Development Disabilities	.024358	156,740.21
Veterans Relief	.006993	44,998.95
Total General fund Levy	1.378469	\$8,870,249.06
Road Levy	.928225	\$4,178,211.31
County Road Diverted	.044431	199,996.88
Total Road Levy	.972656	\$4,378,208.19
Flood Control Regular Levy	.070209	451,784.78
GRAND TOTAL	2.421334	\$13,700,242.03

NOTE 5 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is shown by asset type in the following table. The largest increase in the Governmental activities is in Construction in Progress; \$3,565,360. This includes County Road projects, Event Center Projects and the Jail HVAC upgrade. In the Business Type Activities the largest increase was for the purchase of land in the amount of \$3,506,253 and water rights in the amount of \$1,489,218.

GOVERNMENTAL ACTIVITIES (including Internal Service Funds)	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	6,039,054	60,452	-	-	6,100,106
Infrastructure - Gravel Roads*	3,984,211	-	16,088	-	3,968,123
Land - Easements & Right of Ways	5,342,068	-	2,674	(8,476)	5,330,918
Intangible Assets	1,952,010	60,760	120,902	-	1,891,868
Intangible Assets - Water Banks	-	-	-	-	-
Construction in Progress	3,174,805	3,565,360	1,991,034	(400,663)	4,348,467
Total	20,492,747	3,686,571	2,130,697	(409,140)	21,639,482
Assets Being Depreciated					
Buildings & Improvement	37,064,828	1,605,633	145,370	-	38,525,092
Improvements	2,572,794	-	-	47,692	2,620,486
Equipment	14,205,322	1,138,761	363,088	(464,807)	14,516,188
Infrastructure	160,336,007	214,259	208,684	126,413	160,467,994
Total	214,178,950	2,958,653	717,142	(1,620,298)	216,129,760
Grand Total	234,671,698	6,645,224	2,847,839	(669,841)	237,769,242
Less accumulated depreciation for:	Beginning Balance	Increase	Decrease		Ending Balance
Buildings & Improvements	15,662,140	1,075,428	-	1,232,775	17,970,343
Improvements	1,702,836	81,875	-	11,735	1,796,445
Equipment & Machinery	9,095,338	1,101,246	363,145	(364,843)	9,468,596
Infrastructure	114,107,609	2,936,527	193,873	(363,972)	116,486,291
Total	140,567,923	5,195,075	557,018	515,695	145,721,675
Total Government Activities, net	94,103,774	1,450,149	2,290,821	(184,146)	92,047,567

BUSINESS TYPE ACTIVITIES	Beginning Balance	Increase	Decrease		Ending Balance
Assets not being depreciated					
Land	2,285,908	3,506,253	-	(2,005,643)	3,786,518
Intangible Assets	5,175,338	1,489,218	-	-	6,664,556
Construction in Progress	190,275	126,435	-	-	316,710
Total	7,651,521	5,121,906	-	(2,005,643)	10,767,784
Assets Being Depreciated					
Buildings & Improvement	1,389,478	-	-	-	1,389,478
Improvements	2,769,690	-	-	2,005,470	4,775,159
Equipment	1,806,757	-	-	(777)	1,805,980
Total	5,965,925	-	-	2,004,693	7,970,618
Grand Total	13,617,446	5,121,906	-	(951)	18,738,402
Less accumulated depreciation for:	Beginning Balance	Increase	Decrease		Ending Balance
Buildings & Improvements	861,694	51,848	-	1,517	915,059
Improvements	1,944,698	146,350	-	1,976,219	4,067,268
Equipment & Machinery	1,347,441	156,405	-	3,208	1,507,054
Total	4,153,833	354,604	-	1,980,944	6,489,381
Business Activities Capital Assets, net	9,463,613	4,767,302	-	1,979,993	12,249,020

B. ADJUSTMENTS

The majority of adjustments are a result of the 2016 State Audit for incorrect depreciation calculations and the results of internal audit of the assets.

C. DEPRECIATION EXPENSE

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

Government Activities	
Function/Program	Amount
Government activities	\$1,809,546
Judicial Services	36,493
Public Safety	24,735
Physical Environment	(17,255)
Transportation	2,984,359
Health and Human Service	(6,776)
Culture and Recreation	322,650
Total	\$5,153,752

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	\$335,760
Community Development Services Public Safety	14,843
Community Development Services Economic Environment	4,099
Total	\$354,702

*See Required Supplementary Information

NOTE 6 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(7,019,535)
Pension assets	\$1,857,298
Deferred outflows of resources	\$1,724,279
Deferred inflows of resources	\$(3,259,047)
Pension expense/expenditures	\$352,969

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

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

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

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

The county actual PERS plan contributions were \$778,452 to PERS Plan 1 and \$945,949 to PERS Plan 2/3 for the year ended December 31, 2018.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in [RCW 10.93.020](#); or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

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

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded

actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

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

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

The county actual plan contributions were \$111,799 to PSERS Plan 2 and \$82,817 to PERS Plan 1 for the year ended December 31, 2018.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

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

the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

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

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

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

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

The county actual contributions to the plan were \$145,982 for the year ended December 31, 2018.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$90,084.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the county proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the county proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$13,030,852	\$10,603,347	\$8,500,638
PERS 2/3	22,151,541	4,842,901	(9,348,253)
PSERS 2	402,431	3,874	(308,863)
LEOFF 1	(2,040,287)	(2,564,723)	(3,016,233)
LEOFF 2	(1,583,700)	(11,909,198)	(20,330,842)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2018, the county reported a total pension liability of \$7,019,535 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$4,999,010
PERS 2/3	2,015,684
PSERS 2	4,841
LEOFF 1	(156,097)
LEOFF 2	(1,701,201)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer’s proportionate share	(156,097)	(1,701,201)
State’s proportionate share of the net pension asset associated with the employer	(1,055,835)	(1,101,495)
TOTAL	(1,211,932)	(2,802,696)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	.112327%	.111934%	.000393%
PERS 2/3	.118686%	.118055%	.000631%
PSERS 2	.401565%	.390713%	.010852%
LEOFF 1	.009552%	.008598%	.000954%
LEOFF 2	.078824%	.083794%	(.004970%)

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

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

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

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

Pension Expense

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

	Pension Expense
PERS 1	\$419,601
PERS 2/3	(82,825)
PSERS 2	83,174
LEOFF 1	(11,966)
LEOFF 2	(55,015)
TOTAL	352,969

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (198,658)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 395,808	\$ -
TOTAL	\$ 395,808	\$ (198,658)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 247,070	\$ (352,909)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,236,917)
Changes of assumptions	\$ 23,580	\$ (573,647)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 225,695	\$ (108,898)
Contributions subsequent to the measurement date	\$ 481,415	\$ -
TOTAL	\$ 977,760	\$ (2,272,372)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,903	\$ (4,967)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (65,274)
Changes of assumptions	\$ 518	\$ (29,957)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 6,281	\$ (5,759)
Contributions subsequent to the measurement date	\$ 57,943	\$ -
TOTAL	\$ 100,645	\$ (105,957)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (12,673)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ -	\$ (12,673)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,130	\$ (39,502)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (297,733)
Changes of assumptions	\$ 963	\$ (244,153)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 85,506	\$ (87,999)
Contributions subsequent to the measurement date	\$ 72,467	\$ -
TOTAL	\$ 250,066	\$ (669,387)

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

Year ended December 31:	PERS 1
2019	\$ 8,691
2020	\$ (43,428)
2021	\$ (130,314)
2022	\$ (33,607)
2023	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2019	\$ (231,321)
2020	\$ (384,249)
2021	\$ (714,989)
2022	\$ (238,244)
2023	\$ (61,654)
Thereafter	\$ (145,570)

Year ended December 31:	PSERS 2
2019	\$ (1,694)
2020	\$ (8,677)
2021	\$ (22,551)
2022	\$ (11,590)
2023	\$ (2,553)
Thereafter	\$ (16,189)

Year ended December 31:	LEOFF 1
2019	\$ 12
2020	\$ (2,859)
2021	\$ (7,786)
2022	\$ (2,040)
2023	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 2
2019	\$ (29,420)
2020	\$ (74,499)
2021	\$ (156,392)
2022	\$ (71,993)
2023	\$ (29,783)
Thereafter	\$ (129,701)

NOTE 7 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

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

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

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

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

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

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

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

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

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three-times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

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

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

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

B. WORKERS COMPENSATION

The County pays premiums to State of Washington Department of Labor and Industries based on hours worked for each employee.

C. UNEMPLOYMENT COMPENSATION

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security \$28,153 in unemployment charges in 2018. The County also contracts with TALX Corporation to assist with the claims handling, and in 2018, we paid \$2,007

NOTE 8 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2018 and no short-term debt activities during 2018.

NOTE 9 - 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	\$475,000

The bond debt service requirement to maturity is as follows:

Year Ending December 31	Principal	Interest
2019	485,000	234,094
2020	510,000	214,694
2021	520,000	199,394
2022	530,000	183,794
2023	555,000	167,894
2024-2025	1,155,000	284,831
2026-2030	3,240,000	356,825
TOTAL	\$6,995,000	\$1,641,526

LIMITED TAX G.O. & REFUNDING BONDS 2016A

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

The Limited Tax General Obligation currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016A (Jail HVAC System)	10 years Dec 2016-2026	1.080%- 2.780%	\$1,511,000	\$143,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2019	144,000	27,059
2020	147,000	24,899
2021	149,000	22,385
2022	152,000	19,584

2023	155,000	16,483
2024-2026	487,000	26,545
TOTAL	\$1,234,000	\$136,955

LIMITED TAX G.O. & REFUNDING BONDS 2016C

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

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016C (Mobile Home Park)	16 years Dec 2016-2032	1.660%- 2.890%	\$1,511,000	\$77,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2019	79,000	42,832
2020	81,000	41,008
2021	83,000	38,877
2022	85,000	36,479
2023	88,000	33,810
2024-2027	386,000	100,417
2028-2032	560,000	49,419
TOTAL	\$1,362,000	\$342,842

B. LONG TERM LIABILITIES – BUSINESS TYPE

LIMITED TAX G.O. & REFUNDING BONDS 2017B

During 2016, the County issued bonds in the amount of \$2,517,000. The Bonds are being issued for the purpose of Water Bank Purchases (Taxable). The federal arbitrage regulations apply to the 2016 General Obligation Bond Series 2016B 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 Bond Series 2016B (Water Bank Purchases)	3 years Dec 2016-2019	1.660%- 2.310%	\$2,517,000	\$852,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2019	870,000	20,097
TOTAL	\$870,000	\$20,097

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
2019	75,000	1,500
2020	75,000	1,125
2021	75,000	750
2022	75,000	375
TOTAL	\$300,000	\$3,750

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 \$6,434,855,673 and the debt limits for the County as of December 31, 2018 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	\$ 73,855,764
General Purposes – with a vote of the people	160,871,392

NOTE 10 – LEASES

A. OPERATING LEASES

The county ended the only non-cancelable operating lease of a postage machine in 2018. Total cost for operating leases was \$4,346 for the year ended December 31, 2018. There will be no non-cancelable operating leases in 2019.

B. CAPITAL LEASES

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

The following table is a listing of the outstanding debt on the capital leases for 2018:

Asset	Governmental Activities
Postbase 65-UDC	3,286
Sharp MX-3640N-UDC	2,780
Canon IR6565-Treasurer	4,182
Xerox W7855PT-Prosecutor	8,214
Canon IR-ADV C5250-Prosecutor	3,195
Election System-Auditor	89,801
Mail Machine-Centormail 140-Auditor	22,756
Sharp MX3140N (2), MX5141N (1) Copiers-Sheriff	10,792

Sharp MX3070N (1), MXM465N (2) Copiers-Sheriff	36,400
Sharp MX465N Copier – Sheriff	7,823
Canon IR 6265- Juvenile/Clerk/Sup Court	965
Canon IRADVC5235-Fair	8,114
Canon c5550A – Public Health	7,581
Canon C33330i-Assessor	1,200
Total	\$207,086

Asset	Business-Type Activities
Konica Minolta BH, C558-CDS	10,611
Total	\$10,611

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018, are as follows:

Year Ending December 31	Governmental Activities
2019	88,365
2020	70,817
2021	58,730
2022	5,711
2023	56
Total Minimum Lease Payments	\$233,679
Less: Interest	(5,982)
Present Value of Minimum Lease Payments	\$217,697

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in long-term liabilities: One department upgraded their copier for an increase in leases of \$10,072. The amount reported for Capital Leases on the following chart and on the General Ledger includes sales tax. Changes included the conversion of GASB 45 to GASB 75, OPEB reporting.

Compensated absences are recorded using the actual leave balances accumulated for each employee. The liability for the governmental funds for 2018 is \$2,959,133. 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 \$77,664 and the Business type was estimated at \$13,863 due within one year. Total vacation, sick leave and compensatory time pay-off recorded during 2018 for all Governmental Funds was \$96,711. At this time, the liability to the Proprietary Funds for unused vacation, sick leave and compensatory time is \$218,731.

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

	Beginning Balance 01/01/18	Additions	Adjustments	Reductions	Ending Balance 12/31/18	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	\$10,286,000	-	-	\$695,000	\$9,591,000	\$708,000
Capital Leases	278,397	10,072	2,168	83,551	207,086	82,615
Compensated Absences	2,789,862	169,271	-	-	2,959,133	77,664
Other Post Employment Benefits-GASB 45	960,992	-	-	960,992	-	-
Other Post Employment Benefits-GASB 75	3,179,140	-	-	120,432	3,058,708	-
Pension Liabilities	9,149,634	-	-	2,279,410	6,870,224	-
Total	\$26,644,025	\$179,343	\$2,168	\$4,139,385	\$22,686,150	\$ 868,279

Business-Type Activities						
Limited Tax General Obligation Bond Series 2016B	\$1,722,000	\$0	\$0	\$852,000	\$870,000	\$870,000
Capital Leases	13,366	-	12	2,767	10,611	2,768
Compensated Absences	213,226	5,505	-	-	218,731	\$13,863
Pension Liabilities	382,821	-	-	233,509	149,312	-
Long-Term Liabilities	375,001	-	-	75,000	300,001	75,000
Landfill Closure Cost	1,190,175	92,600	-	54,722	1,228,053	143,257
Total	\$ 3,896,590	\$98,104	\$12	\$1,217,998	\$ 2,776,708	\$1,104,887
GRAND TOTAL	\$30,540,614	\$277,447	\$2,180	\$5,357,383	\$25,462,858	\$1,973,166

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

NOTE 12 – CONTINGENCIES AND LITIGATIONS

Kittitas County has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Kittitas County will have to make payment. In the opinion of management, the County's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

As discussed in Note 9, Long-Term Debt, the County is contingently liable for repayment of refunded debt.

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

Kittitas County is named as the defendant in a few legal actions. Claims which have been classified as "reasonably possible" by the Prosecuting Attorney's office for 2018 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, 2018

1. Allen et al v. Kittitas County
Yakima County Superior Court Case No. 11-2-00887-7

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

2. Kittitas County v. Sky Allphin, Chem-Safe Environmental, Inc. and the Washington State Department of Ecology
Kittitas County Superior Court Case No. 13-2-00074-4

Sky Allphin submitted a broad public records request in October of 2012 to the County. The County filed a complaint for declaratory judgment and injunctive relief to enjoin disclosure of confidential work product and to protect attorney-client privileged records. The appeal has been concluded and is being referred back to the Superior Court for any penalties resulting from that courts determination.

3. Joseph A. Richmond

United States District Court – Eastern District Court Case No. 1:15-CV-3147-SAB

Plaintiff filed Civil Right Complaint by a Prisoner under 42 U.S.C. ~ 1983 alleging that Kittitas County Corrections staff were negligent in dealing with his dental issues while incarcerated in Kittitas County Corrections Center. Risk Pool retained counsel is handling the matter.

4. Kittitas County v Deanna Jo Panattoni and Western Surety Company

Kittitas County Superior Court Case No. 16-2-00095-1

Plaintiff Kittitas County filed a complaint for forfeiture of \$150,000.00 official bond of a public officer, alleging that Deanna Jo Panattoni, appointed Kittitas County Treasurer, did not faithfully perform the duties of the elected office. Ms. Panattoni filed counterclaims against Kittitas County. Risk Pool retained counsel are handling the matter.

5. Randall Hoffman v. Kittitas County and Kittitas County Sheriff's Office

Kittitas County Superior Court Case No. 16-2-00063-3

Plaintiff Randall Hoffman filed a complaint for violations of the Washington Public Records Act, alleging that the Kittitas County Sheriff's Office failed to provide records in response to his public records request. The plaintiff prevailed and was awarded a \$15,498 penalty award and attorney's fees and costs in the amount of \$42,922.99. Judgment was paid by Kittitas County on May 9, 2017. Plaintiff appealed the case on February 27, 2017, to the Washington State Court of Appeals, Division III, under Case No. 35091-6. The case has since been appealed to the Supreme Court after a decision came down from the Court of Appeals that was favorable to the County.

6. OneEnergy and Iron Horse SEPA Appeal

Kittitas County Superior Court Case No. 17-2-00075-5

This is a Land Use Petition and Claim for Damages related to the construction of a solar photovoltaic facility. The relief requested is an award of monetary damages and attorney fees and costs, and equitable relief regarding the County's denial of a Conditional Use Permit. The matter was heard in Kittitas County Superior Court and the county prevailed. The plaintiff has appealed the matter to the Court of Appeals. The plaintiff then sought direct review with the Supreme Court, to which that court reviewed the briefing and sent the matter back down to the Court of Appeals. This matter is being handled jointly by Risk Pool retained counsel and the Kittitas County Prosecutor's Office.

7. Shady Acres Home Owners Association v. Kittitas County

United States District Court for the Eastern District of Washington
Cause No.: 1:18-cv-03016-RMP

Northwest Justice Project filed a summons and complaint in Federal Court asserting discrimination in the provision of housing under the Federal Fair Housing Act and unlawful discrimination in the provision of housing under the Washington Law Against Discrimination relating to Kittitas County purchasing a mobile home park in Ellensburg, WA and alleged displacement of the Hispanic community that lives within the park. The matter is being handled by Risk Pool retained counsel.

8. Washington State Council of County and City Employees vs Kittitas County

PERC # 131058-U-18

The union filed a complaint with PERC alleging an unfair labor practice. A PERC hearing is scheduled for March 12-13, 2019.

9. Cole v. Kittitas County, Department of Fish and Wildlife, et al.
Kittitas County Superior Court Case No. 17-2-00464-5
Richard Cole, a Seattle attorney, filed a claim and a summons and complaint alleging defamation and conversion of personal property relating to Mr. Cole's trespassing on private property when hunting a deer. The matter is being handled by Risk Pool retained counsel.
10. Roy D. Cheesman vs Kittitas County Prosecuting Attorney Greg Zempel
Kittitas County Superior Court Case No. 18-2-00411-19
This is a Claim for Damages and Complaint filed in the Superior Court of the State of Washington for the County of Kittitas filed by Roy & Ruth Cheesman. Plaintiff alleges his civil rights were violated when he was prosecuted for child abuse. Plaintiff's request for relief includes damages of 5 million dollars for each year he was incarcerated, along with attorney fees and costs and other damages the court may deem proper. The matter is being handled by Risk Pool retained counsel.

**PENDING CLAIMS FOR DAMAGES AGAINST KITTITAS COUNTY
THROUGH DECEMBER 31, 2018**

1. Dodd, Robby R. and Barbara J.:

Claim for Damages filed September 11, 2017, for the amount of \$1,700 (travel expenses), plus \$10,522.38 (funeral costs), for a total of \$12,222.38, plus other unspecified amounts, alleging the county was negligent in maintaining safety at a particular county intersection, resulting in the death of their son in a car/bicycle accident, on June 27, 2017. The claim was referred to Risk Pool.
2. Rector, Suzanne and Rob:

Claim for Damages filed December 29, 2017, for an amount to be determined, alleging the county was liable for injuries sustained at the county fairgrounds when she was struck and stepped on by a spooked horse during a 4-H event, causing the injury, on September 3, 2017. The claim was referred to Risk Pool. **Claim was denied.**
3. Kittitas County PUD No. 1:

Claim for Damages filed March 8, 2018, seeking \$6,211.75 alleging that the county, via the Public Works Department crew, damaged power pole #46-04-020, requiring replacement. The claim was referred to Risk Pool. The claim was approved and the amount sought was paid in full May 24, 2018. **Claim was paid in the amount of \$6,211.75**
4. Babcock, Gavin Lee:

Claim for Damages filed March 28, 2018, seeking \$27.15, alleging that the county, via Kittitas County Corrections, added Mr. Babcock's funds that were on his person when booked into jail and erroneously applied to another inmates account. The claim was referred to Risk Pool. The claim was approved and the amount sought was paid in full April 2018. **Claim was paid in the amount of \$27.15**
5. Wales, Ryan:

Claim for Damages filed April 12, 2018 seeking \$1,212.20, alleging that the county, via the Public Works Department crew, damaged his truck by not securing the load in county vehicle causing sticks, rocks, and debris to his claimant's vehicle. The claim was referred to Risk Pool. The claim was denied. **Claim was Denied**
6. Puget Sound Energy:

Claim for Damages filed May 16, 2018, seeking \$6,985.67, alleging that Kittitas PUD caused property damage while performing work. The claim was referred to Risk Pool. Claim was denied as Kittitas County PUD is not affiliated with Kittitas County. **Claim was Denied**

7. Lloyd, Robert:

No official Claim for Damages filed. County received a letter from Lloyd’s attorney. The county Public Works Department was seeking costs related to damaged county property resulting from Mr. Lloyd’s automobile accident that involved a guardrail. This potential claim was referred to Risk Pool. Matter was settled between parties and no funds were disbursed by either party.

8. Kylie Romero:

A claim for damages was filed on 10-22-2018 seeking damages in the amount of \$110.00. In an attempt to restrain a subject her glasses were damaged while performing her duties as a Sheriff’s Deputy.
Claim was Denied

9. Interstate Batteries of Apple Valley:

A claim for damages was filed on 11-1-2018 by Interstate Batteries of Apple Valley seeking damages in the amount of \$1,944.10 saying their van was damaged while a fork lift was used to place a pallet inside the van.
Claim was paid in the amount of \$1,944.10

10. Jeremy Sybertz:

A claim for damages was filed on 12-26-2018 in the amount of \$5,000.00. He is claiming that his medical records were shared when they weren’t supposed to be shared with others due to HIPPA rules.

NOTE 13 – CONSTRUCTION & OTHER SIGNIFICANT COMMITMENTS

Kittitas County has active construction projects as of December 31, 2018 which have arrangements for future projects. Those projects include:

Project	Start Date	End Date	Estimated amount of Project
PW - No 6 Road Bridge #79051	10/26/2018	3/31/2019	576,943
PW - Manastash Road Bridge #76131	8/6/2018	3/31/2019	2,121,186
PW - 2018 Roadside Hazard Safety Improvement	10/18/2018	6/30/2019	733,140
Subtotal Public Works Projects			3,431,269
EC - Bloom Pavilion Upgrades	12/18/2018	4/30/2019	340,915
Subtotal Event Center Projects			340,915
FM - Courthouse Feasibility and Predesign	11/17/2015	12/31/2019	164,500
Subtotal Facilities Maintenance Projects			164,500
SW-Ellensburg Transfer Station Siting Project	2016	2019	456,549
Subtotal Solid Waste Projects			456,549
TOTAL			4,393,232

At year-end the Kittitas County commitments with contractors are as follows:

Project	Spent to date		Remaining Commitment
PW - Airport Environmental Assessment	118,067		214,013
PW – Belsaas & Smith-No 6 Road Bridge #79051	442,598		134,345
PW – Belsaas & Smith-Manastash Road Bridge #76131	1,461,193		659,993
PW - Frank Gurney-2018 Roadside Hazard Safety Impr	350,196		382,944
PW - KPFF-Technical Assistance	7,995		42,005
PW - KPFF-2018 Bridge Inspections	38,751		8,750
PW - KPFF-Big Bounder Creek Bridge	69,903		138,097
PW - BAER-Testing Services	11,981		11,501
PW - Jacobs-Manastash Road Bridge #76131	263,963		37,140
PW - Jacobs-Teanaway Road Hydraulics Improv	246,153		251,923
PW - Jacobs-Environmental & Planning Assistance	45,557		54,443
PW - Jacobs-Fairview Road Culvert Replacement	81,105		140,920
PW - KPG-Civil Engineering Assistance	6,653		43,347
PW - KPG-Weihl Road Improvements	43,641		6,259
PW - NHC-Project Technical Assistance	1,000		49,000
PW - Freightliner Dump TK	-		226,132
PW - Leeboy 8520 Paver	-		217,847
PW - John Deere Excavator	-		124,075
PW - Ford F250 EX Cab P/U	-		33,738
PW - Two Ford F250 Crew Cab P/U	-		75,201
PW - Freightliner Asphalt	-		192,537
PW - Upper County Shop-Design	315,594		101,780
PW - Jacobs-City of Ellensburg Channel Maintenance	13,154		11,795
PW - WSE-Reecer Creek FEMA Flood Hazard Anyalysis & Mapping	1,666		53,314
PW - Dewberry-HMP/CRS Plan Update	84,157		20,733
Subtotal Public Works Projects			3,231,834
EC - Bloom Pavilion Upgrades	-		340,915
Subtotal Event Center Projects			340,915
FM - Courthouse Feasibility and Predesign	77,790		865,710
Subtotal Facilities Maintenance Projects			865,710
SW-Ellensburg Transfer Station Siting Project	241,569		183,200
Subtotal Solid Waste Projects			183,200
		TOTAL	4,621,659

Of the committed balance of \$4,621,659 Kittitas County will be required to raise \$1,206,625 for future financing.

Projects by Department	Total	Future Financing
Public Works Projects	3,231,834	-
Event Center Projects	340,915	340,915
Facilities Maintenance Projects	866,710	865,710
Solid Waste Projects	183,200	-
Total Future Financing	4,622,659	1,206,625

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, 2018 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

	Due From							Total
	General fund	County Road	Community Development Services	Water Mitigation	Equipment Rental & Revolving	All Others		
Due To								
General Fund	-	-	300,246	220,000	-	\$23,625		\$543,871
County Road	26,013	-	-	-	425,082	-		\$451,095
Solid Waste	5,912	-	-	-	-	-		\$5,912
Community Development Services	9,815	165	-	-	-	-		\$9,980
Water Mitigation	10,000	-	-	-	-	-		\$10,000
Equipment Rental & Revolving	3,415	11,187	-	-	-	-		\$14,602
All Others	36,018	3,125	-	-	369	-		\$39,512
Total	\$91,173	\$14,477	\$300,246	\$220,000	\$425,450	\$23,625		\$1,074,971

B. INTERFUND TRANSFERS

Interfund transfers during 2018 included contributions between funds. The balances were as follows:

	Transfer From				TOTAL
	General Fund	Road	Non Major Government		
Transfer To					
General Fund	-	-	\$26,224		\$26,224
Road	-	-	177,863		\$177,863
Water Mitigation	1,109,137	-	-		\$1,109,137
ER&R	-	316,377	-		\$316,377
Dental Self Insurance Program	27,852	-	-		\$27,852
Non-Major Governmental	2,719,290	-	742,860		\$3,462,150
TOTAL	\$3,856,279	\$316,377	\$946,947		\$5,119,603

NOTE 15 – RECEIVABLE AND PAYABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2018 were as follows:

		Type								
		Accounts	Court	Employee	Interest	Unbilled	Assessments	Rent	Taxes	Total
Funds	General	\$92,137	\$1,654,175	\$1,451	\$96,489	\$9,555	\$31,577	\$25,529	\$245,862	\$2,156,775
	Non Major Governmental	25,112	148,972	-	26,863	-	20,988	489	20,266	242,690
	Road	2,406	-	-	15,335	-	-	-	163,293	181,035
	Solid Waste	469,170	-	-	3,974	-	-	68,640	-	541,784
	Community Development Services	-	-	-	1,673	-	-	-	-	1,673
	Water Mitigation	-	-	-	39	-	-	-	-	39
	Equipment Rental & Revolving	-	-	-	12,175	-	-	-	-	12,175
	Dental Self Insurance Program	2,739	-	-	-	-	-	-	-	2,739
	Total	\$591,563	\$1,803,147	\$1,451	\$156,549	\$9,555	\$52,565	\$94,657	\$429,422	\$3,138,909

B. PAYABLES

Payables at December 31, 2018 were as follows:

		Type							Total
		Vouchers	Salaries	Contracts	Retainage	Due to Other Governmental	Deposits		
Funds	General	\$342,277	\$27,116	\$0	\$8,912	\$2,461	\$30,987	\$411,752	
	Non Major Governmental	451,671	10,399	47,482	-	93,046	423,338	1,025,936	
	Road	535,885	289,527	-	14,992	8	7,896	848,309	
	Solid Waste	205,971	19,531	-	1,235	33	-	226,769	
	Community Development Services	99,377	583	-	-	-	-	99,960	
	Equipment Rental & Revolving	273,400	27,317	-	-	1,233	-	301,950	
	Dental Self Insurance Program	13,730	-	-	-	-	-	13,730	
	Unemployment	14,858	-	-	-	-	-	14,858	
	Total	\$1,937,168	\$374,473	\$47,482	\$25,139	\$96,781	\$462,222	\$2,943,265	

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 2018 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	\$49,000	\$58,398
Tour Fees	8,000	7,061
Other	32,280	38,557
Total Revenues	89,280	104,016
City of Ellensburg Support	\$98,979	\$84,472

B. Snoqualmie Pass Utility District

The E. R. & R. Fund and the Snoqualmie Pass Utility District constructed a joint shop at Hyak. We each own ½ of the building and have joint responsibility for the small common entrance area. A condominium agreement was 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. The current amount in reserve is \$1,047,919.

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

The following table represents the aggregate OPEB amounts for all plans subject to the requirements for GASB Statement 75 for the year 2018:

Aggregate OPEB Amounts-LEOFF 1	
OPEB liabilities	\$3,179,140
OPEB assets	\$0
Deferred outflows of resources	\$0
Deferred inflows of resources	\$(138,523)
OPEB expenses/expenditures	\$18,091

A. PLAN DESCRIPTION

In addition to the retirement described in the Pension note 6 above, the County provides certain medical insurance benefits for retired LEOFF 1 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. Benefits include: LEOFF 1 supplemental premiums, Reimbursement of Medicate Plan B and payments of Medical claims approved by the Kittitas County Disability Board as authorized by RCW 41.26.110.

At December 31, 2018, the following employees were covered by the benefit terms:

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

In 2018, expenditures of \$54,550 for medical premiums and billings were recognized for post employment health benefits. The program is funded “pay as you go” there is no qualifying trust.

B. ASSUMPTIONS AND OTHER INPUTS

Kittitas County pays medical supplemental premiums which decreased on 1/1/2018 from \$424.00 to \$393.00 per retiree. Premium renewal adjustments are usually known October or November 2018 and are factored into the 2019 Budget. The Office of the State Actuary (OSA) provided an AMM Online Tool in the form of a downloadable spreadsheet that allows eligible employers to determine their Other Post-Employment Benefits (OPEB) liability under the Governmental Accounting Standards Board (GASB) Statement No. 75. The AMM Online Tool is intended to be used by local employers in Washington State who cover less than 100 total LEOFF1 members and do not have a dedicated OPEB Trust Fund for LEOFF1. We have utilized this tool here.

Amounts determined regarding the OPEB Liability 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 following presents the total OPEB liability of Kittitas County calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$2,773,160	\$3,058,708	\$3,387,625

The following presents the total OPEB liability of Kittitas County calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$3,409,338	\$3,058,708	\$2,761,241

The source of assumptions is as follows:

Discount Rate	
Beginning of Measurement Year	3.58%
End of Measurement Year	3.87%
Healthcare Trend Rates	
Medical Costs	Initial rate is approximately 12% / 7% for Excise Tax/ No Excise Tax, trends down to about 5% in 2080
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	RP-2000 Mortality Table
Age Setback	+1 year Healthy / -2 year Disabled Blended 50% / 50% Healthy/ Disabled
Mortality Improvements	100% Scale BB
Project Period	Generational
Medical Participation Rate	100%

C. CHANGES IN THE TOTAL OPEB LIABILITY

The County has elected to calculate the OPEB Liability and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members.

LEOFF 1	
Total OPEB Liability at 01/01/2018	\$3,179,140
Interest	111,355
*changes of assumptions	(93,264)
Benefit payments	(138,523)
Total OPEB Liability at 12/31/2018	\$3,058,708

At December 31, 2018, the County's reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$75,015	\$0
TOTAL	\$75,015	\$0

In prior years the county reported under GASB 45, the County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation under the previous year's AMM Online Tool through 2017 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB 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
12/31/2015	125,602	43.7%	70,708
12/31/2016	117,568	49.2%	59,701
12/31/2017	110,108	46.4%	59,054
		TOTAL	\$960,992

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 2017, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be \$221,326. The 2018 actual costs for post-closure care was \$54,722 leaving a liability of \$166,604. As required by federal, state, and local regulations, cash in the amount of \$673,024 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2018 was \$57,448 (37,063 tons of garbage at \$1.55 per ton), which will be placed into the reserve in 2019. 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 2019.

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	(54,345)	2015	507,561
12/31/15	343,601	(49,640)	2016	554,406
12/31/16	293,962	(72,636)	2017	608,487
12/31/17	221,326	(54,722)	2018	673,024
12/31/18	166,604			

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, 2018 is 433,442 cubic yards.

The recorded liability for December 31, 2018 is calculated as follows:

Total Closure Cost	\$1,151,607.00	(\$908,847 + 242,760 post-closure)
X	<u>433,442.00</u>	Cumulative capacity used in 2018
	499,154,841,294.00	
÷	<u>470,258.00</u>	Total landfill capacity
	1,061,448.91	Estimated liability for post-closure
-	<u>968,849.28</u>	2009 thru 2017 Total recorded liability
	\$ 92,599.63	2018 Total liability

As required by federal, state, and local regulations, cash in the amount of \$343,026 has been restricted for post-closure care. The tip fee of \$2.44 per ton for the post-closure cash reserve for 2018 was \$15,428, which will be placed into the reserve in 2019.

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. IMPLEMENTATION OF GASB 75 – OPEB

Kittitas County implemented GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; which replaced GASB 45.

2. 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:

County Road	
Transportation	\$1,487,751.

3. PRIOR PERIOD ADJUSTMENTS GOVERNMENTAL FUNDS

The governmental activities prior period adjustment of \$1,137,012 is made up of a prior year adjustments in the Capital Asset Accounts from the internal service funds and the special revenue funds as follows:

- Adjustments of \$1,132,278 in the Equipment Rental and Revolving fund which included recording assets that were not reported in 2016, adjustment to depreciation as a result of the 2016 state audit and internal audit of equipment

The fund balances in the Special Revenues had adjusting amounts in fund balances totaling \$4,734 they include:

- In fund 110 EIS Trust the fund balance increased by \$53,517. In 2017, (\$53,065) was reported as restricted fund balance. The amount \$53,517 was reported as an expenditure and it should be a

reduction in liabilities; deposit payable. The journal entry completed in 2018 moved the amount from deposits to revenue to offset the negative fund balance.

- In fund 113 Recreation the fund balance increased by \$173, due to an entry posting directly to fund balance instead of revenues, due to the reversing of prepaid items.
- In fund 117 Construction Performance Bond the fund balance decreased by \$1,475. This fund has several sub-funds and in 2018, several accounts were closed due the projects being completed.
- In fund 140 Stadium Fund decreased by \$47,482, because we created the liability account Contracts Payable to enable us to monitor the balances of projects that have been awarded by the Lodging Tax Advisory Board. This amount debited out of Fund Balance and credited to Contract Payable.

4. PRIOR PERIOD ADJUSTMENT – PROPRIETARY FUNDS

The Net Position account was adjusted in the Proprietary funds – Enterprise funds in the amount of \$1,991,215. The adjustments included:

- Solid Waste included a \$1,977,837 adjustment due to a prior year correction in capital assets – depreciation due to the state audit in 2016 and the reclassification of an asset.
- Community Development Services included a \$13,378 adjustment due to prior year correction in long-term liabilities. The 2017 capital debt liability was not recorded in 2017 but in 2018 resulting in the reduction in net position.

5. CAPITALIZED ASSETS ADJUSTMENTS

During the 2016 state audit, the auditors observed some calculation errors in the depreciation on assets and changes made because of our internal audits:

Governmental Activities

- The amount of \$-8,476 in Easements and Right of Ways was adjusting the total for Perry Road.
- The amount of \$-400,663 adjustment to CIP, removing the Teanaway WDFW/TPL parking lot project, removing McManamy Road, as it was abandoned and adding prior year Upper County Shop.
- The amount of \$47,692 under Improvements is a prior year adjustment for the fencing at the pit at Bowers Field.

The amount of \$464,806 in Equipment was for prior year adjustments

- The amount of \$126,413 in infrastructure is a reclassification between Roads Paved, Bridges and Other-Guardrail and other adjustment for Roads

- The amount of \$1,232,775 in Building and Improvements Depreciation adjustment for prior year depreciation due to the Audit
- The amount of \$11,735 in depreciation for Improvements was for adjustment for prior year depreciation due to the Audit.
- The amount of \$-364,843 in Equipment & Machinery was adjusted as a result of the internal audit
- The amount of \$-363,971 in Infrastructure was adjusted as a result of the internal audit

Business Activities

- The amount of \$2,005,469 was for an reclassification of asset that was reported in prior years in the wrong account type, which was reclassified to Improvements
- The \$777 under Equipment was a prior year adjustment
- The \$1,517 under Depreciation for Building & Improvements is for prior year audit
- The \$1,976,219 under Depreciation for Improvements includes the depreciation for the prior year adjustment due to the audit in the amount of \$1,829 and the depreciation for the reclassification error in the amount of \$1,974,390
- The \$3,208 under Depreciation for Equipment & Machinery is for a prior year adjustment.

6. CREATION OF TREASURER INVESTMENT POOLING

Kittitas County agrees to accept for investment a specific amount of funds the District has determined is not necessary for the District's immediate expenditure. Kittitas County agrees to combine the designated District funds, Kittitas County funds and the funds of other special districts that have agreed to pool funds for investment in the Kittitas County Investment Pool (hereinafter "Pool"). The Kittitas County Investment Officer, or other individual duly authorized by Kittitas County, with oversight by the Kittitas County Treasurer and Deputy Treasurer, shall have sole authority and responsibility for determining and executing the specific investments for the Pool, consistent with state law and the investment policies adopted by the Kittitas County Finance Committee.

7. NEW FUND – INVESTMENT OPERATIONS & MAINTENANCE FUND

On September 7th, 2018, the Board of County Commissioners adopted Resolution 2018-144 to manage by the County Treasurer to charge fees to cover the actual expenditures of operating an investment pool, without regard to budget limitations as authorized by RCW 36329.024.

8. NEW FUND – INVESTMENT TRUST FUND

On September 7th, 2018, the Board of County Commissioners adopted Resolution 2018-144, authorizing the Treasurer's investment pool be created to allow investment pooling opportunities for local governments and districts located in Kittitas County. This resolution directs all county funds be included in the Investment Pool.

9. NEW FUND – NEW COURTHOUSE CAPITAL PROJECT

On December 20, 2018, the Board of County Commissioners adopted Resolution 2018-229, creating New Courthouse Capital Project to build a new Courthouse and remodel the existing Courthouse.

B. SUBSEQUENT EVENTS

1. FUND ACTIVITY

NEW UPPER COUNTY PUBLIC WORKS SHOP

On August 31, 2018, the County purchased property in the Upper County for the location of a new Public Works shop, in the amount of \$349,765.86. The Public Works department will be conducting an open house for citizen input on the building.

2. SOLID WASTE PROJECTS

Solid Waste had two improvement projects, Ryegrass West Septage Pond Reconstruction, is construction in progress. The total cost of the project is \$251,153 with the anticipation project completion by the end of 2018.

The Board of County Commissioners has approved for a feasibility study performed by CH2M for the relocation of the current transfer station. The current Ellensburg transfer station was built in 2001 to service the lower Kittitas County area. Since its construction the services provided at the facility have grown and the need for material diversion has changed. With the current facility we are limited on space which in turn limits the types of services we can provide. The first phase of the project has been completed which provided the size and layout of the property needed. Phase two will look closely at areas of the lower county which would be able to accommodate the facility and the necessary infrastructure.

Kittitas County selected the US 97/Old Highway 10 site for the new Ellensburg Transfer Station in August 2018. The relocated station will provide all the same services (transfer station, compost facility, moderate risk waste facility, and recycling depot) that are at the existing Ellensburg Transfer Station, will be closed. As of April 2019, permitting for the new solid waste transfer station site is currently underway. Kittitas County is working to obtain environmental and land use permits necessary for development of the proposed solid waste transfer station at the new site. Additionally, the Public Works department plans to take advantage of the new site by re-locating its Lower County Maintenance Shop to the northeast corner of the site.

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2018

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 14,490,260	\$ 14,589,242	\$ 16,934,667	\$ 2,345,425
Licenses & Permits	175,050	175,650	282,612	106,962
Intergovernmental	3,256,477	3,275,371	3,209,139	(66,232)
Charges for Services	2,874,647	2,881,497	3,254,383	372,886
Fines & Forfeits	1,765,165	1,765,165	1,748,564	(16,601)
Miscellaneous	2,397,333	2,403,257	2,655,894	252,637
Total Revenues	\$ 24,958,932	\$ 25,090,182	\$ 28,085,259	\$ 2,995,077
Expenditures				
General Governmental	\$ 9,242,651	9,693,783	\$ 8,652,122	\$ 1,041,661
Judicial	2,390,249	2,396,249	2,340,232	56,017
Security of Persons and Property	9,603,953	9,661,962	8,287,450	1,374,512
Physical Environment	133,867	133,867	110,069	23,798
Economic Environment	100	350,100	342,053	8,047
Mental & Physical Health	442,961	476,461	438,300	38,161
Culture & Recreation	1,578,335	1,897,303	2,048,556	(151,253)
Debt Service	265,776	265,776	122,235	143,541
Capital Outlay	445,633	952,864	664,691	288,173
Total Expenditures	\$ 24,103,525	\$ 25,828,365	\$ 23,005,709	\$ 2,822,656
Excess (Deficit) Revenues over Expenditures	\$ 855,407	\$ (738,183)	\$ 5,079,550	\$ 5,817,733
Other Financing Sources (Uses)				
Restitution	\$ 750	\$ 750	\$ 835	\$ 85
Other Loan/Bond Proceeds	-	-	-	-
Sale of Fixed Assets	5,000	5,000	23,318	18,318
Transfers In	-	25,000	26,224	1,224
Transfers Out	(2,076,750)	(4,024,602)	(3,856,279)	168,323
Total Other Financing Sources (Uses)	\$ (2,071,000)	\$ (3,993,852)	\$ (3,805,903)	\$ 187,949
Net Change in Fund Balance	\$ (1,215,593)	\$ (4,732,035)	\$ 1,273,647	\$ 6,005,682
Fund Balance, January 1	\$ 12,875,702	\$ 14,246,978	\$ 20,570,426	\$ 6,323,448
Fund Balance, December 31	\$ 11,660,109	\$ 9,514,943	\$ 21,844,072	\$ 12,329,129

KITTITAS COUNTY, WASHINGTON

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2018**

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,000,000	4,000,000	\$ 4,254,865	\$ 254,865
Licenses & Permits	141,000	141,000	145,423	4,423
Intergovernmental	6,582,000	6,582,000	6,066,786	(515,214)
Charges for Services	355,500	355,500	355,282	(218)
Miscellaneous	100,000	100,000	178,771	78,771
Total Revenues	\$ <u>11,178,500</u>	\$ <u>11,178,500</u>	\$ <u>11,001,127</u>	\$ <u>(177,373)</u>
Expenditures				
General Governmental	\$ 155,000	\$ 155,000	\$ 10,658	\$ 144,342
Transportation	7,849,550	7,849,550	8,731,906	(882,356)
Capital Outlay	5,655,000	5,655,000	2,969,559	2,685,441
Total Expenditures	\$ <u>13,659,550</u>	\$ <u>13,659,550</u>	\$ <u>11,712,123</u>	\$ <u>1,947,427</u>
Excess (Deficit) Revenues over Expenditures	\$ (2,481,050)	\$ (2,481,050)	\$ (710,996)	\$ 1,770,054
Other Financing Sources (Uses)				
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -
Transfers In	-	-	177,863	177,863
Transfers Out	-	0	(228,973)	(228,973)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (51,110)	\$ (51,110)
Net Change in Fund Balance	\$ (2,481,050)	\$ (2,481,050)	\$ (762,107)	\$ 1,718,943
Fund Balance, January 1	\$ 10,163,290	\$ 10,163,290	\$ 9,862,821	\$ (300,469)
Fund Balance, December 31	\$ <u>7,682,240</u>	\$ <u>7,682,240</u>	\$ <u>9,100,715</u>	\$ <u>1,418,475</u>

Kittitas County, Washington
Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2018

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 2018.

KITTITAS COUNTY

Required Supplementary Information

2018 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 63 miles of gravel roads, of which about 20 miles are standard gravel roads (non-primitive) and about 43 miles are primitive gravel roads. The standard gravel roads (non-primitive) are those roads that have an average of 101 or more annual daily vehicles and have road signs and warning signs placed along the roadway in accordance with the Manual on Uniform Traffic Control Devices. Primitive gravel roads have 100 or less annual daily vehicles and no design, signing, or maintenance standards are required other than the requirement that warning signs be placed that apply to primitive roads.

Budgeted and Estimated Costs to Maintain Infrastructure

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

Table A		
Costs to Maintain Gravel Roads in Kittitas County		
<i>Fiscal Year</i>	<i>Estimated Spending</i>	<i>Actual Spending</i>
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
2015	\$457,378	\$299,906
2016	\$555,756	\$391,388
2017	\$333,582	\$449,649
2018	\$500,000	\$281,399

Condition Level Description

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

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

Established Condition Level

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

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

Detailed documentation of disclosed assessment levels is kept on file.

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

Table D							
Condition Rating of							
Standard Gravel Roads (non-primitive) in Kittitas County							
Year	Total Miles	Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	22.69	.09mi 0.44%	0.26mi 1.15%	1.68mi 7.40%	15.03mi 66.24%	5.63mi 24.77%	22.34mi 98.41%
2013	23.16	0	0.05mi 0.22%	4.06mi 17.53%	16.06mi 69.34%	2.45mi 10.57%	22.57mi 97.44%
2014	22.52	0	.05 mi 0.22%	1.12mi 4.97%	7.91mi 35.12%	13.44mi 59.68%	22.47mi 99.78%
2015	20.63	.05 mi 1 %	0	.07 mi 1 %	3.85 mi 18 %	16.54mi 80 %	20.46mi 99 %
2016	20.04	0	0	1.01mi 5.039%	10.92mi 54.491%	8.11mi 40.469%	20.04mi 100%
2017	20.11	0.22mi 1.09%	.08mi 0.40%	4.43mi 22.03%	5.28mi 26.26%	10.10mi 50.22%	19.81mi* 98.51%
2018	19.09	0	0.15mi 0.79%	1.22mi 6.39%	10.69mi 56.00%	7.03mi 36.83%	18.94mi 99.21%

*Corrected value from previous report

Table E
Condition Rating of
Primitive Gravel Roads in Kittitas County

Year	Total Miles	Primitive Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	44.13	2.87mi 6.50%	15.02mi 34.03%	8.82mi 19.99%	11.56mi 26.20%	5.86mi 13.28%	26.24mi 59.47%
2013	42.76	1.81mi 4.25%	17.57mi 41.29%	13.29mi 31.22%	9.27mi 21.79%	0.62mi 1.45%	23.18mi 54.46%
2014	43.40*	0.87mi 2.01%	13.5mi 31.25%	3.47mi 8.26%	12.42mi 28.75%	12.84mi 29.72%	28.83mi 66.74%
2015	43.40	.87mi 2%	13.5mi 31%	1.49mi 3%	11.47mi 26%	16.07mi 38%	29.03mi 67%
2016	43.40	0	20.64mi 47.55%	3.06mi 7.05%	4.15mi 9.56%	15.55mi 35.82%	26.91mi 62%
2017	43.20*	0	19.48mi 45.09%	5.41mi 12.52%	9.17mi 21.23%	9.14mi 21.16%	23.72mi* 54.91%
2018	45.45	0	26.08mi 58.97%	3.91mi 8.60%	9.28mi 20.42%	5.46mi 12.01%	18.65mi 41.03%

*Corrected value from previous report

**Attachment A
Gravel Road Condition Rating Form**

**Kittitas County
Department of Public Works 9/26/2019
Gravel Road Rating Worksheet**

Road Name: _____ Road No. _____

From: _____ to _____

ADT _____ FFC _____ Posted Speed Limit _____ Scorer _____

Check the following:

CROWN

DRAINAGE

GRAVEL LAYER

SURFACE DEFORMATION

SURFACE DEFECTS

ROUTES :

US Mail Route ?

School Bus Route?

CONNECTOR

MAINTENANCE COSTS _____

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

TOTAL PROJECT RATING _____ DATE _____

Kittitas County
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended December 31
Last 10 Fiscal Years*

	2018
Total OPEB liability - beginning	\$ 3,179,140
Interest	111,355
Changes of assumptions	(93,264)
Benefit payments	(138,523)
Total OPEB liability - ending	\$ 3,058,708
 Covered-employee payroll	0
 Total OPEB liability as a % of covered payroll	0.00%

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is provided.
- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 7.

KITTITAS COUNTY, WASHINGTON
Required Supplemental Information
Notes to Pension – OPEB Retired LEOFF 1 Employees
As of December 31

Note 1: Information Provided

GASB 75 was implemented for the year ended December 31, 2018, therefore there is no data available for years prior to 2018. Prior to GASB 75 was GASB 45.

Note 2:

Kittitas County's OPEB plan is not administered through a qualifying trust.

Note 3: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON

Schedule of Employer Contributions

Pension Plans; PERS 1, PERS 2 &3, PSERS 2, LEOFF 1, LEOFF 2

As of December 31

	2015	2016	2017	2018
PERS 1				
Statutorily or contractually required contributions	\$ 566,744	638,541	718,780	778,452
Contributions in relation to the statutorily or contractually required contributions	\$ (566,744)	(638,541)	(718,780)	(778,452)
Contribution deficiency (excess)	\$ 0	0	0	0
Covered employer payroll	\$ 12,275,361	12,751,139	14,048,798	14,688,420
Contributions as a percentage of covered employee payroll	% 4.62%	5.01%	5.12%	5.30%
PERS 2 & 3				
Statutorily or contractually required contributions	\$ 593,742	683,790	831,911	945,949
Contributions in relation to the statutorily or contractually required contributions	\$ (593,742)	(683,790)	(831,911)	(945,949)
Contribution deficiency (excess)	\$ 0	0	0	0
Covered employer payroll	\$ 10,547,981	10,975,818	12,132,058	12,617,276
Contributions as a percentage of covered employee payroll	% 5.63%	6.23%	6.86%	7.50%
PSERS 2				
Statutorily or contractually required contributions	\$ 78,916	84,928	98,035	112,323
Contributions in relation to the statutorily or contractually required contributions	\$ (78,916)	(84,928)	(98,035)	(112,323)
Contribution deficiency (excess)	\$ 0	0	0	0
Covered employer payroll	\$ 1,219,050	1,288,743	1,470,961	1,638,087
Contributions as a percentage of covered employee payroll	% 6.47%	6.59%	6.66%	6.86%
LEOFF 1				
Statutorily or contractually required contributions	\$ 0	0	0	0
Contributions in relation to the statutorily or contractually required contributions	\$ 0	0	0	0
Contribution deficiency (excess)	\$ 0	0	0	0
Covered employer payroll	\$ 0	0	0	0
Contributions as a percentage of covered employee payroll	% 0.00%	0.00%	0.00%	0.00%
LEOFF 2				
Statutorily or contractually required contributions	\$ 130,605	119,395	140,709	143,682
Contributions in relation to the statutorily or contractually required contributions	\$ (130,605)	(119,395)	(140,709)	(143,682)
Contribution deficiency (excess)	\$ 0	0	0	0
Covered employer payroll	\$ 2,586,232	2,364,248	2,666,191	2,671,628
Contributions as a percentage of covered employee payroll	% 5.05%	5.05%	5.28%	5.38%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON

Pension Obligations schedule of funding Progress

Pension Plans; PERS 1, PERS 2 & 3, PSERS 2, LEOFF 1, LEOFF 2

PERS 2/3													
Year	Amount to Amortize	Recognition Period (Years)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	(27,941)	4.4	(6,350)	(6,350)	(6,350)	(6,350)	(2,540)	-	-	-	-	-	-
2016	(293,785)	4.2	-	(69,949)	(69,949)	(69,949)	(69,949)	(13,990)	-	-	-	-	-
2017	310,865	7.3	-	42,584	42,584	42,584	42,584	42,584	42,584	42,584	42,584	12,775	-
2018	(26,035)	7.2	-	-	-	(3,616)	(3,616)	(3,616)	(3,616)	(3,616)	(3,616)	(3,616)	(723)

PSERS																			
Year	Amount to Amortize	Recognition Period (Years)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
2015	123	7	18	18	18	18	18	18	-	-	-	-	-	-	-	-	-	-	
2016	(6,205)	6.8	-	(913)	(913)	(913)	(913)	(913)	(913)	(730)	-	-	-	-	-	-	-	-	
2017	7,414	12.5	-	-	593	593	593	593	593	593	593	593	593	593	583	583	593	297	
2018	(2,493)	12.3	-	-	-	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(203)	(61)

LEOFF 2																
Year	Amount to Amortize	Recognition Period (Years)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2027
2015	(105,221)	6.2	(16,971)	(16,971)	(16,971)	(16,971)	(16,971)	(16,971)	(3,394)	-	-	-	-	-	-	-
2016	171,010	6	-	28,502	28,502	28,502	28,502	28,502	28,502	-	-	-	-	-	-	-
2017	(2,242)	10.6	-	-	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(127)	-
2018	(53,983)	10.5	-	-	-	(5,141)	(5,141)	(5,141)	(5,141)	(5,141)	(5,141)	(5,141)	(5,141)	(5,141)	(5,141)	(2,571)

All Plans																		
Year	Amount to Amortize	All Plans	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2015	(133,039)	(23,304)	(23,304)	(23,304)	(23,304)	(23,304)	(19,494)	(16,954)	(3,394)	-	-	-	-	-	-	-	-	-
2016	(128,980)	-	(42,360)	(42,360)	(42,360)	(42,360)	13,599	27,589	(730)	-	-	-	-	-	-	-	-	-
2017	315,037	-	-	42,965	42,965	42,965	42,965	42,965	42,965	42,965	42,965	13,156	381	381	466	593	297	-
2018	(82,511)	-	-	-	-	(8,960)	(8,960)	(8,960)	(8,960)	(8,960)	(8,960)	(8,960)	(6,067)	(5,344)	(5,344)	(2,774)	(203)	(61)

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON

Schedule of Proportionate Share of the Net Pension Liability
Pension Plans; PERS 1, PERS 2 & 3, PSERS 2, LEOFF 1, LEOFF 2

As of June 30

	2015	2016	2017	2018
PERS 1				
Total Net Pension Liability	\$ 5,230,930,000	\$ 5,370,471,000	\$ 4,745,078,000	\$ 4,466,034,000
Employer's proportion of the net pension liability (asset)	0.110864%	0.106396%	0.112327%	0.111934%
Employer's proportionate share of the net pension liability	\$ 5,799,218	\$ 5,713,966	\$ 5,330,004	\$ 4,999,010
TOTAL	\$ 5,799,218	\$ 5,713,966	\$ 5,330,004	\$ 4,999,010
Employer's covered employee payroll	\$ 12,275,361	\$ 12,751,139	\$ 13,743,477	\$ 14,220,577
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	211.67%	223.16%	257.85%	284.47%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%
PERS 2 & 3				
Total Net Pension Liability	\$ 3,573,057,000	\$ 5,034,921,000	\$ 3,474,522,000	\$ 1,707,411,000
Employer's proportion of the net pension liability (asset)	0.118491%	0.111397%	0.118686%	0.118055%
Employer's proportionate share of the net pension liability	\$ 4,233,751	\$ 5,608,751	\$ 4,123,771	\$ 2,015,684
TOTAL	\$ 4,233,751	\$ 5,608,751	\$ 4,123,771	\$ 2,015,684
Employer's covered employee payroll	\$ 10,519,395	\$ 10,975,818	\$ 11,826,723	\$ 12,244,306
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	248.47%	195.69%	286.79%	607.45%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%
PSERS 2				
Total Net Pension Liability	\$ 18,252,000	\$ 42,498,000	\$ 19,593,000	\$ 1,239,000
Employer's proportion of the net pension liability (asset)	0.424215%	0.362730%	0.401565%	0.390713%
Employer's proportionate share of the net pension liability	\$ 77,428	\$ 154,153	\$ 78,679	\$ 4,841
TOTAL	\$ 77,428	\$ 154,153	\$ 78,679	\$ 4,841
Employer's covered employee payroll	\$ 1,242,054	\$ 1,288,743	\$ 1,441,466	\$ 1,547,780
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1604.14%	836.02%	1832.09%	31972.33%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	90.41%	96.26%	99.79%
LEOFF 1				
Total Net Pension Liability	\$ (1,205,221,000)	\$ (1,030,286,000)	\$ (1,517,220,000)	\$ (1,815,502,000)
Employer's proportion of the net pension liability (asset)	0.009538%	0.009641%	0.009552%	0.008598%
Employer's proportionate share of the net pension liability	\$ (114,954)	\$ (99,330)	\$ (144,925)	\$ (156,097)
TOTAL	\$ (114,954)	\$ (99,330)	\$ (144,925)	\$ (156,097)
Employer's covered employee payroll	\$ 0	\$ 0	\$ 0	\$ 0
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%
LEOFF 2				
Total Net Pension Liability	\$ (1,027,800,000)	\$ (581,630,000)	\$ (1,387,676,000)	\$ (2,030,218,000)
Employer's proportion of the net pension liability (asset)	0.0099703%	0.078567%	0.078824%	0.083794%
Employer's proportionate share of the net pension liability	\$ (1,024,747)	\$ (456,969)	\$ (1,093,822)	\$ (1,701,201)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (58,166)	\$ (297,911)	\$ (709,542)	\$ (1,101,495)
TOTAL	\$ (1,082,913)	\$ (754,880)	\$ (1,803,364)	\$ (2,802,696)
Employer's covered employee payroll	\$ 2,894,005	\$ 2,364,248	\$ 2,487,299	\$ 2,687,908
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-267.24%	-313.20%	-137.93%	-95.90%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%

KITTITAS COUNTY, WASHINGTON
Required Supplemental Information
Notes to Pension – State Sponsored Plans
As of December 31
Last Four Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Department Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249-4	4,135	-	4,135	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Department Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249-4	20,941	-	20,941	-	
			Total SNAP Cluster:	25,076	-	25,076	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665	Formula Grant	-	229,912	229,912	-	8,9
			Total Forest Service Schools and Roads Cluster:	-	229,912	229,912	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Wa State Department Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	17-62210-008	44,246	-	44,246	42,496	8
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Wa State Department Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	18-62210-008	49,383	-	49,383	47,633	
			Total CFDA 14.228:	93,630	-	93,630	90,130	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	18-31102-517	32,500	-	32,500	-	8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	19-31101-517	32,500	-	32,500	-	
			Total CFDA 16.575:	65,000	-	65,000	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Wa State Department Commerce)	Violence Against Women Formula Grants	16.588	2019STOPGRAN TSUBGRANTEE KITTITASCOUNT Y	15,503	-	15,503	-	8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	SH18-034	-	9,993	9,993	-	8

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	SH18-024	-	7,332	7,332	-	8
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-012- 2015	-	4,574	4,574	-	8
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-013- 2018	-	106,478	106,478	-	
			Total CFDA 20.106:	-	111,052	111,052	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Aviation Research Grants	20.108	3-53-0026-014- 2018	-	153,576	153,576	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205	BROS-2019(026)	-	1,200,817	1,200,817	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department Transportation)	Highway Planning and Construction	20.205	LA 8708	568	-	568	-	8
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department Transportation)	Highway Planning and Construction	20.205	STPUS- 6900(007) LA 9399	127,832	-	127,832	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department Transportation)	Highway Planning and Construction	20.205	STPUS- 6900(008) LA 9461	144	-	144	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department Transportation)	Highway Planning and Construction	20.205	STPR-19AA(001) LA 9468	154	-	154	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department Transportation)	Highway Planning and Construction	20.205	STPR-19CS(001) LA 9463	95	-	95	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department Transportation)	Highway Planning and Construction	20.205	HSIP-STPR- 0005(505) LA 9409	354,788	-	354,788	-	
			Total CFDA 20.205:	483,581	1,200,817	1,684,398	-	

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Lands Access Program	20.224	DTFH7017E3001 1	-	247,372	247,372	-	
Total Highway Planning and Construction Cluster:				483,581	1,448,188	1,931,770	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Wa State Department of Transportation via WASPC.)	State and Community Highway Safety	20.600	SH18-006	2,876	-	2,876	-	8
Total Highway Safety Cluster:				2,876	-	2,876	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department of Health)	Public Health Emergency Preparedness	93.069	CLH18249-2	19,628	-	19,628	-	8
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department of Health)	Public Health Emergency Preparedness	93.069	CLH18249-5	14,491	-	14,491	-	
Total CFDA 93.069:				34,120	-	34,120	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18249	3,956	-	3,956	-	3,5,6,8
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18249-4	5,287	-	5,287	-	3,5,6
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	CH Federal Non Cash	29,784	-	29,784	-	3,5,6
Total CFDA 93.268:				39,027	-	39,027	-	

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Health Center Program Cluster							
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Yakima Neighborhood Health Services)	Grants for New and Expanded Services under the Health Center Program	93.527	HP 40601	13,125	-	-	8
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Yakima Neighborhood Health Services)	Grants for New and Expanded Services under the Health Center Program	93.527	HP 43809	11,872	-	-	
				24,997	-	-	24,997
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department Social Health Services)	Child Support Enforcement	93.563	2110-80579 Ctk	13,024	-	-	8
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department Social Health Services)	Child Support Enforcement	93.563	2110-80579 Pros	25,942	-	-	8
				38,966	-	-	38,966
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Grant County Health District)	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	HP 40902-3	11,476	-	-	8
Medicaid Cluster							
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Health Car Authority)	Medical Assistance Program	93.778	K2747	2,375	-	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Health Car Authority)	Medical Assistance Program	93.778	K763-03	2,375	-	-	8
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA St Dept of Health)	Medical Assistance Program	93.778	K1407	14,741	-	-	8
				19,491	-	-	19,491

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via HopeSource)	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	PH 40578	5,000	-	-	8
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State DSHS Division of Behavioral Health and Recovery)	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	HP 42990	48,406	-	-	
			Total CFDA 93.912:	53,406	-	-	53,406
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249-2	30,387	-	-	8
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Wa State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249-4	14,329	-	-	
			Total CFDA 93.994:	44,716	-	-	44,716
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Wa State Parks & Recreation Commission)	Boating Safety Financial Assistance	97.012	MLE1021	15,175	-	-	8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Emergency Management Performance Grants	97.042	EMS-2018-CA-00020-S01	-	1,468	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-131	24,051	-	-	8
			Total CFDA 97.042:	24,051	1,468	-	25,519

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Pre-Disaster Mitigation	97.047	E17-062	85,974	-	85,974	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Pre-Disaster Mitigation	97.047	4188-DR-WA	1,745	-	1,745	-	8
			Total CFDA 97.047:	87,719	-	87,719	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E18-180	19,950	-	19,950	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E16-071	50,134	-	50,134	-	8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-075	50,531	-	50,531	-	8
			Total CFDA 97.067:	120,616	-	120,616	-	
			Total Federal Awards Expended:	1,199,423	1,961,522	3,160,945	90,130	

KITTITAS COUNTY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the county's financial statements. The county uses the modified accrual system of accounting.

Note 2 – Program Costs

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

Note 3 – Noncash Awards - Vaccinations

The amount of \$29,784.65 reported on the schedule is the value of vaccine received by the county during current year and priced as prescribed by Washington State Department of Health.

Note 4 – Not Available (N/A)

The county was unable to obtain other identification number.

Note 5 – Vaccine for Children's Programs

Vaccine supplied by Federal Government for vaccine for children program

Note 6 – Vaccine for 317 Programs

Vaccine supplied by Federal Government for vaccine for 317 programs.

Note 7 – Indirect Cost Rate

County: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 12.50 percent.

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 29.50 percent

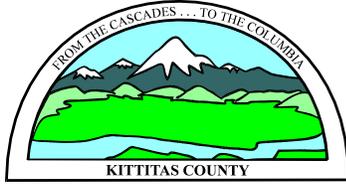
The county has not elected to use the 10-percent de minimis indirect cost rate allowed under the uniform guidance.

Note 8 – Project has been completed or expired

Project has been completed or expired.

Note 9 – In-Lieu of Taxes/Unrestricted Funds

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



KITTITAS COUNTY

DEPARTMENT OF PUBLIC WORKS

Mark R. Cook, Director, P.E.

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

Kittitas County

January 1, 2018 through December 31, 2018

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

<p>Finding ref number: 2018-001</p>	<p>Finding caption: The County’s internal controls over financial statement preparation were inadequate to ensure accurate and timely reporting.</p>
<p>Name, address, and telephone of County contact person: Judy Pless, Budget and Finance Manger 205 W. 5th Avenue Ellensburg, WA 98926 (509)962-7502</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>We have assessed the training that needs to be performed for county personnel and will implement that before the year-end in 2019. Kittitas County has purchased OpenGov to assist in compiling the data and has worked with its Information Technology department to create a reporting module for tracking and reporting the federal and state grants. We anticipate the reporting for 2019 to meet all the GASB compliance requirements of the external investment pool, and the completion of the 2019 financial reports to be completed, processed, reviewed and submitted in a timely manner. We are also requesting an additional staff person in the County’s 2020-budget process.</i></p>	
<p>Anticipated date to complete the corrective action: December 2019</p>	

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.

Contact information for the State Auditor's Office	
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