



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Kittitas County

For the period January 1, 2020 through December 31, 2020

Published March 31, 2022

Report No. 1030224



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

March 31, 2022

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

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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 the Financial Statements.....	18
Financial Section.....	21
Corrective Action Plan for Findings Reported Under Uniform Guidance	114
About the State Auditor's Office.....	116

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2020 through December 31, 2020

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>
21.019	COVID-19 – Coronavirus Relief Fund

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 2020-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Kittitas County January 1, 2020 through December 31, 2020

2020-001 The County's internal controls over preparing financial statements were inadequate for ensuring accurate and timely reporting.

Background

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

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

Description of Condition

We found the following deficiencies in the County's internal controls over preparing financial statements. When taken together, they represent a material weakness. The County did not:

- Take the necessary steps to prepare the financial statements timely and effectively review them to ensure all balances agreed between the statements, notes, and required supplementary information
- Follow up on unreconciled differences in cash and investments between the general ledger and the County Treasurer's software system
- Adequately research the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activity*, or ensure that it classified fiduciary activity correctly

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

Cause of Condition

The County did not prioritize timely completion of the annual report, and it did not dedicate sufficient time for a detailed, centralized review of the completed financial statements and associated schedules. The County also had turnover and staffing shortages in the accounting department. Additionally, staff at the Auditor and Treasurer's Offices did not effectively communicate with each another when preparing and reviewing the annual report to ensure all information was accurate and complete.

When completing the financial statements, County officials were aware that GASB No. 84 was applicable. However, the County did not devote the necessary time to fully understand and implement the new standard. Further, the County did not have a system in place for tracking the fiduciary activity by source throughout the year to allow for proper fiduciary activity reporting on the statements at year-end.

Effect of Condition

The County submitted the 2020 annual report on October 1, 2021, which was 124 days after the reporting deadline. Our Office noted similar issues in previous audit reports. Delays in the availability of complete annual financial reports prevent County officials, public bond agencies, and other interested parties from obtaining timely information.

The County's financial information contained errors that management did not detect. Related to implementing GASB No. 84, the County:

- Misclassified amounts flowing into the Custodial Fund as miscellaneous additions, including state apportionment of \$65,664,510 and bond proceeds for other governments of \$23,186,959
- Misclassified amounts flowing out of the Custodial Fund as property tax distributed, including state apportionment distributed of \$65,664,510, bond proceeds distributed of \$23,186,959, other taxes distributed of \$10,602,171 and agency disbursements of \$23,273
- Did not report the contributions by pool participants of \$50,601,104 and deductions by pool participants of \$52,183,348 in the External Investment Pool. Instead, the County reported the net contributions and deductions as negative investment earnings of \$1,582,244.

The County corrected all of the errors noted related to the implementation of GASB No. 84.

Further, the County:

- Overstated total cash by \$1,874,223 because it did not fully reconcile its cash software system to the bank statements. Additionally, the County understated total investments by \$3,099,107 because it reported investments at par value rather than fair value.
- Overstated the Due to Other Governments liability for the general fund by about \$926,038 and understated Due to Other Governments liability for the county road, solid waste, community development services, water mitigation and aggregate remaining funds by about \$196,127, \$112,277, \$56,651 and \$560,275, respectively.

We also identified other, less significant errors in the financial statements, notes, and required schedules.

Recommendation

We recommend the County:

- Ensure all of its departments submit accurate and timely information to the County Auditor's Office and submit annual reports to the State Auditor's Office within 150 days of the fiscal year-end
- Establish an effective technical review process for the financial statements, notes and schedules to ensure they are accurate, supported and classified, and reported in accordance with GAAP
- Research and correct any reconciliation differences before providing financial statements for audit
- Perform adequate research on new accounting standards to ensure staff properly implement them
- Implement a system for tracking the fiduciary activity by source throughout the year in order to accurately prepare the financial statements at year-end

County's Response

Kittitas County would like to thank the state auditor and staff for their time and professionalism on the 2020 county audit. Our response to the recommendations for the 2020 audit is as follows:

In 2019, Kittitas County received \$3,115,331 in federal funding and in 2020 we received \$6,689,206. The amount of federal funding increased by 115%.

	Expenditures			
	Total Federal Awards	From Direct Federal	Pass Through Awards	Passed through Subrecipients
2019	\$3,115,331	\$2,025,418	\$1,089,913	\$78,925
2020	\$6,689,206	\$722,043	\$5,967,163	\$1,083,464

As a result of COVID-19 pandemic starting in March 2020, Kittitas County created a state of emergency, which required new accounting systems created. As of December 31, 2020, the county added 41 new funds, departments and divisions within the budget and 751 budget codes. For payroll, we added seven new earnings codes to track employees additional leave banks. All the additional work with the Emergency Operations Center (EOC), new legislation and additional funding coming from the federal and state governments, along with the reporting requirements, the finance team was overwhelmed. During all this process, completing the year-end financial reports were delayed.

In August 2021, the finance department of the auditor’s office lost one of the key employees who was the reviewer of the annual financial report, this employee had over ten years of experience. On December 31, 2021, the finance department of auditor’s office had an additional two key employees retire with the combined experience of 58 years. Although, we have hired new competent staff, the learning curve is going to be steep. Kittitas County’s goal is to have the 2021 annual financial report reviewed and submitted on time.

The auditor’s office will review the county’s financial system and create tracking measures for the fiduciary reporting. The auditors will work with the treasurer’s office to ensure the cash balances in all systems.

Auditor’s Remarks

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

Applicable Laws and Regulations

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.

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

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

Jerald V. Pettit
Kittitas County Auditor
 205 West 5th – Suite 105
 Ellensburg, WA 98926
 509-962-7504 Fax 509-962-7687



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Kittitas County January 1, 2020 through December 31, 2020

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

Audit Period: January 1, 2019 through December 31, 2019	Report Ref. No.: 1027374	Finding Ref. No.: 2019-001
Finding Caption: The County's internal controls over financial statement preparation were inadequate to ensure accurate and timely reporting.		
Background: Our audit identified internal control deficiencies that hindered the County's ability to produce accurate and timely financial statements. The County did not prioritize timely completion of the annual report, allowing for a detailed centralized review of the completed financial statements and associated schedules. Also, departments are not effectively communicating when preparing and reviewing the annual report to ensure all information is accurate and complete. The County submitted the 2019 annual report on September 20, 2020, which was 50 days after the extended reporting deadline. Similar issues were noted in previous audit reports. Delays in the availability of complete annual financial reports prevent County officials, public bond agencies, and other interested parties from obtaining timely information. In addition, the County's financial information contained errors that management did not detect.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Our goal is to file the 2021 Financial Report timely. However, I am not sure we can attain that. We expect to be able to attain that goal no later than the 2022 Financial Report.</i>		

INDEPENDENT AUDITOR'S REPORT

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

Kittitas County **January 1, 2020 through December 31, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2022.

As discussed in Note 19 to the financial statements, during the year ended December 31, 2020, the County implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

As discussed in Note 19 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the County is unknown.

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 2020-001 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, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2022

INDEPENDENT AUDITOR'S REPORT

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

Kittitas County January 1, 2020 through December 31, 2020

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, 2020. 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, 2020.

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

March 24, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Kittitas County **January 1, 2020 through December 31, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 21.

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.

Opinions

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in 2020, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 19 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the County is unknown. Our opinion is not modified with respect to this matter.

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 21 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 as a whole. 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 March 24, 2022 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.



Pat McCarthy, State Auditor

Olympia, WA

March 24, 2022

FINANCIAL SECTION

Kittitas County **January 1, 2020 through December 31, 2020**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Governmental Funds Balance Sheet – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2020

Proprietary Fund Statement of Net Position – 2020

Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position –
2020

Proprietary Fund Statement of Cash Flows – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP
Basis) and Actual – General Fund – 2020

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP
Basis) and Actual – County Road – 2020

Notes to Budgetary Comparison Schedule – 2020

Information about Infrastructure Assets Reported Using the Modified Approach – 2020

Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

Notes to Pension – OPEB Retired LEOFF 1 Employees

Schedule of Employer Contributions – PERS 1, PERS 2 and 3, PSERS 2, LEOFF 1,
LEOFF 2 – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2 and 3,
PSERS 2, LEOFF 1, LEOFF 2 – 2020

Notes to Pension – State Sponsored Plans

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

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, 2020, 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 and deferred outflows of Kittitas County exceeded its liabilities and deferred inflows on December 31, 2020, by over \$162.6 million. Net Investment in capital assets (net of depreciation and related debt) account for 64.5% of this amount, with a value of \$105 million. Of the remaining Net Position, \$8.5 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.
- As of December 31, 2020, Kittitas County's government activities reported combined ending Net Position of \$144.5 million. Of that amount, \$92 million is Investment in Capital Assets.
- Fund Balance for the General Fund at December 31, 2020 was \$26.7 million.
- Fund Balance for the County Road Fund at December 31, 2020 was \$6.68 million.
- The County's total long-term debt on December 31, 2020, was \$22.8 million. The County's remaining debt capacity for non-voted debt is at \$107.7 million. The Solid Waste Landfill Post-Closure liability costs are \$881,649. The pension liabilities are \$5,47 million for governmental activities and \$95,572 for business activities.
- The General Fund's fund balance increased 5.8%, showing an increase of \$1,468,595. The amount of unrestricted funds is \$8.98 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 service 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 2020. 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 2020, 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 2020.

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 Required Supplemental Information.

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

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

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 three types of fiduciary funds: Trust Accounts, External Investment Pool and Custodial 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, 2020, with 2019 comparative balances.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets:						
Current Assets	\$ 69,282,521	\$ 65,578,951	\$ 6,895,689	\$ 5,821,277	\$ 76,178,210	\$ 71,400,228
Capital Assets	100,406,282	94,497,279	13,131,638	12,563,670	113,537,920	107,060,949
Total Assets	169,688,803	160,076,230	20,027,327	18,384,947	189,716,130	178,461,177
Deferred outflow of Resources-Pension	2,286,863	1,805,523	154,355	119,174	2,441,218	1,924,697
Deferred outflow of Resources-OPEB	74,714	-	-	-	74,714	-
Deferred outflow of Resources-Other	250,000	-	-	-	250,000	-
Total Deferred outflows	2,611,577	1,805,523	154,355	119,174	2,765,932	1,924,697
Liabilities						
Other liabilities	4,759,106	1,603,432	442,134	298,182	5,201,240	1,901,614
Long-term liabilities	21,405,461	20,958,719	1,476,851	1,695,058	22,882,312	22,653,777
Total Liabilities	26,164,567	22,562,151	1,918,985	1,993,240	28,083,552	24,555,391
Deferred Inflows of Resources-OPEB	-	108,330	-	-	-	108,330
Deferred Inflows of Resources-Pension	1,634,449	3,284,934	147,591	265,374	1,782,040	3,550,308
Total Deferred Inflows	1,634,449	3,393,264	147,591	265,374	1,782,040	3,658,638
Net Position					-	-
Investment in Capital Assets	92,056,998	85,460,821	12,976,562	12,330,826	105,033,560	97,791,647
Non Spendable	713,015	102,358	64,997	16,915	778,012	119,273
Restricted	31,696,860	27,532,668	-	-	31,696,860	27,532,668
Committed	3,420,004	3,678,921	-	-	3,420,004	3,678,921
Assigned	13,132,857	11,286,183	-	-	13,132,857	11,286,183
Unassigned	3,481,629	7,865,386	5,073,564	3,897,766	8,555,193	11,763,152
Total Net Position	\$144,501,363	\$135,926,337	\$18,115,123	\$16,245,507	\$162,616,486	\$152,171,844

Net Position of the County's governmental activities was \$144.5 million. The County's unrestricted Net Position, the part of the Net Position that can be used to finance day-to-day operations \$3,481,629.

Statement of Activities

For fiscal year ended December 31, 2020, the revenues of primary governmental activities totaled \$58.7 million. Property taxes are the largest revenue source at \$16 million, while Sales taxes are the second largest at \$14 million.

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

The expenses for governmental activities totaled \$53 million. Public Safety was the county's highest commitment at \$14.21 million; General Government is the second highest expense for 2020 with \$12.5 million.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 10,280,913	\$ 10,935,459	\$ 7,816,579	\$ 7,383,938	\$ 18,097,492	\$ 18,319,397
Operating Grants	9,819,073	5,736,281	-	-	9,819,073	5,736,281
Capital Grants & Contributions	745,986	1,172,405	-	-	745,986	1,172,405
General Revenues:						
Property Taxes	16,011,522	14,550,105	-	-	16,011,522	14,550,105
Sales Taxes	14,006,580	13,551,018	-	-	14,006,580	13,551,018
Other Taxes	5,567,372	5,541,804	-	-	5,567,372	5,541,804
State Shared Revenues, Entitlements	994,454	-	-	-	994,454	-
Unrestricted Grants & Contributions	-	1,236,575	-	-	-	1,236,575
Unrestricted Investment Earnings	1,613,371	2,224,337	61,302	83,594	1,674,673	2,307,931
Proceeds on Disposition of Capital Assets	123,307	262,346	-	-	123,307	262,346
Transfers	-405,070	-1,225,167	405,070	1,225,167	-	-
Total Revenues	58,757,508	53,985,163	8,282,951	8,692,699	67,040,459	62,677,862

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Expenses:						
Judicial	3,078,827	2,593,510	-	-	3,078,827	2,593,510
General Government	12,523,120	9,979,510	-	-	12,523,120	9,979,510
Public Safety	14,214,925	11,748,176	-	-	14,214,925	11,748,176
Physical Environment	169,487	92,608	-	-	169,487	92,608
Transportation	10,487,484	13,577,423	-	-	10,487,484	13,577,423
Economic Environment	5,470,957	3,814,937	-	-	5,470,957	3,814,937
Mental & Physical Health	4,675,237	3,297,127	-	-	4,675,237	3,297,127
Culture & Recreation	2,237,314	2,402,290	-	-	2,237,314	2,402,290
Interest on Long Term Debt	163,900	308,069	-	-	163,900	308,069
Garbage & Solid Waste	-	-	4,640,366	4,776,151	4,640,366	4,776,151
Community Development Services	-	-	2,039,822	1,906,610	2,039,822	1,906,610
Water Mitigation	-	-	72	24,206	72	24,206
Total Expenses	53,021,251	47,813,650	6,680,260	6,706,967	59,701,511	54,520,617
Excess (Deficiency) before Special Items and Transfers						
Change in Net Position	5,736,257	6,171,513	1,602,691	1,985,732	7,338,948	8,157,245
Net Position as of January 1	135,926,336	127,178,012	16,245,507	14,259,774	152,171,843	141,437,786
Prior Year Adjustments	2,838,770	2,576,811	266,907	-	3,105,677	2,576,811
Net Position as of December 31	\$144,501,363	\$135,926,336	\$18,115,105	\$16,245,506	\$162,616,468	\$152,171,842

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 2020. Together these funds account for 61% of the total government assets and 59% of the total government fund balance. As of December 31, 2020, the county's government funds reported combined fund balances nearly \$56.49 million. Of this total amount, \$8.99 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	633,687
Restricted	30,319,576
Committed	3,420,004
Assigned	13,132,857
Unassigned	8,992,197

In the total Assets, the Due from other Governmental has increased from the previous year by \$2,000,306; and Cash and Investments have increased by \$3,776,837. The net change in all assets is a 11.5% increase.

In the total Liabilities, the biggest increase is Payable to Other Governments by \$1,742,365, and accounts payable an increase of \$837,931. The net change in all liabilities is a 159.75% increase.

Governmental Funds	2020	2019	Net Change
Total Assets	63,890,925	57,317,766	6,573,159
Total Liabilities	4,861,450	1,871,651	2,989,799
Deferred Inflow of Resources	2,528,580	2,567,727	-39,147
Total Fund Balance	56,498,321	52,878,388	3,619,933

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2020 was \$1,718,729. The net change in the County Road fund was a (\$824,762). Other Governmental Funds had an overall net change in fund balance of \$2,842,280 for 2020. The changes in fund balances for the General Fund are the additional Sales Taxes collected; County Road is property tax increase.

The overall changes in Governmental Revenues were 8.26% increase over 2019. The biggest change in the revenues occurred in Intergovernmental Revenues with a 22.8% increase; 2019 \$12.1 million compared to \$14.9 million in 2020; showing an increase of \$2,776,691.

The overall expenditures increased 9.8% over 2019. The biggest change in expenses was in Transportation, which increased \$703,531.

Governmental Funds	2020	2019	Net Change
Revenues	58,949,114	54,452,945	4,496,169
Expenditures	-54,740,456	-49,404,217	-5,336,239
Other Financing Sources	-472,411	-1,454,835	982,424
Net Change in Fund Balance	3,736,247	3,593,893	142,354
Fund Balance Beginning	52,878,388	46,680,686	6,197,702
Prior Year Adjustments	-116,313	2,603,809	-2,720,122
Fund Balance Ending	56,498,321	52,878,388	3,619,933

Proprietary Funds Net Position Analysis

The Net Position of the Solid Waste fund as of December 31, 2020 was \$9.95 million; with \$2.59 million in unrestricted funds. The Net Position of the Community Development Services fund as of December 31, 2020 was \$1.88 million. The Net Position of the Water Mitigation fund as of December 31, 2020 was \$6.27 million. The internal service funds have net position in the amount of \$13.67 million.

Proprietary Funds Revenue/Expenditure Analysis

The Solid Waste fund collected \$5.81 million in revenues and had an operating expense of \$4.93 million showing a net gain of \$891,825. The changes in net position for 2020 after non-operating revenues and expenses are \$1.21 million.

The Community Development Services fund collected \$1.95 million in revenues and had an operating expense of \$2.04 million showing a net loss of \$89,874. The changes in net position for 2020 after non-operating and expense are \$333,310.

The Water Mitigation fund collected \$49,001 in revenues and had an operating expense of \$72 showing a net gain of \$48,929. The changes in net position for 2020 after non-operating and expense are \$55,939.

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, 2020.

	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 14,609,000	\$ 14,681,918	\$ 72,918
Licenses & Permits	258,300	269,504	11,204
Intergovernmental	3,638,610	7,741,102	4,102,492
Charges for Services	4,129,209	4,318,429	189,220
Fines & Forfeits	1,635,115	1,635,115	-
Miscellaneous	2,477,985	2,479,428	1,443
Total Revenues	26,748,219	31,125,496	4,377,277
Expenditures			
General Governmental	10,899,411	12,069,393	1,169,982
Judicial	2,771,479	2,812,870	41,391
Security of Persons and Property	11,283,505	11,763,441	479,936
Physical Environment	131,043	131,715	672
Transportation	-	4,555	4,555
Economic Environment	50,100	2,261,695	2,211,595
Mental & Physical Health	617,621	1,190,954	573,333
Culture & Recreation	2,471,006	2,418,091	(52,915)
Debt Service	98,626	103,141	4,515
Capital Outlay	1,030,107	1,602,993	572,886
Total Expenditures	29,352,898	34,358,848	5,005,950
Excess (Deficit) Revenues over Expenditures	(2,604,679)	(3,233,352)	9,383,227
Other Financing Sources (Uses)			
Restitution	700	700	-
Other Loan/Bond Proceeds	-	-	-
Sale of Fixed Assets	5,000	5,000	-
Transfers In	150,000	150,000	-
Transfers Out	(1,004,667)	(1,141,807)	(137,140)
Total Other Financing Sources (Uses)	(848,967)	(986,107)	(137,140)
Net Change in Fund Balance	(3,453,646)	(4,219,459)	(765,813)
Fund Balance, January 1	15,640,948	16,406,761	765,813
Fund Balance, December 31	\$ 12,187,302	\$ 12,187,302	\$ -

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 Economic Environment in the amount of \$2.2 million, which was the distribution of CARES Act funding.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately \$31.12 million and total revenues received \$32.12 million, or 3.2% above budget. The specific changes to report are taxes. 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 underestimated due to the additional revenue received in sales tax.

The General Fund budgeted expenses vs. actual came in at 14.10% under budget. The biggest unspent budget was General Government, due to reduction in services, training and positions not filled especially due to COVID-19.

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 14,681,918	\$ 17,833,831	\$ 3,151,913
Licenses & Permits	269,504	282,624	13,120
Intergovernmental	7,741,102	6,877,436	(863,666)
Charges for Services	4,318,429	4,023,337	(295,092)
Fines & Forfeits	1,635,115	1,336,754	(298,361)
Miscellaneous	2,479,428	1,773,313	(706,115)
Total Revenues	31,125,496	32,127,297	1,001,801
Expenditures			
Ge	12,069,393	9,841,699	2,227,694
Judicial	2,812,870	2,592,889	219,981
Security of Persons and Property	11,763,441	10,333,028	1,430,413
Physical Environment	131,715	101,712	30,003
Transportation	4,555	4,554	1
Economic Environment	2,261,695	2,268,822	(7,127)
Mental & Physical Health	1,190,954	1,135,594	55,360
Culture & Recreation	2,418,091	1,419,169	998,922
Debt Service	103,141	88,030	15,111
Capital Outlay	1,602,993	1,730,166	(127,173)
Total Expenditures	34,358,848	29,515,664	4,843,184
Excess (Deficit) Revenues over Expenditures	(3,233,352)	2,611,633	5,844,985
Other Financing Sources (Uses)			
Restitution	700	797	97
Other Loan/Bond Proceeds	-	-	-
Sale of Fixed Assets	5,000	4,631	(369)
Transfers In	150,000	-	(150,000)
Transfers Out	(1,141,807)	(898,332)	243,475
Total Other Financing Sources (Uses)	(986,107)	(892,904)	93,203
Net Change in Fund Balance	(4,219,459)	1,718,729	5,938,188
Fund Balance, January 1	16,406,761	25,059,024	8,652,263
Fund Balance, December 31	\$ 12,187,302	\$ 26,777,753	\$ 14,590,451

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, 2020, amounts to over \$113.5 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 Gravel Roads by; \$1.86 million. This includes roads that were annexed into the system. In the Business Type Activities, the largest increase was for construction in progress for the new transfer station for \$452,429.

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, 2020, of approximately \$22.88 million; of which Governmental was \$21.4 million and Business type activities were \$1.4 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.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures

include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The County received additional funding from the federal government, CARES Act, which provided funding that may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The County had additional expenses due to the virus, which the CARES Act assisted in funding.

The sales tax revenues are increasing due to construction projects. We are continuing to watch very carefully the revenues and all departments are watching. With the help of all the departments, not spending their total budgets increased the fund balance of the General Fund. The 2019 ending fund balance for the General fund was \$25.3 million and the ending 2020 fund balance was \$26.7 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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 29,978,299	\$ 294,618	\$ 30,272,917
Investments	28,218,741	4,201,354	32,420,094
Receivables (net)	3,115,129	657,670	3,772,799
Internal Balances	(387,505)	387,505	-
Inventories	301,877	-	301,877
Pension Assets	1,725,191	-	1,725,191
Due from other Governmental	5,638,298	10,768	5,649,066
Prepaid items	692,035	61,697	753,732
Cash restricted			
Cash	456	154,964	155,420
Investments	-	1,127,113	1,127,113
Capital Assets (net of accumulated depreciation)			
Land, and non-depreciable infrastructure	19,737,765	3,875,834	23,613,599
Intangible Assets	1,896,236	6,676,347	8,572,584
Buildings	18,866,054	386,473	19,252,527
Improvements	972,324	689,575	1,661,898
Equipment	5,889,745	245,087	6,134,833
Infrastructure	44,322,036	-	44,322,036
Construction in progress	8,722,122	1,258,322	9,980,444
Total Capital Assets	100,406,282	13,131,638	113,537,920
TOTAL ASSETS	\$ 169,688,803	\$ 20,027,327	\$ 189,716,130
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of Resources - Pension	2,286,863	154,355	2,441,218
Deferred outflow of Resources - OPEB	74,714	-	74,714
Deferred outflow of Resources - Other	250,000	-	250,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,611,577	154,355	2,765,932
LIABILITIES			
Accounts payable and accrued exp.	\$ 4,585,010	442,134	\$ 5,027,145
Unearned revenue	27,986	-	27,986
Other current liabilities	146,110	-	146,110
Liabilities payable from restricted assets	-	-	-
Non-Current Liabilities:			
Other Long Term Debt (See Note 11)			
Due within one year	1,088,354	252,422	1,340,776
Due in more than one year	20,317,107	1,224,429	21,541,537
Miscellaneous	-	-	-
TOTAL LIABILITIES	\$ 26,164,567	\$ 1,918,985	\$ 28,083,553
DEFERRED INFLOWS of RESOURCES			
Deferred Inflows of Resources - Pensions	1,634,449	147,591	1,782,040
TOTAL DEFERRED INFLOWS OF RESOURCES	1,634,449	147,591	1,782,040
NET POSITION			
Net Investment in Capital Assets	\$ 92,056,998	\$ 12,976,562	\$ 105,033,561
Fund Balance			
Non Spendable	713,015	64,997	778,012
Restricted	31,696,860	-	31,696,860
Committed	3,420,004	-	3,420,004
Assigned	13,132,857	-	13,132,857
Unassigned/Unrestricted	3,481,629	5,073,546	8,555,175
TOTAL NET POSITION	\$ 144,501,363	\$ 18,115,106	\$ 162,616,469

KITTITAS COUNTY, WASHINGTON

**Statement of Activities
For the Year ended December 31, 2020**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Judicial	\$ 3,078,827	\$ 1,302,136	\$ 85,507	\$ -	\$ (1,691,185)	\$ -	\$ (1,691,185)
General Government	12,523,120	4,821,364	3,698,278	464,703	(3,538,775)	-	(3,538,775)
Public Safety	14,214,925	1,908,630	598,743	-	(11,707,552)	-	(11,707,552)
Physical Environment	169,487	358,515	44,997	-	234,025	-	234,025
Transportation	10,487,484	561,572	2,807,423	41,789	(7,076,700)	-	(7,076,700)
Economic Environment	5,470,957	954,742	272,448	149,494	(4,094,272)	-	(4,094,272)
Mental & Physical Health	4,675,237	343,561	2,304,949	-	(2,026,728)	-	(2,026,728)
Culture & Recreation	2,237,314	30,393	6,727	90,000	(2,110,193)	-	(2,110,193)
Interest on long-term debt	163,900	-	-	-	(163,900)	-	(163,900)
Total Government Activities	\$ 53,021,251	\$ 10,280,913	\$ 9,819,073	\$ 745,986	\$ (32,175,279)	\$ -	\$ (32,175,279)
Business-type Activities:							
Garbage & Solid Waste	\$ 4,640,366	\$ 5,817,631	\$ -	\$ -	\$ -	\$ 1,177,265	\$ 1,177,265
Community Development Services	2,039,822	1,949,948	-	-	-	(89,874)	(89,874)
Water Mitigation	72	49,001	-	-	-	48,929	48,929
Total Business-Type Activities	\$ 6,680,260	\$ 7,816,579	\$ -	\$ -	\$ -	\$ 1,136,320	\$ 1,136,320
Total Primary Government	\$ 59,701,511	\$ 18,097,493	\$ 9,819,073	\$ 745,986	\$ (32,175,279)	\$ 1,136,320	\$ (31,038,959)
General Revenues:							
Property Taxes				\$	16,011,522	\$	16,011,522
Sales Taxes					14,006,580	-	14,006,580
Other Taxes							
Motor Vehicle Excise Tax					1,789,195	-	1,789,195
Bureau of Land Management PILT					1,146,580	-	1,146,580
Real Estate Excise Tax - REET					1,551,410	-	1,551,410
Remaining Other Taxes					1,080,187	-	1,080,187
State Shared Revenues, Entitlements					994,454	-	994,454
Investment Earnings					1,613,371	61,302	1,674,673
Proceeds on Disposition of Capital Assets					123,307	-	123,307
Transfers					(405,070)	405,070	-
Total General Revenues, Special Items & Transfers				\$	37,911,536	\$ 466,372	\$ 38,377,908
Change in Net Position				\$	5,736,257	\$ 1,602,692	\$ 7,338,949
Net Position as of January 1				\$	135,926,336	\$ 16,245,507	\$ 152,171,844
Prior Year Adjustments					2,838,770	266,907	3,105,676
Net Position as of December 31				\$	144,501,363	\$ 18,115,106	\$ 162,616,469

KITTITAS COUNTY, WASHINGTON

**Balance Sheet
Governmental Funds
December 31, 2020**

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 26,074,235	\$ 246,405	\$ 3,628,551	\$ 29,949,191
Investments	-	6,170,327	18,161,007	24,331,334
Receivables (net)	2,685,511	202,966	223,273	3,111,750
Due from other funds	189,117	39,344	19,184	247,645
Due from Other Governmental	2,155,498	859,446	2,623,354	5,638,298
Prepaid items	439,132	75,622	97,954	612,707
Total assets	<u>\$ 31,543,493</u>	<u>\$ 7,594,110</u>	<u>\$ 24,753,322</u>	<u>\$ 63,890,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued exp.	\$ 495,691	\$ 514,640	\$ 1,076,239	\$ 2,086,570
Payable to other governments	1,736,428	79	64,051	1,800,558
Due to other funds	435,811	223,060	147,251	806,121
Interfund Loans Payable	-	-	-	-
Interest Payable	-	-	-	-
Unearned revenue	615	-	24,043	24,658
Deposits payable	21,240	7,896	116,974	146,110
Total liabilities	<u>2,689,785</u>	<u>745,675</u>	<u>1,428,558</u>	<u>4,864,017</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources- Taxes & Assessme	221,365	162,789	42,145	426,299
Deferred Inflows of Resources- Court Fines	1,731,683	-	148,945	1,880,628
Deferred Inflows of Resources- Revenues Advanc	122,908	-	98,753	221,661
Total Deferred Inflow of Resources	<u>2,075,956</u>	<u>162,789</u>	<u>289,843</u>	<u>2,528,588</u>
FUND BALANCES				
Non Spendable	455,432	76,672	101,584	633,687
Restricted	6,629,292	6,608,975	17,081,309	30,319,576
Committed	1,558,979	-	1,861,025	3,420,004
Assigned	9,135,287	-	3,997,570	13,132,857
Unassigned	8,998,763	-	(6,566)	8,992,197
Total fund balances	<u>26,777,753</u>	<u>6,685,647</u>	<u>23,034,922</u>	<u>56,498,321</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 31,543,493</u>	<u>\$ 7,594,110</u>	<u>\$ 24,753,323</u>	<u>\$ 63,890,926</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	90,752,938
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,528,588
Accrued obligations not normally recorded in governmental funds; government's net pension and OPEB obligations as an employer	2,452,319
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(21,405,461)
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.	13,674,658

Net Position of Governmental Activities

144,501,363

KITTITAS COUNTY, WASHINGTON

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

For the Year Ended December 31, 2020

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 8,803,324	\$ 6,136,994	\$ 1,063,412	\$ 16,003,731
Sales	8,686,714	-	5,319,866	14,006,580
Other	343,793	11,997	1,552,076	1,907,866
Licenses & Permits	282,624	169,123	701,071	1,152,818
Intergovernmental	6,877,436	4,556,660	3,516,426	14,950,522
Charges for Services	4,023,337	561,572	2,189,088	6,773,997
Fines & Forfeitures	1,336,754	-	8,055	1,344,809
Investment Earnings	1,122,104	90,916	322,003	1,535,024
Miscellaneous Revenues	-	-	-	-
Rentals	434,619	-	331,034	765,653
Other Miscellaneous Revenues	216,590	45,068	246,456	508,114
Total revenues	\$ 32,127,297	\$ 11,572,330	\$ 15,249,487	\$ 58,949,114
EXPENDITURES				
Current:				
Judicial	\$ 2,592,889	\$ -	\$ 198,983	\$ 2,791,872
General Government	9,841,699	361,721	717,485	10,920,906
Public Safety	10,333,028	-	3,174,631	13,507,659
Physical Environ	101,712	-	31,562	133,274
Transportation	4,554	7,227,288	930,883	8,162,725
Economic Environment	2,268,822	-	3,259,088	5,527,910
Health & Human Services	1,135,594	-	3,401,183	4,536,777
Culture & Recreation	1,419,169	-	10,031	1,429,199
Debt Service:				
Principal	85,860	-	812,274	898,135
Interest	2,170	-	148,681	150,850
Debt Expense	-	-	13,050	13,050
Capital Outlay:				
General government	266,921	-	38,635	305,556
Judicial	-	-	-	-
Public safety	1,107,247	-	96,563	1,203,811
Physical environment	-	-	-	-
Transportation	-	4,737,074	65,660	4,802,734
Economic environment	-	-	-	-
Health & Human Services	-	-	-	-
Culture & recreation	355,998	-	-	355,998
Total expenditures	\$ 29,515,664	\$ 12,326,083	\$ 12,898,709	\$ 54,740,456
Excess (deficiency) of revenues over (under) expenditures	\$ 2,611,633	\$ (753,753)	\$ 2,350,778	\$ 4,208,658
Continued on Next Page				
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,191,270	\$ 1,191,270
Transfers out	(898,332)	(71,009)	(699,828)	(1,669,169)
Debt Proceeds	-	-	-	-
Proceeds on Disposition of capital assets	5,428	-	60	5,488
Total other financing sources (uses)	\$ (892,904)	\$ (71,009)	\$ 491,502	\$ (472,411)
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	1,718,729	(824,762)	2,842,280	3,736,247
Fund balances--beginning	25,309,158	7,450,052	20,119,177	52,878,388
Prior Period Adjustments	(250,134)	60,357	73,464	(116,313)
Fund balances--ending	\$ 26,777,753	\$ 6,685,647	\$ 23,034,922	\$ 56,498,321

Continued Next Page

KITTITAS COUNTY, WASHINGTON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

Net changes in fund balances for governmental funds \$ 3,736,247

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	\$	6,668,099	
Depreciation		(1,293,806)	
Reduction and Adjustment Construction in Progress		(499,160)	
Cost of Assets Sold		(4,624,626)	
Donated Assets		32,000	
Adjustments to Assets		2,066,843	
Added Assets from Construction in Progress		549,284	
			2,898,634

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	\$	(6,643,000)	
Debt Refinance		6,510,000	
Debt Retired		898,135	765,135

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

(39,140)

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.

(1,211,877)

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.

130,025

OPEB Expense and Deferred Inflow
Pension Expense and Special funding

273,338
(816,105)

Change in Net Position of governmental activities \$ 5,736,257

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds Statement of Net Position
December 31, 2020**

	<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	\$ 122,069	\$ 18,775	\$ 153,774	\$ 294,618	\$ 29,108
Investments	2,073,244	1,605,480	522,630	4,201,354	3,887,406
Receivables	655,852	1,372	447	657,670	3,379
Due From Funds	-	406,224	292	406,516	192,104
Inventories	-	-	-	-	301,877
Due From Other governments	5,485	5,283	-	10,768	-
Prepayment for services	35,282	26,415	-	61,697	79,328
Total Current Assets	\$ 2,891,932	\$ 2,063,547	\$ 677,142	\$ 5,632,622	\$ 4,493,203
Noncurrent assets:					
Restricted Cash, Cash Equivalents and Investments:					
Cash restricted	154,964	-	-	154,964	456
Investments restricted	1,127,113	-	-	1,127,113	-
Total Restricted Assets	1,282,077	-	-	1,282,077	456
Capital assets:					
Land	3,875,834	-	-	3,875,834	447,473
Intangible Assets	1,067,123	8,758	5,600,467	6,676,347	-
Buildings	1,389,478	-	-	1,389,478	936,747
Improvements	4,997,480	-	-	4,997,480	268,738
Equipment	1,742,620	145,499	-	1,888,119	9,994,950
Construction in progress	1,258,322	-	-	1,258,322	4,967,716
Less Depreciation	(6,858,632)	(95,311)	-	(6,953,942)	(6,962,280)
Total Capital Assets	\$ 7,472,225	\$ 58,946	\$ 5,600,467	\$ 13,131,638	\$ 9,653,343
Total Noncurrent Assets	8,754,302	58,946	5,600,467	14,413,715	9,653,799
Total Assets	11,646,234	2,122,494	6,277,609	20,046,337	14,147,002
Deferred Outflow of Resources					
Deferred Outflow of Resources					
Deferred Outflow Equipment Purchase	-	-	-	-	250,000
Deferred Outflow of Resources-Pension	60,394	93,961	-	154,355	-
Total Deferred Outflows	\$ 60,394	\$ 93,961	\$ -	\$ 154,355	\$ 250,000
LIABILITIES					
Current liabilities:					
Accounts payable and accrued exp.	\$ 408,252	\$ 30,469	\$ 3,312	\$ 442,033	\$ 692,957
Due to other funds	7,689	10,253	1,068	19,010	21,133
Due to other governments	101	-	-	101	4,925
Unearned Revenue	-	-	-	-	3,328
Landfill Closure Cost	163,761	-	-	163,761	-
Compensated absences	4,435	6,458	-	10,893	-
Leases Payable	-	2,768	-	2,768	-
Bonds, notes, loans payable	75,000	-	-	75,000	-
Total Current Liabilities	\$ 659,238	\$ 49,949	\$ 4,380	\$ 713,567	\$ 722,344
Noncurrent liabilities:					
Compensated absences	\$ 185,539	\$ 148,122	\$ -	\$ 333,662	\$ -
Leases Payable	-	2,307	-	2,307	-
Bonds, notes, loans payable	75,001	-	-	75,001	-
Pension Obligations	54,990	40,582	-	95,572	-
Landfill Closure Cost	717,888	-	-	717,888	-
Total Noncurrent Liabilities	\$ 1,033,418	\$ 191,011	\$ -	\$ 1,224,429	\$ -
DEFERRED INFLOW OF RESOURCES					
Deferred Inflow of Resources - Pensions					
Total Deferred Inflows of Resources	\$ 58,894	\$ 88,697	\$ -	\$ 147,591	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 7,322,224	\$ 53,871	\$ 5,600,467	\$ 12,976,562	\$ 9,653,343
Restricted Net Position	38,182	26,815	-	64,997	1,376,931
Unrestricted Net Position	2,594,672	1,806,112	672,762	5,073,546	2,644,384
Total Net Position	\$ 9,955,078	\$ 1,886,798	\$ 6,273,229	\$ 18,115,106	\$ 13,674,658
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					
	-	-	-	-	-
Net Position of business-type activities	\$ 9,955,078	\$ 1,886,798	\$ 6,273,229	\$ 18,115,106	\$ 13,674,658

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2020**

	<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	\$ 5,817,631	\$ -	\$ -	\$ 5,817,631	\$ -
Other services	-	1,949,948	49,001	1,998,948	2,416,564
Total operating revenues	\$ 5,817,631	\$ 1,949,948	\$ 49,001	\$ 7,816,579	\$ 2,416,564
OPERATING EXPENSES					
Operations and Cost of Sales	\$ 4,710,698	\$ 2,022,292	\$ 72	\$ 6,733,061	\$ 1,221,396
Administrative, General & Maintenance	-	-	-	-	208,167
Depreciation	215,108	17,531	-	232,639	848,032
Compensated Absences	-	-	-	-	-
Pension Expense	-	-	-	-	-
Total operating expenses	\$ 4,925,806	\$ 2,039,822	\$ 72	\$ 6,965,700	\$ 2,277,594
Operating income (loss)	\$ 891,825	\$ (89,874)	\$ 48,929	\$ 850,879	\$ 138,970
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	\$ 36,178	\$ 18,114	\$ 7,010	\$ 61,302	\$ 78,347
Debt Interest Expense	(1,125)	-	-	(1,125)	-
Gain (loss) on Disposition of Capital Assets	-	-	-	-	117,819
Landfill Closure Revenues (Cost)	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Pension Expense	-	-	-	-	-
Miscellaneous nonoperating revenues (expenses)	286,565	-	-	286,565	9,161
Total non-operating income (expense)	\$ 321,619	\$ 18,114	\$ 7,010	\$ 346,742	\$ 205,327
Income before contributions & transfers	\$ 1,213,443	\$ (71,760)	\$ 55,939	\$ 1,197,622	\$ 344,298
Capital Grants	-	-	-	-	-
Capital Contributions	-	-	-	-	-
Transfers In (Out)	-	405,070	-	405,070	72,829
Change in net position	\$ 1,213,443	\$ 333,310	\$ 55,939	\$ 1,602,692	\$ 417,127
Net Position--beginning	8,490,573	1,537,644	6,217,290	16,245,507	12,938,494
Prior Year Adjustment	251,062	15,844	-	266,907	319,038
Net Position--ending	\$ 9,955,078	\$ 1,886,798	\$ 6,273,229	\$ 18,115,106	\$ 13,674,658

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2020

	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	\$ 5,547,260	\$ 1,553,313	\$ 48,709	\$ 7,149,282	\$ 2,587,756
Cash payments to employees	(872,874)	(1,411,361)	-	(2,284,235)	-
Cash payments to suppliers	(3,914,961)	(627,186)	4,308	(4,537,838)	(1,358,807)
Net cash provided (used) by operating activities	\$ 759,425	\$ (485,234)	\$ 53,017	\$ 327,209	\$ 1,228,949
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Grant Funding - CARES	-	-	-	-	9,161
Transfer from Other Funds	-	405,070	-	405,070	1,820
Non-Operating Expenses	-	-	-	-	(263,997)
Net cash provided from noncapital activities	\$ -	\$ 405,070	\$ -	\$ 405,070	\$ (253,016)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Capital Assets	-	-	-	-	120,145
Payments for Capital Acquisition	(563,989)	(14,297)	-	(578,286)	(14,457)
Construction in Progress	-	-	-	-	(3,259,848)
Proceeds from Capital Grant	-	-	-	-	-
Proceeds from Debt	-	-	-	-	-
Transfer from Other Funds In (Out)	-	-	-	-	236,612
Depreciation - prior year	-	-	-	-	-
Payment on Long Term Debt	(75,000)	(2,768)	-	(77,768)	-
Debt Interest Expense	(1,125)	-	-	(1,125)	-
Net cash provided (used in) capital financing activities	\$ (640,114)	\$ (17,065)	\$ -	\$ (657,179)	\$ (2,917,547)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment Interest	\$ 36,178	\$ 18,114	\$ 7,010	\$ 61,302	\$ 83,486
Interest Receivable	1,697	579	118	2,394	3,424
Proceeds Condo reserves	-	-	-	-	2,744
Sale (Purchase) of Investment	(537,875)	(368,693)	(22,128)	(928,696)	1,795,564
Net cash flows from investing activities	\$ (500,000)	\$ (350,000)	\$ (15,000)	\$ (865,000)	\$ 1,885,219
Net increase (decrease) in cash and cash equivalent	\$ (380,689)	\$ (447,229)	\$ 38,017	\$ (789,900)	\$ (56,395)
Cash and cash equivalents at January 1	\$ 657,722	\$ 466,003	\$ 115,757	\$ 1,239,482	\$ 85,959
Cash and cash equivalents at December 31	\$ 277,033	\$ 18,775	\$ 153,774	\$ 449,582	\$ 29,564
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Net operating income (loss)	\$ 891,825	\$ (89,874)	\$ 48,929	\$ 850,879	\$ 148,132
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation expense	\$ 215,108	\$ 17,531	\$ -	\$ 232,639	\$ 848,032
Compensated Absences	54,523	50,463	-	104,986	-
Pension Expense	(43,882)	(67,942)	-	(111,824)	-
(Increase) decrease in Receivables	(298,006)	492	-	(297,514)	8,763
(Increase) decrease in Due from other Funds	-	(405,049)	(292)	(405,341)	226,457
(Increase) decrease in Due from other Governmental	27,635	7,922	-	35,557	-
(Increase) decrease in Prepayment for Services	(30,310)	(17,772)	-	(48,082)	(75,450)
Increase (decrease) in Non Current Liability	-	-	-	-	-
Increase (decrease) in Due to other Funds	(223,054)	(643)	1,068	(222,629)	5,732
Increase (decrease) in Inventory	-	-	-	-	83,313
Increase (decrease) in Payables	136,960	3,794	3,312	144,066	(19,955)
Increase (decrease) in Revenues Collected Advance	-	-	-	-	3,328
Increase (decrease) in Due to other Governments	(114)	-	-	(114)	598
Increase (decrease) in Due to other Governments	28,741	15,844	-	44,586	-
Total Adjustments	\$ (132,399)	\$ (395,359)	\$ 4,088	\$ (523,671)	\$ 1,080,817
Net cash provided by operating activities	\$ 759,425	\$ (485,234)	\$ 53,017	\$ 327,209	\$ 1,228,949

KITTITAS COUNTY, WASHINGTON
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Private Purpose Trust	External Investment Pool	Custodial
ASSETS			
Cash & Cash Equivalents	\$ 38,721	\$ -	\$ 16,356,373
Investment with Pool	7,503	73,983,762	-
Other Receivables	6	-	-
TOTAL ASSETS	46,231	73,983,762	16,356,373
LIABILITIES			
Accounts Payable and accrued expenses	34,012	-	3,564,500
Due To Other Governmental Units	-	-	12,791,873
TOTAL LIABILITIES	34,012	-	16,356,373
Fuduciary Net Position Restricted for Pool Participants	-	73,983,762	-
Fuduciary Net Position Restricted for Other Governments	\$ 12,219	\$ -	\$ -

KITTITAS COUNTY, WASHINGTON
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Private Purpose Trust	External Investment Pool	Custodial
Additions			
Investment Earnings	\$ 99	-	1,119,303
Total Investment Earnings			
Property Tax Collection for other governments	-	-	62,204,418
Sales Tax collected for other governments	-	-	-
Other Taxes and fees collected for other governments	-	-	10,602,171
Contributions by pool participants	-	50,601,104	-
School Apportionment collected for other governments	-	-	65,664,511
Bond Proceeds	-	-	23,186,959
Agency Deposits	159,526	-	24,583,989
Total Additions	<u>159,625</u>	<u>50,601,104</u>	<u>187,361,351</u>
Deductions			
Property Taxes distributed to other governments	-	-	62,204,418
Sales Taxes distributed to other governments	-	-	-
Other Taxes distributed to other governments	-	-	10,602,171
Deduction by pool participants	-	52,183,348	-
School Apportionment distributed to other governments	-	-	65,664,511
Bond proceeds distributed to other governments	-	-	23,186,959
Agency disbursements	154,817	-	25,703,292
Total Deductions	<u>154,817</u>	<u>52,183,348</u>	<u>187,361,351</u>
Net Increase (Decrease) in fiduciary net position	4,808	\$ (1,582,244)	-
Net Position--beginning	7,411	75,566,006	-
Net Position--ending	<u>\$ 12,219</u>	<u>\$ 73,983,762</u>	<u>\$ -</u>

KITTITAS COUNTY, WASHINGTON
Notes to the Basic Financial Statements
Dated as of and for the year Ended December 31, 2020

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 Fiduciary funds, which include Trust Accounts for Jerry Williams Library and Reecer Creek Water Rights; External Investment Pool; and Custodial funds which include Irrigation, Fire, Hospital, PUD, School, Sewer, Cemetery, Water, Weed, Parks & Recreation, Cities, and State 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 Fiduciary 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 recognized within 60 days of the end of the current fiscal period.

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

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

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 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 for General Fund and County Road.

E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. CASH AND EQUIVALENTS

It is Kittitas County's policy to invest all temporary cash surpluses. At December 31, 2020, the treasurer was holding \$46,329,614 in cash and pool investments. The amount is in short-term residual investments 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 County's cash and cash equivalents are considered to be cash on hand and demand deposits. The county pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested or necessary, in order to facilitate the management of cash. All securities are measured at fair value per the implementation of GASB 72.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2020 were approximately \$6.6 million.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. TEMPORARY INVESTMENTS

See Note 3 - Investments

3. RECEIVABLES

Taxes receivable consists of property taxes and related interest and penalties (See Note 4, Property Tax). Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2020, \$41,743 of special assessments receivable were delinquent. Taxes and Assessment receivables are offset by deferred inflow of resources.

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

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

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as 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

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 2020 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:

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

See Note 5 – Capital Assets discloses the detail of capital assets.

7. OTHER PROPERTY AND INVESTMENTS

See Note 3 - Deposits and Investments

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 Note 9 - Long-Term Debt and Leases

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, 2020:

	General Fund	Road Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	439,132	75,622	97,954	612,711
Petty Cash	16,300	1,050	3,630	20,980

Total Nonspendable	455,432	76,672	101,584	633,687
Restricted for:				
Law & Justice	6,629,292	-	-	6,629,292
Paths Trails	-	26,118	-	26,118
Special Revenue	-	6,582,857	12,907,616	19,490,473
Bond Funds	-	-	35,009	35,009
Other Capital Projects	-	-	4,138,686	4,138,686
Total Restricted	6,629,292	6,608,975	17,081,311	30,319,576
Committed to:				
Vehicle Replacement	835,912	-	-	835,912
Special Revenue	-	-	1,841,784	1,841,784
County Capital Improvements	723,067	-	-	723,067
Rodeo Grounds Capital Improvements	-	-	19,239	19,239
Total Committed	1,558,979	-	1,861,023	3,420,004
Assigned to:				
NY Budget	9,027,902	-	-	9,027,902
Event Center Rentals	43,759	-	-	43,759
Sheriff Surplus Proceeds	3,765	-	-	3,765
HR Wellness	59,861	-	-	59,861
Special Revenue	-	-	1,926,844	1,926,844
New Courthouse Capital Projects	-	-	2,070,726	2,070,726
Total Assigned	9,135,287	-	3,997,570	13,132,857
Unassigned	8,998,763	-	-6,566	8,992,197
Total Fund Balance	26,777,753	6,685,647	23,034,922	56,498,321

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, 2020 Total Fund Balance	\$ 56,498,321
Capital assets used in governmental activities are not financial resources and are not reported in the fund balance sheet	90,752,938
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,528,588
Accrued obligations not normally recorded in governmental funds; government's net pension and OPEB obligations as an employer	2,452,319
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund balance sheet	(21,405,461)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.	13,674,658
Net assets of governmental activities	\$ 144,501,363.11

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.

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

Net changes in fund balances for governmental funds		\$ 3,736,247
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	\$	6,668,099
Depreciation		(1,293,806)
Reduction and Adjustment Construction in Progress		(499,160)
Cost of Assets Sold		(4,624,626)
Donated Assets		32,000
Adjustments to Assets		2,066,843
Added Assets from Construction in Progress		549,284
		2,898,634
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	\$	(6,643,000)
Debt Refinance		6,510,000
Debt Retired		898,135
		765,135
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		
		(39,140)
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.		
		(1,211,877)
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.		
		130,025
OPEB Expense and Deferred Inflow		
		273,338
Pension Expense and Special funding		
		(816,105)
Change in Net Position of governmental activities		\$ 5,736,257

NOTE 3 - DEPOSITS AND INVESTMENTS

Kittitas County adheres to GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency rate risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rate risks.

As required by law, all deposits and investments of the County’s fund (except as noted below) are obligations of the U.S. Government, bankers’ acceptances or deposits with Washington State banks and savings and loan institutions. Investments of trust funds are not subject to the preceding limitations.

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 on December 31, 2020, was \$46,329,614 in cash residual. This amount includes \$10,158,703 of cash and \$36,170,912 pooled investments in the General Fund. The carrying amount of the County's deposits and investments on December 31, 2020, was \$146,808,491 in the LGIP and the bank balance was \$8,327,256 in various banks.

Custodial credit risk-Deposits The 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, 2020 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name.

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

B. INVESTMENTS

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

Cash is deposited and invested on behalf of the County and local districts per its debt and investment policies. These investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute, including U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP). Starting in 2016 the State Treasurer allowed counties the authority to purchase corporate notes and commercial paper.

The total fair market value of Kittitas County's investments was \$146,808,492 on December 31, 2020, 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 recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Investments that are not measured at fair value include state pools and money market accounts. As of December 31, 2020, Kittitas County had the following investments which are reported at amortized cost:

Investment	Kittitas County	WA LGIP	Total
State Investment Pool	\$ -	\$ 54,078,875.88	\$54,078,875.88
Total Amortized Cost	\$ -	\$ 54,078,875.88	\$54,078,875.88

Investments are subject to the following risks:

Interest Rate Risk-Investments: 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. Occasionally, a need to make changes to the portfolio is determined to exist, such as described below in Section E wherein several securities were sold and replaced with better options; this decision served to decrease interest rate risk and improve the convexity of the portfolio.

The adopted investment policy limits investment maturities to those shown in the following table based on security type, with the exception of preapproval by the County Treasurer. During 2020 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index. These maturity limits serve to limit the weighted average maturity of the investment portfolio to maturities that will fulfill the cash flow needs of Kittitas County and its junior taxing districts. The securities in the portfolio are managed to ensure enough cash is available to meet anticipated cash flow needs, based on historical information and expected bond payments. Any cash in excess of necessary liquidity needs is invested.

Investment Type	Maturity Limit
Any single security (unless matched to a specific cash flow requirement)	5 years
Commercial Paper	270 days

Maturity Report as of 12/31/2020		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	
Debt Securities					
WA State LGIP	\$ 54,078,875.88	\$ 54,078,875.88	\$ -	\$ -	
Corporate Notes	\$ 25,346,600.50	\$ 5,006,067.00	\$ 20,340,533.50	\$ -	
Federal Agency Coupon Securities	\$ 26,023,065.28	\$ 9,869,099.28	\$ 16,153,966.00	\$ -	
Treasury Coupon Securities	\$ 1,062,713.00	\$ -	\$ 1,062,713.00	\$ -	
Federal Agency Callables	\$ 5,000,022.50	\$ -	\$ 5,000,022.50	\$ -	
SUPRA National	\$ 1,084,078.00	\$ -	\$ 1,084,078.00	\$ -	
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 113,506.98	\$ -	\$ 113,506.98	\$ -	
Municipal Discounts	\$ 1,879,020.00	\$ -	\$ 1,879,020.00	\$ -	
Municipal Bonds	\$ 32,220,609.70	\$ 9,530,727.75	\$ 22,689,881.95	\$ -	
Total Debt Securities	\$ 146,808,491.84	\$ 78,484,769.91	\$ 68,323,721.93		
Grand Total Securities	\$ 146,808,491.84	\$ 78,484,769.91	\$ 68,323,721.93		

Credit Risk-Investments: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the County will do business. The credentials of these business partners are reviewed at least annually. Presented below is the minimum rating required by the state statute and the actual rating, as of December 31, 2020, for each type of investment in which the County participates

Credit Ratings as of 12/31/2020			
Investment Type	Fair Value	Required Min Rating	Year End Rating
WA State LGIP	\$ 54,078,875.88	NR	NR
Corporate Notes	\$ 25,346,600.50	AA+	A or better
Federal Agency Coupon Securities & Callables	\$ 31,023,087.78	AA+	AAA
Treasury Coupon Securities	\$ 1,062,713.00	AA+	AAA
SUPRA National	\$ 1,084,078.00	A-	AAA
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 113,506.98	NR	NR
Municipal Bonds	\$ 34,099,629.70	A-	AA-or better
TOTAL	\$ 146,808,491.84		

Concentration of Credit Risk-Investments: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The county has a formal policy for concentration of credit risk which requires diversification of the portfolio and limits the percentage of the total portfolio which may belong to federal and municipal bonds, repurchase agreements, bankers' acceptances, corporate notes, Supranationals, and registered warrants. The portfolio may consist of up to 100% in Treasury and Federal Agencies, Certificates of Deposit, Savings or Time accounts, and/or the Washington State Local Government Investment Pool (LGIP). The investment policy which was in effect as of December 31, 2020 sets forth maximum concentration guidelines whereby holdings of Treasury and Federal Agencies, Certificates of Deposit that meet state requirements, the Washington State Local Government Investment Pool, and Savings and Time Accounts may comprise up to 100% of the investment portfolio; repurchase agreements up to 40%, Bankers' Acceptances (A1 or P1) up to 15%; Bonds of any state of the United States or of any local Government in the United States up to 20%; Corporate notes up to 10%; Supranationals up to 5%; and Registered Warrants up to 5%.

Below is a list of investments held by the County as of December 31, 2020 and the type of investment. The County continues to work towards diversifying its portfolio and ensuring it best conforms to standard best practices as well as state and federal requirements.

Investment by Type - 12/31/2020	Market Value	Percentage	% allowed	Difference
WA State LGIP	\$ 54,078,875.88	37.35%	100%	62.6500%
Corporate Notes	\$ 25,346,600.50	17.04%	20%	2.9600%
Federal Agency Coupon Securities	\$ 26,023,065.28	17.67%	100%	82.3300%
Treasury Coupon Securities	\$ 1,062,713.00	0.70%	25%	24.3000%
Federal Agency Callables	\$ 5,000,022.50	3.45%	100%	96.5500%
SUPRA National	\$ 1,084,078.00	0.75%	100%	99.2500%
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 113,506.98	0.08%	OK	OK
Municipal Discounts	\$ 1,879,020.00	1.27%	20%	18.7300%
Municipal Bonds	\$ 32,220,609.70	21.69%	20%	-1.6900%
Total Debt Securities	\$ 146,808,491.84	100.00%		

Presented below are the two investments in any one issuer that represents 5% or more of securities in which the County participates, with a portfolio total of \$146,808,492

Issuer - 5% or more	Investment Type	Amount	Percentage
WA State LGIP	LGIP	\$ 54,078,875.88	37.35%

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)

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 October 1, 2018. There are currently over 40 special districts and over 60 special district funds participating in the county's investment pool, with only one investment fund not participating as of December 31, 2020. As of December 31, 2020, there was \$107,538,471.02 invested on behalf of the external districts, with the remainder of \$36,170,911.84 invested on behalf of the county.

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

The county external investment pool is not registered with the SEC and does not have a credit rating. It had a weighted average maturity of 518 days or 1.42 years as of December 31, 2020, an effective rate of return of 1.06% and an overall yield to market rate (at a 360-day equivalent) of 0.959%. 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 \$68,675 remaining in purchased accrued interest as of 12/31/2020.

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

There are no legally binding guarantees for the KCIP. Authorized investments for the KCIP are the same as investments held outside of the pool. These are defined in statute. 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 can take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the County's objectives of safety, liquidity, and yield. Most of the Agreements were signed in September 2018, and the County now considers that pooling officially began effective October 1, 2018 for those districts which had submitted a completed Agreement by that date. Other districts are added in the month following completion of an Agreement.

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

Treasurer as surplus cash.

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, 2020, Kittitas County had the following fair value measurements, based on monthly market prices obtained via the County's securities custodian, US Bank, as well as stated values for the LGIP account.

Investments by Fair Value Level as of December 31, 2020	Level 1-Quoted Prices in Active Markets for Identical Assets	Level 2-Significant Other Observable Inputs	Level 3-Significant Unobservable Inputs	Total
Corporate Notes	\$ 25,346,600.50	\$ -	\$ -	\$ 25,346,600.50
Federal Agency Coupon Securities	\$ 26,023,065.28	\$ -	\$ -	\$ 26,023,065.28
Treasury Coupon Securities	\$ 1,062,713.00	\$ -	\$ -	\$ 1,062,713.00
Federal Agency Callables	\$ 5,000,022.50	\$ -	\$ -	\$ 5,000,022.50
SUPRA National	\$ 1,084,078.00	\$ -	\$ -	\$ 1,084,078.00
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 113,506.98	\$ -	\$ -	\$ 113,506.98
Municipal Discounts	\$ 1,879,020.00	\$ -	\$ -	\$ 1,879,020.00
Municipal Bonds	\$ 32,220,609.70	\$ -	\$ -	\$ 32,220,609.70
	\$ 92,729,615.96			\$ 92,729,615.96

Investments by Fair Value Level as of December 31, 2020	Level 1-Quoted Prices in Active Markets for Identical Assets
WA LGIP	\$ 54,078,875.88
Total Investments in Statement of Net Position	\$ 146,808,491.84

C. GAINS AND LOSSES ON INVESTMENTS

There were no significant gains or losses on the investments in 2020.

D. INVESTMENTS BY FUNDS

Fund	Total Investments
County Road	6,170,327
Special Revenue-Non-Major	12,695,682
Debt Service	34,368
Capital Projects	5,430,958
Total Governmental Funds	24,331,334
Enterprise Funds	5,328,466
Internal Service Funds	3,887,406
Total Proprietary Funds	9,215,872
Private Purpose Trust	7,503
External Investment Pool	73,983,762
TOTAL	107,538,471

Balance Sheet – Governmental Funds		
	County Road	Other Governmental Funds
Assets		
Investments	6,170,327	18,161,007

Proprietary Funds Statement of Net Position		
	Enterprise	Internal Service
Assets		
Investments	\$5,328,466	\$3,887,406

Trust and Custodial Funds Combining Balance Sheet	
Assets	
Private Purpose Trust	7,503
External Investment Pool	\$73,983,762

The amount of funds investment in the External Investment Pool for reporting purposes is \$73,983,762, this amount is accounted in detailed in all the custodial accounts. The summary by fund category is listed below

Custodial Type	Amount
Irrigation	291,047
Fire	8,226,417
School	63,310,958
Utility	1,583,421
TV	73,035
Cemetery	97,219
Water	319,625
Weed	39,684
Clearing	42,356
Total	73,983,762

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 2019 for the 2020 tax County levied the following property taxes on an assessed value of \$8,515,038,763. The Road district property value assessed was \$6,132,189,532.

Fund	Levy	Amount
General fund	0.992632	\$8,541,774.20
Mental Health/Development Disabilities	.024987	215,017.56
Veterans Relief	.005229	44,996.47
Total General fund Levy	1.022848	\$8,801,788.23
Road Levy	.994732	\$6,099,885.16
County Road Diverted	.035876	219,998.43
Total Road Levy	1.030608	\$6,319,883.59
Flood Control Regular Levy	.093316	803,000.71
GRAND TOTAL	2.146772	\$15,924,672.53

NOTE 5 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is shown by asset type in the following table. The largest increase in the Governmental activities is in Construction in Progress in the amount of \$3,948,182 for the new construction of the Public Works Upper County Shop. In the Business Type Activities, the largest increase is in Construction in Progress in the amount of \$452,430 for the new Transfer Station.

GOVERNMENTAL ACTIVITIES (including Internal Service Funds)	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	7,178,201	-	-	-	7,178,201
Infrastructure - Gravel Roads*	3,962,916	740,840	-	1,124,831	5,828,588
Land - Easements & Right of Ways	5,594,649	329,829	138,956	945,455	6,730,977
Intangible Assets	2,004,345	179,095	287,204	-	1,896,236
Intangible Assets - Water Banks	-	-	-	-	-
Construction in Progress	3,404,436	5,972,107	576,791	(77,631)	8,722,122
Total	22,144,546	7,221,871	1,002,950	1,992,656	30,356,123
Assets Being Depreciated					
Buildings & Improvement	39,091,801	229,005	134,462	-	39,186,344
Improvements	2,620,486	315,993	-	-	2,936,479
Equipment	15,430,433	1,707,581	993,996	(22,160)	16,121,859
Infrastructure	166,169,006	1,807,311	3,356,358	-	164,619,960
Total	223,311,727	4,059,890	4,484,816	(22,160)	222,864,641
Grand Total	245,456,273	11,281,762	5,487,766	1,970,496	253,220,764
Less accumulated depreciation for:	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Buildings & Improvements	19,163,786	1,212,016	55,512	-	20,320,290
Improvements	1,876,610	87,545	-	-	1,964,155
Equipment & Machinery	9,556,440	1,302,790	604,957	22,160	10,232,113
Infrastructure	120,362,158	3,095,435	3,159,669	-	120,297,924
Total	150,958,994	5,697,786	3,820,138	22,160	152,814,483
Total Government Activities, net	94,497,279	5,583,975	1,667,628	1,992,656	100,406,282

BUSINESS TYPE ACTIVITIES	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	3,786,518	89,316	-	-	3,875,834
Intangible Assets	6,665,368	10,980	-	-	6,676,347
Construction in Progress	805,892	452,430	-	-	1,258,322
Total	11,257,778	552,725	-	-	11,810,503
Assets Being Depreciated					
Buildings & Improvement	1,389,478	-	-	-	1,389,478
Improvements	4,775,159	-	-	222,321	4,997,480
Equipment	1,881,579	25,561	19,021	-	1,888,119
Total	8,046,217	25,561	19,021	222,321	8,275,077
Grand Total	19,303,995	578,286	19,021	222,321	20,085,581
Less accumulated depreciation for:	Beginning Balance	Increase	Decrease		Ending Balance
Buildings & Improvements	966,532	36,473	-	-	1,003,005
Improvements	4,182,075	125,830	-	-	4,307,906
Equipment & Machinery	1,591,717	70,336	19,021	-	1,643,032
Total	6,740,325	232,639	19,021	-	6,953,942
Business Activities Capital Assets, net	12,563,670	345,647	-	222,321	13,131,638

B. ADJUSTMENTS

Prior year adjustments were made in the amount of \$1,992,656 in governmental activities, the biggest adjustments included several annexations for gravel roads. The \$222,321 in business type activities was for a prior year adjustment on the Solid Waste utilities on the Cle Elum Transfer station.

C. DEPRECIATION EXPENSE

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

Government Activities	
Function/Program	Amount
Government activities	\$718,978
Judicial Services	35,715
Public Safety	(120,929)
Physical Environment	3,245
Transportation	735,035
Health and Human Service	6,387
Culture and Recreation	477,057
Total	\$1,855,488

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	\$215,108
Community Development Services Public Safety	2,537
Community Development Services Economic Environment	(4,028)
Total	\$213,617

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(5,570,256)
Pension assets	\$1,725,191
Deferred outflows of resources	\$2,441,218
Deferred inflows of resources	\$(1,782,040)
Pension expense/expenditures	\$635,251

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in JBM, the contribution rate was 19.75%.

The county actual PERS plan contributions were \$874,572 to PERS Plan 1 and \$1,186,024 to PERS Plan 2/3 for the year ended December 31, 2020.

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 2020 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – August 2020		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%
September – December 2020		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%

The county actual plan contributions were \$141,903 to PSERS Plan 2 and \$94,383 to PERS Plan 1 for the year ended December 31, 2020.

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 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – December 2020		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The county actual contributions to the plan were \$165,379 for the year ended December 31, 2020.

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, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$93,090.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table.

Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA’s 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%

	100%	
--	-------------	--

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the county proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the county 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	\$5,038,480	\$4,022,556	\$3,136,566
PERS 2/3	9,630,205	1,547,700	(5,108,247)
PSERS 2	437,052	(40,147)	(417,825)
LEOFF 1	(135,890)	(166,952)	(193,825)
LEOFF 2	(30,054)	(1,518,100)	(2,736,513)

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, 2020, the county reported a total pension liability of \$5,570,256 and total pension assets of \$1,725,191 for its proportionate share of the net pension liabilities and assets as follows:

	Liability	Assets
PERS 1	\$4,022,556	-
PERS 2/3	1,547,700	-
PSERS 2		40,147
LEOFF 1		166,944
LEOFF 2		1,518,100
TOTAL	5,570,256	1,725,191

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	Total LEOFF Assets
Employer’s proportionate share	166,944	1,518,100	1,685,044
State’s proportionate share of the net pension asset associated with the employer	1,129,206	970,710	2,099,916
TOTAL	1,296,151	2,488,810	3,784,960

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.111655%	.113936%	(.002281%)
PERS 2/3	.118637%	.121014%	(.002377%)

PSERS 2	.363890%	.291763%	.072127%
LEOFF 1	.008650%	.008840%	(.000190%)
LEOFF 2	.079493%	.074422%	.005071%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the county recognized pension expense as follows:

	Pension Expense
PERS 1	\$295,565
PERS 2/3	205,749
PSERS 2	91,802
LEOFF 1	(11,946)
LEOFF 2	84,858
TOTAL	666,028

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, 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	\$ -	\$ (22,396)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 450,173	\$ -
TOTAL	\$ 450,173	\$ (22,396)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 554,054	\$ (193,964)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (78,601)
Changes of assumptions	\$ 22,044	\$ (1,057,213)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 209,601	\$ (15,187)
Contributions subsequent to the measurement date	\$ 610,166	\$ -
TOTAL	\$ 1,395,865	\$ (1,344,965)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,159	\$ (3,002)
Net difference between projected and actual investment earnings on pension plan investments	\$ 2,146	\$ -
Changes of assumptions	\$ 205	\$ (75,891)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,059	\$ (11,774)
Contributions subsequent to the measurement date	\$ 72,882	\$ -
TOTAL	\$ 135,452	\$ (90,667)

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	\$ -	\$ (1,746)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ -	\$ (1,746)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 210,054	\$ (26,925)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (16,920)
Changes of assumptions	\$ 2,199	\$ (235,069)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 157,270	\$ (43,351)
Contributions subsequent to the measurement date	\$ 90,205	\$ -
TOTAL	\$ 459,729	\$ (322,266)

GRAND TOTAL ALL PLANS	\$ 2,441,219	\$ (1,782,040)
------------------------------	---------------------	-----------------------

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, 2020.

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
2021	\$ (101,634)
2022	\$ (3,197)
2023	\$ 31,011
2024	\$ 51,423
2025	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2021	\$ (591,472)
2022	\$ (102,778)
2023	\$ 78,239
2024	\$ 160,128
2025	\$ (44,991)
Thereafter	\$ (58,391)

Year ended December 31:	PSERS 2
2021	\$ (12,526)
2022	\$ (4,300)
2023	\$ 2,634
2024	\$ 8,722
2025	\$ (3,658)
Thereafter	\$ (18,970)

Year ended December 31:	LEOFF 1
2021	\$ (6,234)
2022	\$ (325)
2023	\$ 1,772
2024	\$ 3,040
2025	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 2
2021	\$ (77,995)
2022	\$ (5,845)
2023	\$ 31,644
2024	\$ 59,969
2025	\$ (1,028)
Thereafter	\$ 40,513

*See Required Supplementary Information

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, 2020, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2020, Kittitas County selects a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the amount of the layer of coverage below. For 2019-20, the Pool’s SIR was \$2,000,000. The reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30 million (lowest reinsured layer), and \$50 million (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool’s 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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

The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the 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 2019-20, Kittitas County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. The Pool carries a \$100,000 per claim deductible, while each participating county is responsible for paying their selected deductible within the Pool’s deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

rated commercial insurer. The Pool carries a \$100,000 per claim SIR, while participating member counties do not have deductibles.

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 \$100,000, 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 2019-20, the WCRP's assets increased to \$61 million while its liabilities decreased to \$36.3 million. The Pool's net position was \$24.7 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, 2020 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 \$47,177 in unemployment charges in 2020. The County also contracts with TALX Corporation to assist with the claims handling, and in 2020, we paid \$2,829.

NOTE 8 – SHORT TERM DEBT

Kittitas County had no outstanding short-term debt as of December 31, 2020, and no short-term debt activities during 2020.

NOTE 9 - LONG-TERM DEBT

A. LONG TERM DEBT – GOVERNMENTAL TYPE

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

During 2010, the County issued bonds in the amount of \$11,185,000. The Bonds are being issued for the purpose of construction of repairs and expansion of the County Jail, acquisition of a building for court

facilities, remodel of a building on the County fairgrounds, refunding of an advanced basis the County's Limited Tax General Obligation Bonds, 2001, paying the costs of issuance of the Bonds, and other legal purposes of the County. The federal arbitrage regulations apply to the 2010 GO & Refund Bonds debt.

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

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation and Refunding Bonds, 2020	10 years June 2020-2030	1.910%	\$6,643,000	582,000

The bond debt service requirement to maturity is as follows:

Year Ending December 31	Principal	Interest
2021	556,000	115,765
2022	561,000	105,146
2023	581,000	94,430
2024	585,000	83,333
2025	604,000	72,160
2026	616,000	60,623
2027-2030	2,558,000	123,157
TOTAL	\$6,061,000	\$654,614

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	\$147,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2021	149,000	22,385
2022	152,000	19,584
2023	155,000	16,483
2024	158,000	12,934
2025	162,000	8,968

2026	167,000	4,643
TOTAL	\$943,000	\$84,997

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	\$81,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2021	83,000	38,877
2022	85,000	36,479
2023	88,000	33,810
2024	91,000	30,712
2025	94,000	27,199
2026-2027	201,000	42,506
2028-2032	560,000	49,419
TOTAL	\$1,202,000	\$259,002

B. LONG TERM LIABILITIES – BUSINESS TYPE

SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

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

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

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

Year Ending December 31	Principal	Interest
2021	75,000	750
2022	75,000	375
TOTAL	\$150,000	\$1,125

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 \$8,605,177,145 and the debt limits for the County as of December 31, 2020 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	\$107,707,205
General Purposes – with a vote of the people	215,129,429

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 \$4,997.96 for the year ended December 31, 2020. There will be no non-cancelable operating leases in 2020.

B. CAPITAL LEASES

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

The following table is a listing of the outstanding debt on the capital leases for 2020:

Asset	Governmental Activities
Postbase 45-UDC	5,044
Xerox Altalink C8045-UDC	7,853
Canon IR6565-Treasurer	167
Canon IR-ADV C5550i-Prosecutor	9,083
Election System-Auditor	30,909
Canon C5560i III-Auditor	10,515
Mail Machine-Centormail 140-Auditor	6,693
Xerox AltaLink C8055H2 (2), C8045H2 (1) Copiers-Sheriff	23,640
Sharp MX3070N (1), MXM465N (2) Copiers-Sheriff	8,931
Sharp MX465N Copier – Sheriff	2,304
Canon IR 6565III- Juvenile/Clerk/Sup Court	6,836
Canon IRC5540I- Event Center	4,085
Canon c5550A – Public Health	3,032
Canon IR-ADV C3530IV2-Assessor	4,928
Canon IR-ADV C5560IV2+4 scanners-LDC	8,537
Canon IRA C5560i II-Commissioners	10,725
Total	\$143,283

Asset	Business-Type Activities
Konica Minolta BH, C558-CDS	5,075
Total	\$5,075

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2020, are as follows:

Year Ending December 31	Governmental Activities
-------------------------	-------------------------

2021	82,253
2022	30,115
2023	22,084
2024	12,453
2025	2,472
Total Minimum Lease Payments	\$149,377
Less: Interest	(1,018)
Present Value of Minimum Lease Payments	\$148,358

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities: The Limited Tax General Obligation bond 2010 was refinanced in a new Limited Tax General Obligation bond 2020 in January 2020. There were five departments that upgraded their copiers which contributed to an increase in leases of \$80,593. The amount reported for Capital Leases on the following chart and on the General Ledger includes sales tax.

Compensated absences are recorded using the actual leave balances accumulated for each employee. The liability for the governmental funds for 2020 is \$3,992,770. 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 \$72,463 and the Business type was estimated at \$10,893 due within one year. Total vacation, sick leave and compensatory time pay-off recorded during 2020 for all Governmental Funds was \$58,101. At this time, the liability to the Proprietary Funds for unused vacation, sick leave and compensatory time is \$344,554.

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

	Beginning Balance 01/01/20	Additions	Adjustments	Reductions	Ending Balance 12/31/20	Due Within One Year
Governmental Activities						
Bonds Payable:						
Revenue/Assessment Bonds	\$8,883,000	6,643,000	(6,510,000)	\$810,000	\$8,206,000	\$788,000
Capital Leases	153,458	80,593	(2,632)	88,135	143,283	78,467
Compensated Absences	3,057,691	935,079	-	-	3,992,770	72,463
Other Post Employment Benefits-GASB 75	3,473,105	115,619	-	-	3,588,724	149,424
Pension Liabilities	5,391,466	83,218	-	-	5,474,684	-
Total	\$20,958,719	\$7,857,509	\$(6,512,632)	\$898,135	\$21,405,461	\$ 1,088,354
Business-Type Activities						
Capital Leases	7,843	-	-	2,768	5,075	2,768
Compensated Absences	239,568	104,986	-	-	344,554	\$10,893
Pension Liabilities	54,432	41,140	-	-	95,572	-
Long-Term Liabilities	225,001	-	-	75,000	150,001	75,000
Landfill Closure Cost	1,168,214	66,094	(307,398)	45,260	881,649	163,762
Total	\$ 1,695,059	\$212,220	\$(307,398)	\$123,028	\$ 1,476,851	\$252,422
GRAND TOTAL	\$22,653,778	\$8,069,728	\$(6,820,030)	\$1,021,163	\$22,882,313	\$1,340,776

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 2020 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, 2020

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 remanded back to the Superior Court for any penalties resulting from that courts determination.

3. Paula Hocter vs Kittitas County

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

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

4. Brooks Abel vs Grant Co, et al

King County Superior Court
Cause No.: 20-2-07874-35EA

This is a personal injury claim for damages against Grant County Public Utility District, Kittitas County and the State of Washington. It is a matter of an individual jumping off a boat into the water, causing harm to their spinal cord. The case is being handled by Risk Pool retained counsel.

5. Lambert v. Kittitas County, et al.

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

This is a Complaint for Declaratory and Injunctive relief regarding the medical debt of an individual incarcerated in the Kittitas County Corrections Center. Specifically, Plaintiff asks for his medical debt,

believed to approximately \$11,000, to be extinguished. This case is being handled by the Kittitas County Prosecutor's Office.

6. Stacy Hammond v. Kittitas County

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

**PENDING CLAIMS FOR DAMAGES AGAINST KITTITAS COUNTY
THROUGH DECEMBER 31, 2020**

1. Brooks Abel

Claim for damages filed February 18, 2020, alleging that the County was responsible for an individual diving off a boat and injuring his spinal cord. The claim for damages was seeking no less than \$25,000,000.00. Claim was referred to Risk Pool and was denied. He then filed a complaint with the Kittitas County Auditor's Office on July 6, 2020.

2. Monica Mersinger

Civil Service Commissioner fell and injured herself in the Board of County Commissioners auditorium on June 09, 2020. A claim for damages was filed. Referred to Risk Pool and the claim was paid for \$223.23 on 2/1/2021.

3. Event Center Vandalism

County property, at the event center was vandalized on 12/4/2020 (Frontier Village) and 12/17/2020 (North Ticket Office). Referred to Risk Pool and estimated damages total approximately \$115,789.68 for repairs. The County's financial responsibility is for its deductible of \$5000.

4. Puget Sound Energy

Claim for damages alleging Kittitas County Public Works employee hit a Padmount Transformer with a backhoe causing damage. The amount of damages alleged is \$7,151.69. Claim has been referred to Risk Pool. The County PW Department is in the process of working with PSE to correct the situation by adding snow polls as a protection for County PW drivers and PSE property and the costs of these revisions will go against the claim of PSE.

5. Shawn Headland

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

**NOTE 13 – CONSTRUCTION & OTHER SIGNIFICANT
COMMITMENTS**

Kittitas County has active construction projects as of December 31, 2020, which have arrangements for future projects. Those projects include:

Project	Start Date	End Date	Estimated amount of Project
Vantage Hwy at Coleman Creek Culvert Replacement	9/11/2020	6/30/2021	793,810
Upper County Public Works Shop	6/1/2020	5/31/2021	5,277,078
Transfer Station Siting Project	2016	2021	1,691,104
Pump Septage Pond	7/14/2020	2021	344,952
TOTAL			8,106,944

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

Project	Spent to date	Remaining Commitment
Vantage Hwy at Coleman Creek Culvert Replacement - Belsaas & Smith Construction	675,502	118,308
Upper County Public Works Shop - Blew's Construction, Inc.	3,212,815	2,064,263
SW-Ellensburg Transfer Station Siting Project	1,130,481	560,623
Pump Septage Pond	335,320	9,632
TOTAL		2,752,826

Of the committed balance, Kittitas County will not need to raise the \$2,182,571 for future financing.

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, 2020 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		
General Fund	-	17,625	405,070	-	-	\$13,116	\$435,811	
County Road	31,282	-	-	-	191,778	-	\$223,060	
Solid Waste	6,536	-	1,154	-	-	-	\$7,689	
Community Development Services	10,253	-	-	-	-	-	\$10,253	
Water Mitigation	-	-	-	-	-	1,068	\$1,068	
Equipment Rental & Revolving	5,377	15,756	-	-	-	-	\$21,133	
All Others	135,669	5,963	-	292	327	5,000	\$147,251	
Total	\$189,117	\$39,344	\$406,224	\$292	\$192,104	\$19,184	\$846,265	

B. INTERFUND TRANSFERS

Interfund transfers during 2020 included contributions between funds. The balances were as follows:

Transfer From

Transfer To		General Fund	Road	Non Major Government	TOTAL
	General Fund	-	-	-	\$-
	Community Development Services	405,070	-	-	\$405,070
	Water Mitigation	-	-	-	\$-
	ER&R	-	71,009	-	\$71,009
	Dental Self Insurance Program	1,820	-	-	\$1,820
	Non-Major Governmental	491,442	-	699,828	\$1,191,270
	TOTAL	\$898,332	\$71,009	\$699,828	\$1,669,169

NOTE 15 – RECEIVABLE AND PAYABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2020 were as follows:

	Type								
	Accounts	Court	Employee	Interest	Unbilled	Assessments	Rent	Taxes	Total
General	\$127,745	\$1,731,683	\$1,009	\$32,271	\$8,241	\$25,379	\$24,309	\$195,986	\$2,146,622
Non Major Governmental	9,057	148,945	-	23,264	-	17,504	-	24,642	223,411
Road	34,939	-	-	5,238	-	-	-	162,789	202,966
Solid Waste	653,117	-	-	2,735	-	-	-	-	655,852
Community Development Services	-	-	-	1,372	-	-	-	-	1,372
Water Mitigation	-	-	-	447	-	-	-	-	447
Equipment Rental & Revolving	-	-	-	3,211	-	-	-	-	3,211
Dental Self Insurance Program	(103)	-	-	-	-	-	-	-	(103)
Unemployment				134					134
Total	\$824,755	\$1,880,628	\$1,009	\$68,670	\$8,241	\$42,882	\$24,309	\$383,416	\$3,233,910

B. PAYABLES

Payables at December 31, 2020 were as follows:

	Type					
	Vouchers	Salaries	Retainage	Due to Other Governmental	Deposits	Total
General	\$470,256	\$21,830	\$3,605	\$13,238	\$21,240	\$530,169
Non Major Governmental	1,047,705	28,533	-	64,050	116,975	1,257,264
Road	157,446	357,194	-	79	7,896	522,615
Solid Waste	375,490	20,845	11,917	101	-	408,353
Community Development Services	28,465	2,004	-	-	-	30,469
Water Mitigation	3,312	-	-	-	-	3,312

Equipment Rental & Revolving	645,226	42,172	-	4,925	-	692,323
Unemployment	5,559	-	-	-	-	5,559
Total	\$2,733,459	\$472,579	\$15,522	\$82,393	\$146,111	\$3,450,065

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 2020 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	\$60,530	\$60,530
Tour Fees	30	30
Other	11,014	15,425
Total Revenues	71,574	75,985
City of Ellensburg Support	\$121,175	\$103,969

B. Snoqualmie Pass Utility District

The E. R. & R. Fund and the Snoqualmie Pass Utility District constructed a joint shop at Hyak in 2014. Both parties own ½ of the building and have joint responsibility for the small common entrance area. An Interlocal Agreement has been drafted to materialize the relationship between the Public Works ER&R fund and Snoqualmie PUD. Snoqualmie PUD handles shared expenses including insurance and utilities, billing the Public Works ER&R fund annually. The ER&R Fund collects quarterly payments for a reserve fund to cover Roofing (45 year warranty), Siding (20 year warranty), Driveway & Parking Lot Maintenance, Mechanical and Heating Unit, and Garage doors with openers. At the end of 2020 the fund total held by Public Works ER&R for the Hyak joint shop reserve was \$57,196.

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 2020:

Aggregate OPEB Amounts-LEOFF 1	
OPEB liabilities	\$3,588,724
OPEB assets	-
Deferred outflows of resources	74,714
Deferred inflows of resources	-
OPEB expenses/expenditures	\$273,338

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 Medicare Plan B and payments of Medical claims approved by the Kittitas County Disability Board as authorized by RCW 41.26.110.

At December 31, 2020, 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 2020, expenditures of \$57,601 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 increased on 1/1/2020 from \$416.00 to \$434.50 per retiree. Premium renewal adjustments are usually known October or November 2020 and are factored into the 2021 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. The total utilizes the measurement date of 6/30/20. We have utilized this tool here.

Amounts determined are developed from the 2007-2012 Demographic Experience Study and 2017 Economic Experience Study performed by OSA. OSA will complete a new economic and demographic experience study in the fall of 2019 and 2020.

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	\$3,244,777	\$3,588,724	\$3,982,666

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	\$4,014,503	\$3,588,724	\$3,226,351

The source of assumptions is as follows:

Discount Rate	
Beginning of Measurement Year	3.50%
End of Measurement Year	2.21%
Healthcare Trend Rates	
Medical Costs	Initial rate is 6%, trends down to about 5% in the 2020's
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year

Mortality Rates (assume 100% male population)	
Base Mortality Table	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 01/01/2020	\$3,473,105
Interest	118,822
*changes of assumptions	154,516
Benefit payments	(157,719)
Total OPEB Liability at 12/31/2020	\$3,588,724

At December 31, 2020, 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	\$74,714	\$0
TOTAL	\$74,714	\$0

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 continues to accept construction demolition at its limited purpose landfill. The limited purpose landfill is expected to be operational until 2024 after which time it will be monitored for 20 years. State and federal laws and regulations including WAC 1273.350 required Kittitas County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. GASB 18 establishes the standards for accounting and financial reporting for municipal solid waste landfill closure and post-closure costs.

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

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

A. RYEGRASS LANDFILL POST CLOSURE

In 2019, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be \$106,765. The 2020 actual costs for post-closure care was \$45,260 leaving a liability of \$61,505. As required by federal, state, and local regulations, cash in the amount of \$881,962 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2020 was \$60,762 (39,201 tons of garbage at \$1.55 per ton), which will be placed into the reserve in 2021. A plan update was completed in 2012 for regulating compliance with Department of Ecology for monitoring. A plan for cost and air space analysis is to be updated in 2021.

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	(59,839)	2019	748,389
12/31/19	106,765	(45,260)	2020	881,962
12/31/20	61,505			

B. LIMITED LANDFILL POST CLOSURE

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. Based upon the report from RW Beck, the estimated closure costs are \$908,847. The closure is estimated to be 2024 with post-closure activities to occur through 2044. The total cost of completing post-closure for the 20 year period is \$242,760 (2004 dollars). The total landfill capacity is 698,157 cubic yards. The total amount of capacity used through December 31, 2020 is 497,209 cubic yards. A new site life analysis will be completed in 2021 for the remaining life.

The recorded liability for December 31, 2020 is calculated as follows:

Total Closure Cost	\$1,151,607.00	(\$908,847 + 242,760 post-closure)
x	<u>497,209.00</u>	Cumulative capacity used thru 12-31-20
	572,589,364,863.00	
÷	<u>698,157.00</u>	Total landfill capacity
	820,144.13	Estimated liability for post-closure
-	1,061,448.91	2009 thru 2018 Total recorded liability
-	<u>(307,398.43)</u>	2019 Est liability recorded 1/2/2020 as prior period adjustment
	\$ 66,093.65	2020 Total liability

As required by federal, state, and local regulations, cash in the amount of \$405,529 has been restricted for post-closure care. The tip fee of \$2.44 per ton for the post-closure cash reserve for 2019 was \$15,903, which will be placed into the reserve in 2021.

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. COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. In May 2020, the Governor announced a county-based phased reopening plan that allows for flexibility and local control to address COVID-19 activity. The secretary of the state's Department of Health reviews and approves county applications to move to a new phase. The secretary may approve a county to move entirely to a new phase or may approve only partial or modified reopening. Kittitas County has been monitoring their fiscal health regarding the loss of any revenue due to any economic outcome. With the help of the CARES federal funding we are going to be stable through 2020.

2. IMPLEMENTATION OF GASB STATEMENT 84 - FIDUCIARY ACTIVITIES

The implementation date for GASB Statement 84 – Fiduciary activities was for reporting periods beginning after December 15, 2018. The Governmental Accounting Standards Board proposed April 15 to postpone the effective dates of provision in almost all Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later.

Kittitas County implemented GASB Statement 84 – Fiduciary activities in 2020. An evaluation of the County's fiduciary activities was performed relating to the implementation and the Governmental and Enterprise funds were not affected, except the General Fund. Kittitas County maintains two clearing funds for Payroll and Claims (Accounts Payable). The assets and liabilities were added to the General Fund for

reporting purposes.

	From		To
	Payroll Fund	Claims Fund	General Fund
ASSETS			
Cash	717,195	470,895	1,186,326
Receivables	535,100	-	535,100
LIABILITIES			
Due to other Governments	1,252,295	470,895	1,723,190

3. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY

Kittitas County’s budget policy is to show in the actual budget any asset that is over \$5,000. The Washington State Auditor requires all government entities to use the Budgeting, Accounting and Reporting System (BARS). Because of this requirement there are several items that are 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	\$1,174,617
-------------------------------	-------------

4. NEGATIVE FUND BALANCE

Misdemeanant Probation has a negative fund balance in the amount of \$6,566. After review of this funds revenues and expenses it was determined that this fund was not self-supporting. After recommendations from the District Court Judges to the Board of County Commissioners, during the 2021 budget process this fund was closed and moved into the General Fund.

5. ADJUSTMENTS GOVERNMENTAL FUNDS

The governmental activities had adjustment of \$2,838,770 is made up of a prior year and current year adjustment as follows:

- Adjustments of \$250,000 in the Equipment Rental and Revolving fund for the future purchase of equipment. Contributed Capital reduced the current net position by \$2,403,418.
- In Elections Security Fund there is an adjustment to fund balance in the amount or (\$882); in EIS Trust there is an adjustment to fund balance in the amount of \$452; and in Public Health Fund increased by \$1,068 due to prior year revenue, for a total adjustment of \$638.
- In County Road Capitalized Assets prior year adjustment in the amount of \$1,992,656 due to roads being annexed in and out of the County
- Capital Assets for prior year adjustment in the amount of (\$22,160), was for Event Center in the amount of (\$5,000) and (\$17,160) was for Facilities Maintenance. Both assets should have been removed in 2019.
- In various governmental funds in the amount of (116,952) and \$69,038 in Internal Service funds for prior year adjustment for insurance premiums (see #6 below).

6. ADJUSTMENTS – PROPRIETARY FUNDS

The Net Position account was adjusted in the Proprietary funds – Business Type in the amount of \$222,321 for Solid Waste Capital Assets from a prior period. There was a prior year premium in the amount of \$44,586

Internal Service funds in the amount of \$250,000 for a future capital purchase and the prior year premium for insurance in the amount \$69,038.

In 2020, \$2,403,418 was moved from net position to Contributed Capital.

7. PREPAID INSURANCE – PRIOR PERIOD ADJUSTMENT

Kittitas County’s general liability, property, and cyber security insurance policies coverage is from October through September. In 2020, the County applied the portion of premium that would have applied to 2021 and reported this premium as a prepaid item, and the premium portion paid in 2020, for 2019 was reported as a prior period adjustment. These adjustments affected most funds.

Fund	Description	Amount
Governmental Funds		
General Fund	PRIOR YEAR - INSURANCE PREPAY	(250,134)
County Road	PRIOR YEAR - INSURANCE PREPAY	60,357
Other Governmental Funds		
Airport	PRIOR YEAR - INSURANCE PREPAY	2,559
Community Services	PRIOR YEAR - INSURANCE PREPAY	2,316
Flood Control	PRIOR YEAR - INSURANCE PREPAY	14,776
Public Facilities	PRIOR YEAR - INSURANCE PREPAY	38
Recreation	PRIOR YEAR - INSURANCE PREPAY	126
Public Health	PRIOR YEAR - INSURANCE PREPAY	19,601
3-10s Sales Tax	PRIOR YEAR - INSURANCE PREPAY	14,378
Noxious Weed	PRIOR YEAR - INSURANCE PREPAY	11,915
Misdemeanant Probation	PRIOR YEAR - INSURANCE PREPAY	7,118
Total Other Governmental Funds		72,826
Total Governmental Funds		(116,952)
Enterprise Funds		
Solid Waste	PRIOR YEAR - INSURANCE PREPAY	28,741
Community Development Services	PRIOR YEAR - INSURANCE PREPAY	15,844
Total Enterprise Funds		44,585
Internal Service Funds		
Equipment Rental Revolving	PRIOR YEAR - INSURANCE PREPAY	69,038

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 construction has started on the building.

2. SOLID WASTE PROJECTS

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, 2020**

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 14,609,000	\$ 14,681,918	\$ 17,833,831	\$ 3,151,913
Licenses & Permits	258,300	269,504	282,624	13,120
Intergovernmental	3,638,610	7,741,102	6,877,436	(863,666)
Charges for Services	4,129,209	4,318,429	4,023,337	(295,092)
Fines & Forfeits	1,635,115	1,635,115	1,336,754	(298,361)
Miscellaneous	2,477,985	2,479,428	1,773,313	(706,115)
Total Revenues	<u>26,748,219</u>	<u>31,125,496</u>	<u>32,127,297</u>	<u>1,001,801</u>
Expenditures				
General Governmental	10,899,411	12,069,393	9,841,699	2,227,694
Judicial	2,771,479	2,812,870	2,592,889	219,981
Security of Persons and Property	11,283,505	11,763,441	10,333,028	1,430,413
Physical Environment	131,043	131,715	101,712	30,003
Transportation	-	4,555	4,554	1
Economic Environment	50,100	2,261,695	2,268,822	(7,127)
Mental & Physical Health	617,621	1,190,954	1,135,594	55,360
Culture & Recreation	2,471,006	2,418,091	1,419,169	998,922
Debt Service	98,626	103,141	88,030	15,111
Capital Outlay	1,030,107	1,602,993	1,730,166	(127,173)
Total Expenditures	<u>29,352,898</u>	<u>34,358,848</u>	<u>29,515,664</u>	<u>4,843,184</u>
Excess (Deficit) Revenues over Expenditures	(2,604,679)	(3,233,352)	2,611,633	5,844,985
Other Financing Sources (Uses)				
Restitution	700	700	797	97
Other Loan/Bond Proceeds	-	-	-	-
Sale of Fixed Assets	5,000	5,000	4,631	(369)
Transfers In	150,000	150,000	-	(150,000)
Transfers Out	(1,004,667)	(1,141,807)	(898,332)	243,475
Total Other Financing Sources (Uses)	<u>(848,967)</u>	<u>(986,107)</u>	<u>(892,904)</u>	<u>93,203</u>
Net Change in Fund Balance	(3,453,646)	(4,219,459)	1,718,729	5,938,188
Fund Balance, January 1	15,640,948	16,406,761	25,059,024	8,652,263
Fund Balance, December 31	<u>\$ 12,187,302</u>	<u>\$ 12,187,302</u>	<u>\$ 26,777,753</u>	<u>\$ 14,590,451</u>

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual For the Year Ended December 31, 2020

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 6,119,518	\$ 6,119,518	\$ 6,148,991	\$ 29,473
Licenses & Permits	120,665	120,665	169,123	48,458
Intergovernmental	4,705,478	4,751,724	4,556,660	(195,064)
Charges for Services	158,765	158,765	561,572	402,807
Miscellaneous	185,725	185,725	135,985	(49,740)
Total Revenues	<u>11,290,151</u>	<u>11,336,397</u>	<u>11,572,330</u>	<u>235,933</u>
Expenditures				
General Governmental	21,089	21,089	361,721	(340,632)
Transportation	9,220,032	9,266,278	7,227,288	2,038,990
Capital Outlay	5,757,012	5,757,012	4,737,074	1,019,938
Total Expenditures	<u>14,998,133</u>	<u>15,044,379</u>	<u>12,326,083</u>	<u>2,718,296</u>
Excess (Deficit) Revenues over Expenditures	(3,707,982)	(3,707,982)	(753,753)	2,954,229
Other Financing Sources (Uses)				
Sale of Fixed Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	(71,009)	(71,009)
Total Other Financing Sources (Uses)	-	-	(71,009)	(71,009)
Net Change in Fund Balance	(3,707,982)	(3,707,982)	(824,762)	2,883,220
Fund Balance, January 1	5,899,000	5,899,000	7,510,409	1,611,409
Fund Balance, December 31	<u>\$ 2,191,018</u>	<u>\$ 2,191,018</u>	<u>\$ 6,685,647</u>	<u>\$ 4,494,629</u>

Kittitas County, Washington
Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2020

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 2020.

KITTITAS COUNTY

Required Supplementary Information

2020 Annual Report

Information about Infrastructure Assets Reported Using the Modified Approach

Asset Management System

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

Required Documentation

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

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

Condition Assessment Methods

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

Gravel Roads in Kittitas County

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

Budgeted and Estimated Costs to Maintain Infrastructure

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

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

Condition Level Description

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

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

Established Condition Level

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

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

Detailed documentation of disclosed assessment levels is kept on file.

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

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

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

*Corrected value from previous report

Table E
Condition Rating of
Primitive Gravel Roads in Kittitas County

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

*Corrected value from previous report

**Attachment A
Gravel Road Condition Rating Form**

**Kittitas County
Department of Public Works 3/22/2022
Gravel Road Rating Worksheet**

Road Name: _____ Road No. _____

From: _____ to _____

ADT _____ FFC _____ Posted Speed Limit _____ Scorer _____

Check the following:

CROWN

DRAINAGE

GRAVEL LAYER

SURFACE DEFORMATION

SURFACE DEFECTS

ROUTES :

US Mail Route ?

School Bus Route?

CONNECTOR

MAINTENANCE COSTS

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

TOTAL PROJECT RATING _____ DATE _____

Kittitas County
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended June 30
Last 10 Fiscal Years*

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

Notes to Schedule:

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

KITTITAS COUNTY, WASHINGTON
Required Supplemental Information
Notes to Pension – OPEB Retired LEOFF 1 Employees
As of June 30

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

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	2019	2020
PERS 1						
Total Net Pension Liability (Asset)	\$ 5,230,930,000	5,370,471,000	4,745,078,000	4,466,034,000	3,845,355,000	3,530,540,000
Employer's proportion of the net pension liability (asset)	0.110864%	0.106396%	0.112327%	0.111934%	0.111655%	0.113936%
Employer's proportionate share of the net pension liability	\$ 5,799,218	5,713,966	5,330,004	4,999,010	4,293,531	4,022,556
TOTAL	\$ 5,799,218	5,713,966	5,330,004	4,999,010	4,293,531	4,022,556
Employer's covered employee payroll	\$ 12,275,361	12,751,139	13,743,477	14,220,577	15,107,518	16,629,062
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	211.67%	223.16%	257.85%	284.47%	351.87%	413.40%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	67.12%
PERS 2 & 3						
Total Net Pension Liability (Asset)	\$ 3,573,057,000	5,034,921,000	3,474,522,000	1,707,411,000	971,340,000	1,278,943,000
Employer's proportion of the net pension liability (asset)	0.118491%	0.111397%	0.118686%	0.118055%	0.118637%	0.121014%
Employer's proportionate share of the net pension liability	\$ 4,233,751	5,608,751	4,123,771	2,015,684	1,152,369	1,547,700
TOTAL	\$ 4,233,751	5,608,751	4,123,771	2,015,684	1,152,369	1,547,700
Employer's covered employee payroll	\$ 10,519,395	10,975,818	11,826,723	12,244,306	12,970,955	14,308,629
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	248.47%	195.69%	286.79%	607.45%	1125.59%	924.51%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.77%
PSERS 2						
Total Net Pension Liability (Asset)	\$ 18,252,000	42,498,000	19,593,000	1,239,000	(13,004,000)	(13,760,000)
Employer's proportion of the net pension liability (asset)	0.424215%	0.362730%	0.401565%	0.390713%	0.363890%	0.291763%
Employer's proportionate share of the net pension liability	\$ 77,428	154,153	78,679	4,841	(47,320)	(40,147)
TOTAL	\$ 77,428	154,153	78,679	4,841	(47,320)	(40,147)
Employer's covered employee payroll	\$ 1,242,054	1,288,743	1,441,466	1,547,780	1,686,004	1,822,418
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1604.14%	836.02%	1832.09%	31972.33%	-3562.98%	-4539.36%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	90.41%	96.26%	99.79%	101.85%	101.85%
LEOFF 1						
Total Net Pension Liability (Asset)	\$ (1,205,221,000)	(1,030,286,000)	(1,517,220,000)	(1,815,502,000)	(1,976,611,000)	(1,888,509,000)
Employer's proportion of the net pension liability (asset)	0.009538%	0.009641%	0.009522%	0.008598%	0.086500%	0.008840%
Employer's proportionate share of the net pension liability	\$ (114,954)	(99,330)	(144,925)	(156,097)	(170,977)	(166,944)
TOTAL	\$ (114,954)	(99,330)	(144,925)	(156,097)	(170,977)	(166,944)
Employer's covered employee payroll	\$ 0	0	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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%	148.78%
LEOFF 2						
Total Net Pension Liability (Asset)	\$ (1,027,800,000)	(581,630,000)	(1,387,676,000)	(2,030,218,000)	(2,316,693,000)	(2,039,854,000)
Employer's proportion of the net pension liability (asset)	0.0099703%	0.078567%	0.078824%	0.083794%	0.79493%	0.074422%
Employer's proportionate share of the net pension liability	\$ (1,024,747)	(456,969)	(1,093,822)	(1,701,201)	(1,841,609)	(1,518,100)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (58,166)	(297,911)	(709,542)	(1,101,495)	(1,206,007)	(970,710)
TOTAL	\$ (1,082,913)	(754,880)	(1,803,364)	(2,802,696)	(3,047,616)	(2,488,810)
Employer's covered employee payroll	\$ 2,894,005	2,364,248	2,487,299	2,687,908	2,742,218	2,848,298
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-267.24%	-313.20%	-137.93%	-95.90%	-89.98%	-114.44%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%	119.43%

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, 2020

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		
AGRICULTURAL MARKETING SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Agriculture)	Specialty Crop Block Grant Program - Farm Bill	10.170	K2871	44,997	-	44,997	-	
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249-10	14,601	-	14,601	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249-17	5,085	-	5,085	-	
Forest Service Schools and Roads Cluster				19,686	-	19,686	-	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665	FORMULA GRANT	-	258,154	258,154	-	7
Total Forest Service Schools and Roads Cluster:				-	258,154	258,154	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	19-62210-008	35,756	-	35,756	34,006	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	20-62210-008	31,380	-	31,380	29,630	

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	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	COVID 19-62210- 008	61,721	-	61,221	
			Total CFDA 14.228:	128,857	-	124,857	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	20-31101-513	16,984	-	-	7
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	21-31101-517	15,332	-	15,332	
			Total CFDA 16.575:	32,316	-	32,316	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Central Washington Comprehensive Mental Health)	Violence Against Women Formula Grants	16.588	2020STOPGRAN TSUBAWARD	18,537	-	-	7
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF (via Washington State Patrol)	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	K14497	2,073	-	-	7
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-015- 2020	-	223,388	223,388	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-013- 2018	-	8,470	8,470	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-016- 2020	-	69,000	69,000	
			Total CFDA 20.106:	-	300,858	300,858	

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	
Highway Planning and Construction Cluster				Total	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(564) LA-9949	98	-	98	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	HSIP-19CN (003) LA-9796	77,129	-	77,129	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	BHS-J191(004) LA-9550	5,113	-	5,113	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-HIPR- M191(003) LS- 9895	306,276	-	306,276	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-19AA(001) LA 9468	2,533	-	2,533	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPUS- 690Q(008) LA 9461	35,168	-	35,168	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-19CS(001) LA 9463	(4,045)	-	(4,045)	9
Total CFDA 20.205:				422,272	-	422,272	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Lands Access Program	20.224	DTFH7017E3001 1	-	84,660	84,660	7
Total Highway Planning and Construction Cluster:				422,272	84,660	506,932	-

Federal Agency (Pass-Through Agency)	Expenditures					Note	
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards		Passed through to Subrecipients
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	CLH18249-17	10,125	-	10,125	-
			Total CFDA 93.069:	46,001	-	46,001	-
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18249-17	1,380	-	1,380	-
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18249.9	1,328	-	1,328	7
			Total CFDA 93.268:	2,708	-	2,708	-
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	COVID 19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	CLH18249-13	78,522	-	78,522	-
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	State Physical Activity and Nutrition (SPAN)	93.439	CLH18249-10	37,150	-	37,150	7
			Total CFDA 93.439:	47,315	-	47,315	-

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	
				Total			
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80579	23,000	-	-	7
Medicaid Cluster							
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Medical Assistance Program	93.778	K2747	4,750	-	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Medical Assistance Program	93.778	K3069	13,656	-	-	7
			Total Medicaid Cluster:	18,406	-	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3924	48,534	-	13,286	7
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249-10	29,283	-	-	7
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249-17	9,983	-	-	

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	
				Total CFDA 93,994:	Total	Total	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks)	Boating Safety Financial Assistance	97.012	MLE1122	9,376	-	-	7
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	NA	171,375	-	-	10
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Emergency Management Performance Grants	97.042	E20-156	18,001	-	-	7
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045	EMS2019CA0002 5S01	-	75,660	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045	EMS-2018-CA-00020-S01	-	2,711	-	
			Total CFDA 97,045:	-	78,371	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Homeland Security Grant Program	97.067	E20-168	3,601	-	-	7
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Homeland Security Grant Program	97.067	E19-111	31,135	-	-	7
			Total CFDA 97,045:	78,371	78,371	-	

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	
				Total			
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Homeland Security Grant Program	97.067	E19-111	4,018	-	4,018	7,9
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military)	Homeland Security Grant Program	97.067	E18-180	45,411	-	45,411	7,9
Total CFDA 97.067:				84,165	-	84,165	
Total Federal Awards Expended:				5,967,163	722,043	6,689,206	
						1,083,464	

KITTITAS COUNTY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

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

Note 3 – Not Available (N/A)

The county was unable to obtain other identification number.

Note 4 – Vaccine for Children's Programs

Vaccine supplied by Federal Government for vaccine for children program

Note 5 – Vaccine for 317 Programs

Vaccine supplied by Federal Government for vaccine for 317 programs.

Note 6 – Indirect Cost Rate

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

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

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

Note 7 – Project has been completed or expired

Project has been completed or expired.

Note 8 – In-Lieu of Taxes/Unrestricted Funds

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

Note 9 – Prior Year

Revenues over or under reported.

Note 10 – Donation

Donated Person Protective Equipment (PPE) during the emergency period of COVID-19 pandemic.

Jerald V. Pettit
Kittitas County Auditor
 205 West 5th – Suite 105
 Ellensburg, WA 98926
 509-962-7504 Fax 509-962-7687



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

Kittitas County
January 1, 2020 through December 31, 2020

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: 2020-001</p>	<p>Finding caption: The County’s internal controls over preparing financial statements were inadequate for ensuring accurate and timely reporting.</p>
<p>Name, address, and telephone of County contact person: Jerry Pettit Kittitas County Auditor 205 W. 5th Avenue, Suite 105 Ellensburg WA 98926 509-962-7557</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>In August 2021, the finance department of the auditor’s office lost one of the key employees who was the reviewer of the annual financial report, this employee had over ten years of experience. On December 31, 2021, the finance department of auditor’s office had an additional two key employees retire with the combined experience of 58 years. Although, we have hired new competent staff, the learning curve is going to be steep. Kittitas County’s goal is to have the 2021 annual financial report reviewed and submitted on time.</i> <i>The auditor’s office will review the county’s financial system and create tracking measures for the fiduciary reporting. The auditors will work with the treasurer’s office to ensure the cash balances in all systems.</i></p>	

Anticipated date to complete the corrective action: *May 2022 for 2021 Financial report*

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov