Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Kittitas County

Audit Period
January 1, 2008 through December 31, 2008

Report No. 1002719

Issue Date
December 28, 2009

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

December 28, 2009

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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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January 1, 2008 through December 31, 2008

Federal Summary

Kittitas County
January 1, 2008 through December 31, 2008

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

- **Significant Deficiencies:** We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

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

We issued an unqualified opinion on the County's compliance with requirements applicable to its major federal programs.

We reported no findings that are required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
10.665	Schools and Roads Cluster – Schools and Roads Grants to States
20.205	Highway Planning and Construction Cluster

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

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

Schedule of Audit Findings and Responses

Kittitas County
January 1, 2008 through December 31, 2008

1. The County needs to improve its internal controls over financial statement preparation.

Background

County management, the state Legislature, state and federal agencies and bondholders rely on the information included in financial statements and reports to make decisions. County management is responsible to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. We identified significant deficiencies in controls that adversely affect the County's ability to produce reliable financial statements.

We issued a similar finding to the County during the previous audit of its 2007 financial statements. The County made improvements over internal controls and continues to improve and correct many of the issues that occurred in the past.

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

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency.

- The County's review process was not thorough enough to ensure the statements, notes and schedules were accurate.
- Staff responsible for the preparation of certain sections of the statements did not follow accounting standards related to reporting landfill liabilities.

Cause of Condition

The County has not adequately designed the review process for its financial statements to ensure financial reporting is accurate, complete and meet applicable accounting standards.

Effect of Condition

The County's financial information contained errors that were not detected by County management. These errors were subsequently corrected by the County:

- Capital assets for the Solid Waste Fund were reported twice, overstating total capital assets by $3,538,937.
- The County failed to record a liability estimating the cost associated with the closure of its landfill. This liability is approximately $662,080.
- The County adjusted current year depreciation expense incorrectly, resulting in an understatement of $761,806 in the current year amount.

Recommendation

We recommend the County:

- Establish and follow internal control procedures that include a thorough review of the financial statements after final preparation to ensure accurate presentation of the financial statements and related schedules.
- Strengthen internal controls over the application of accounting standards and seek additional help when applying standards to complex or unusual transactions.

County's Response

The following discussion provides information regarding the decision process under which the statements were prepared. Decisions made during the preparation process specific to these issues show that internal controls are in place which takes into account options available to the County for financial statement presentation.

Governmental Type
In 2008, Kittitas County purchased a new capital asset software system enabling us to report the infrastructure as required by GASB 34. We were using 2 different software systems and spreadsheets to track the capital assets. We inadvertently included the business type capital assets with the governmental type capital assets. The amount of $3,538,937 was included in the governmental type assets. <u>The business type capital assets were reported correctly</u>. The changes have been made to the governmental type funds. We have put measures in place to alleviate this problem in the future.

Business Type
The Statement of Activities shows a change for Accounting Principle – Prior Year adjustment in the amount of $99,727. This amount equals the sum of two accounting transactions that are explained below. Both of these transactions are discussed in the Notes to the Financial Statements. Both of the following items are discussed in Note 19, Notes to the Financial Statements.

As indicated in the notes to the financial statements, Note 18, Kittitas County's Landfill was closed April 1998 and in December 2004, we established a reserve for the post closure of the landfill. This was defined as reserved retained earnings on the financial statements. As stated in this note there are no "estimated total current costs (GASB 18, par 7) remaining." However, GASB 18, par 21 states entities with closed Landfills . . . should recognize a liability equal to the estimated total current cost of closure and post closure care that has not been paid or accrued at the balance sheet date for each closed landfill. We have not in the past reported a liability on the financials because we had no estimated current costs, but will continue to review, evaluate and determine current costs to record the proper liabilities. We have reported a liability in the amount of $662,080.

As a result of the purchase of the new software system, and our audit of the capital assets, we had capital asset items that were previously reported that did not meet the <u>criteria</u>. The result of the removal of these assets was a reduction of depreciation in the current year in the amount of $761,806. The amount of capital assets net of depreciation reported on the Statement of Net Assets for business type activities, Proprietary Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets are the <u>correct amount</u> of assets less depreciation.

Auditor's Remarks

Governmental accounting standards require entities to record an estimated liability for the closure of its landfill. Entities are to re-evaluate this amount annually based on what is spent to monitor the landfill. The County provided monitoring expenses incurred in 2008 that we used to estimate $662,080 in liability.

When adjusting accumulated depreciation for the 2008 financial statements, the County incorrectly decreased the current year's depreciation expense. We are not questioning the amount reported in capital assets net of accumulated depreciation; however, the reduction of depreciation expense resulted in an understatement of expenses by $761,806. This resulted in a negative balance at the end of the year.

We reaffirm our finding.

Applicable Laws and Regulations

RCW 43.09.200 states:

> The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.
>
> The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.
>
> The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefore; all sources of public income, and the amounts due and received from each source; all

> receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budget Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states in part:

> Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.
>
> Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

Government Auditing Standards, January 2007 Revision - Section 5.11, states in part:

> For all financial audits, auditors should report the following deficiencies in internal control:
>
> > a. Significant deficiency: a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
> >
> > b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Status of Prior Audit Findings

Kittitas County
January 1, 2008 through December 31, 2008

The status of findings contained in the prior years' audit reports of Kittitas County is provided below:

1. **The County should improve internal controls over the preparation of its financial statements.**

   Report No. 1000195, dated November 26, 2008

   Background

   Our audit identified significant deficiencies in controls that adversely affect the County's ability to produce reliable financial statements. We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness:

   - County personnel incorrectly selected and applied accounting standards for financial statements, specifically related to the reporting of roads and bridges (infrastructure) and the presentation of funds in the financial statements.
   - The County's review process for the financial statements and Schedule of Expenditures of Federal Awards was not sufficient to ensure they were accurate, complete and prepared in accordance with Generally Accepted Accounting Principles.
   - As reported in the past three audits, the County continues to lack a process to ensure its annual financial report is prepared and filed by the deadline specified in state law.

   Status

   The condition reported during the 2007 audit has improved, yet it has not been fully resolved. The Auditor's Department purchased new software which allowed them to properly account for all infrastructure. Also, the County's annual financial report was prepared and filed by the deadline specified in state law. However, we again noted control deficiencies in the preparation of the financial statements that resulted in errors that were not detected by County management and, therefore, the finding is repeated in our current audit report. We will review the County's progress during our next audit.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Kittitas County
January 1, 2008 through December 31, 2008

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 8, 2009. During the year ended December 31, 2008, the County implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies involving the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule Audit Findings and Responses to be significant deficiencies in internal control over financial reporting, and are reported as Finding 1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 8, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Kittitas County
January 1, 2008 through December 31, 2008

Board of Commissioners
Kittitas County
Ellensburg, Washington

COMPLIANCE

We have audited the compliance of Kittitas County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2008. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2008.

INTERNAL CONTROL OVER COMPLIANCE

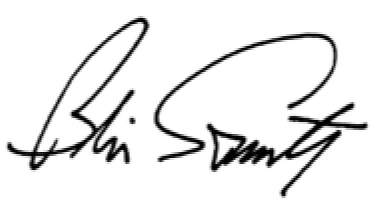
The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

September 8, 2009

Independent Auditor's Report on Financial Statements

Kittitas County
January 1, 2008 through December 31, 2008

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed on page 14 These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and County Road funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, during the year ended December 31, 2008, the County implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

The management's discussion and analysis on pages 15 through 24, infrastructure modified approach information on pages 71 through 72 and information on LEOFF 1 Retiree Medical Benefits on page 73 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 8, 2009

Financial Section

Kittitas County
January 1, 2008 through December 31, 2008

REQUIRED SUPPLEMENTAL INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION

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, 2008, a narrative overview and analysis for the financial activities of the County. We encourage readers to consider the information presented here in conjunction with additional information included in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The total assets of Kittitas County exceeded its liabilities at December 31, 2008 by over $109.8 million. Net Assets invested in capital assets (net of depreciation and related debt) account for 66% of this amount, with a value of $71.9 million. Of the remaining net assets, $36.9 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.

- As of December 31, 2008 Kittitas County's government activities reported combined ending net assets of $103.9 million. Of that amount, $69.0 million is invested in capital assets and $411,247 are restricted funds.

- Fund Balance for the General Fund at December 31, 2008 was $8.0 million.

- Fund Balance for the County Road Fund at December 31, 2008 was $10.5 million.

- The County's total long term debt at December 31, 2008 was $5.44 million, with a remaining capacity for non-voted debt at $69.5 million.

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

The business-type activity is Solid Waste, operating the two transfer stations and landfill.

The statement of net assets presents information on all Kittitas County's assets and liabilities, with the difference between the two reported as net assets. This statement serves as a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decrease in net assets may service as a useful indictor of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of 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 assets changed during 2008. 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 assets 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 2008, 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 2008.

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 Fund Balance sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance present separate columns of financial data for the General Fund and County Road Fund both to be considered a major fund. A major fund is based on criteria established by GASB Statement 34. The statement defines a major fund as a fund who's assets, liabilities, revenues or expenditures comprise 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 decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenses and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

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

Proprietary Funds

There are two types of proprietary funds. The first type an Enterprise Fund is used to report the same functions presented as a business-type activity in the government-wide financial statements. Kittitas County has one Enterprise fund, Solid Waste. 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 Assets to the business-type column on the Government-Wide Statement of Net Assets, you will notice that the total assets agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" and "due to other funds" from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Fiduciary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Assets

The following is a summary of the Statement of Net Assets as of December 31, 2008, with 2007 comparative balances.

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets:						
Current Assets	$38,547,934	$36,875,284	$3,918,871	$3,542,489	$42,466,804	$40,417,774
Capital Assets	71,432,611	26,561,729	4,000,648	3,528,359	75,433,259	30,090,088
Total Assets	$109,980,545	$63,437,013	$7,919,518	$7,070,848	$117,900,063	$70,507,862
Liabilities						
Other liabilities	$1,719,531	$1,634,555	$ 202,904	$19,238	$1,922,435	$1,653,793
Long-term liabilities	4,315,732	4,732,550	1,791,742	1,201,997	6,107,473	5,934,547
Total Liabilities	$6,035,263	$6,367,105	$1,994,646	$1,221,235	$8,029,909	$7,588,340
Net Assets						
Investment in Capital Assets	$69,023,731	$23,785,894	$2,950,647	$2,403,358	$71,974,377	$26,189,251
Reserved	411,247	354,849	567,198	0	978,445	354,849
Unreserved	34,510,304	32,929,165	2,407,028	3,446,255	36,917,332	36,375,420
Total Net Asset	**$103,945,281**	**$57,069,908**	**$5,924,873**	**$5,849,613**	**$109,870,154**	**$62,919,520**

Net Assets of the County's governmental funds were $110.5 million. The County's unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations $37.5 million.

Statement of Activities

For fiscal year ended December 31, 2008, the revenues from primary governmental funds totaled $35.5 million. Property taxes are the largest revenue source at $9.2 million, while Charges for Services are the second largest at $7.9 million.

The expenses for governmental activities totaled $30.2 million. Public Safety was the county's highest commitment at $8.6 million; Transportation is the seconded highest expense for 2008 with $6.0 million. The expenses for Public Safety are contributed to the cost of salaries and benefits; intergovernmental services and new equipment.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues: Program Revenues:						
Charges for Services	$7,944,069	$9,108,251	$3,092,840	$3,372,077	$11,036,909	$12,480,328
Operating Grants	6,205,663	7,902,687	0	0	6,205,663	7,902,687
Capital Grants	221,471	1,075,746	0	0	221,471	1,075,746
General Revenues:						
Property Taxes	9,236,181	7,982,493	0	0	9,236,181	7,982,493
Sales Taxes	5,925,867	5,748,087	0	0	5,925,867	5,748,087
Other Taxes	2,669,530	2,644,877	0	0	2,669,530	2,644,877
Unrestricted Grants & Contributions	1,948,248	93,431	0	0	1,948,248	93,431
Unrestricted Investment Earnings	1,293,203	1,956,040	139,237	124,427	1,432,440	2,080,467
Gain on Disposal Capital Assets	63,546	56,721	0	0	63,546	56,721
Total Revenues	**$35,507,778**	**$36,568,333**	**$3,232,077**	**$3,496,504**	**$38,739,855**	**$40,064,837**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Expenses:						
General Government	$7,166,678	$5,674,627	0	0	$7,166,678	$5,674,627
Judicial	2,018,756	2,294,480	0	0	2,018,756	2,294,480
Public Safety	8,556,265	8,002,395	0	0	8,556,265	8,002,395
Physical Environment	337,835	298,935	0	0	337,835	298,935
Transportation	6,040,349	7,478,554	0	0	6,040,349	7,478,554
Economic Environment	1,334,167	1,285,506	0	0	1,334,167	1,285,506
Mental & Public Health	3,036,772	2,758,181	0	0	3,036,772	2,758,181
Culture & Recreation	1,590,420	1,632,021	0	0	1,590,420	1,632,021
Interest on Long Term Debt	143,195	166,747	0	0	143,195	166,747
Garbage & Solid Waste	0	0	3,256,544	2,952,445	3,256,544	2,952,445
Total Expenses	**$30,224,437**	**$29,591,446**	**$2,494,738**	**$2,952,445**	**$33,480,981**	**$32,543,890**
Excess (Deficiency) before Special Items and Transfers						
Special Item-Gain on Disposal Capital Assets	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Increase (decrease) to net assets	**$5,283,342**	**$6,976,888**	**$-24,468**	**$ 544,060**	**$ 5,258,874**	**$7,520,948**
Net Assets as of January 1	**$57,069,908**	**$50,093,018**	**$5,849,614**	**$5,305,555**	**$62,919,522**	**$55,398,573**
Prior Year Adjustments	41,592,032	0	99,727	0	41,691,759	0
Net Assets as of December 31	**$103,945,281**	**$57,069,906**	**$5,924,873**	**$5,849,615**	**$109,870,154**	**62,919,521**

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 the County Road funds are the 2 major funds in 2008. Together these funds account for 68% of the total government assets and 66% of the total government fund balance. As of December 31, 2008, the county's government funds reported combined fund balances nearly $28.1 million. Of this total amount, $27.5 million is unreserved and available for spending within the designated funds.

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2008 was $-867,243. The net change in the County Road fund was a $984,458. Governmental funds had an overall net change in fund balance of $1.04 million for 2008. The changes in fund balances are due to reduced revenues and using fund balances to cover expenses.

Enterprise Funds Net Assets Analysis

The net assets of the Solid Waste fund as of December 31, 2008 were $5.9 million; with $2.40 million in unrestricted funds. The internal service funds have net assets in the amount of $8.9 million.

Enterprise Funds Revenue/Expenditure Analysis

The Solid Waste fund collected $3.08 million in revenues and had an operating expense of $3.25 million showing a net loss of $-172,114. The changes in net assets for 2008 after non-operating revenues and expenses are $-24,469.

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, 2008.

	2008 Original Budget	2008 Final Budget	Changes Favorable (Unfavorable)
Revenues			
Taxes	8,999,500	9,078,744	79,244
Licenses & Permits	1,832,820	1,847,820	15,000
Intergovernmental	2,390,951	3,056,457	665,506
Charges for Services	2,043,853	2,192,853	149,000
Fines & Forfeits	1,626,350	1,686,600	60,250
Miscellaneous	1,308,503	1,312,892	4,389
Total Revenues	**$18,201,977**	**$19,175,366**	**$973,389**
Expenditures			
General Governmental	7,136,860	7,715,840	578,980
Judicial	2,045,454	2,132,279	86,825
Security of Persons & Property	7,087,470	7,523,761	436,291
Physical Environment	121,246	121,546	300
Transportation	4,717	4,717	-
Economic Environment	1,224,752	1,232,502	7,750
Culture & Recreation	1,242,084	1,351,408	109,324
Debt Service	238,962	238,962	-
Capital Outlay	767,939	1,683,564	915,625
Total Expenditures	**$19,869,484**	**$22,004,579**	**$2,135,095**
Excess (Deficit) Revenues over Expenditures	(1,667,507)	(2,829,213)	(1,161,706)
Other Financing Sources (Uses)	-	-	-
Sale of Fixed Assets	500	500	-
Transfers In	576,312	1,223,310	646,998
Transfers Out	(294,347)	(294,347)	-
Total Other Financing Sources (Uses)	**$282,465**	**$929,463**	**$646,998**
Net Change in Fund Balance	(1,385,042)	(1,899,750)	(514,708)
Fund Balance, January 1	$5,093,788	5,864,631	770,843
Fund Balance, December 31	**$3,708,746**	**$3,964,881**	**256,135**

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 budget increases were as follows:

General Government - $578,890 for salary increase due to union settlements and grants awarded to the County.

Security of Persons & Property – $436,291 for salary increase due to union settlements and new positions and the costs associated with them and the cost of advertising for security.

Capital Outlay- $915,625 for land purchases and facility improvements

General Fund Budget to Actual

The amended General Fund revenue budget was approximately $19.1 million and total revenues received $18.9 million, or 1% below budget. The specific changes to report are taxes and licensing & permits. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales and use tax collected higher taxes than the budgeted amount. The permits were approximately 21% under budget, due to the construction activity and economy downturn.

The General Fund budgeted expenses vs. actual came in at 8% under budget. The biggest unspent budget was Capital Outlay, due to anticipation of property purchase that didn't occur until January 2008.

	2008		
	Final Budget	**Actual**	**Variance with Final Budget Positive (Negative)**
Revenues			
Taxes	9,078,744	9,494,824	416,080
Licenses & Permits	1,847,820	1,457,321	(390,499)
Intergovernmental	3,056,457	3,009,586	(46,871)
Charges for Services	2,192,853	2,104,363	(88,490)
Fines & Forfeits	1,686,600	1,600,289	(86,311)
Miscellaneous	1,312,892	1,292,164	(20,728)
Total Revenues	**$19,175,366**	**$18,958,546**	**$(216,820)**
Expenditures			
General Governmental	7,715,840	6,916,973	798,867
Judicial	2,132,279	2,010,359	121,920
Security of Persons & Property	7,523,761	6,970,046	553,715
Physical Environment	121,546	91,562	29,984
Transportation	4,717	3,717	1,000
Economic Environment	1,232,502	1,043,646	188,856
Culture & Recreation	1,351,408	1,297,665	53,743
Debt Service	238,962	302,646	(63,684)
Capital Outlay	1,683,564	1,633,866	49,698
Total Expenditures	**$22,004,579**	**$20,270,480**	**$1,734,099**
Excess (Deficit) Revenues over Expenditures	$(2,829,213)	$(1,311,934)	$1,517,279

Other Financing Sources (Uses):		-	
Proceeds Capital Leases			
Sale of Fixed Assets	500	3,203	2,703
Transfers In	1,223,310	753,121	(470,189)
Transfers Out	(294,347)	(311,634)	(17,287)
Total Other Financing Sources (Uses)	$929,463	$444,691	$(484,772)
Net Change in Fund Balance	$(1,899,750)	$(867,243)	$1,032,507
Fund Balance, January 1	5,864,631	8,907,173	3,042,542
Fund Balance, December 31	**$3,964,881**	**$8,039,930**	**$4,075,049**

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, 2008, amounts to over $75 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 account; Gravel Roads, which eliminates the need to report depreciation expense. The major capital asset events during 2008 were increases Infrastructure. The 2008 ending balance for Infrastructure is $53.16 million.

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

Long-Term Debt

Kittitas County has a total outstanding bond debt as of December 31, 2008 of approximately $1.2 million. Of this amount $180,000 is for the RID-96-1 backed by an assessment to the property owners, the balance is for two revenue bonds for the County Fairgrounds.

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

Kittitas County has an assigned rating of "AA-/Stable" from the Standard & Poor's after a review and report issued on November 10, 2008. The prior rating from Standards & Poor's was affirmed an "A" 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 zero percent plus new construction. The additional revenue from new construction has not covered the additional expenditures required in union contracts and supply costs. This policy decision has resulted in a reduction in Kittitas County cash reserves and may need to be revisited in the 2010 tax rate decision.

Kittitas County has experienced a downfall in the construction business because of the state of the economy. The downturn in building permits has affected the revenue collections; not only in the issuing of permits, but the recording of documents, and Real Estate Excise Tax. The sales tax revenues have also decreased. We started noticing the revenue trends going down in late summer of 2008; the Board of County Commissioners during the 2009 budget process reduced the estimated amounts back to about 2005 levels for permits and sales tax. In February 2009, the permits fell off again, so the Board of County Commissioners met and reduced the permit revenues and did drastic budget cuts. We are watching very carefully the revenues and all departments are watching and limiting travel and other expenses.

The voters did approve a 3/10th sale tax increase for public safety. The collection of the tax started in April 2008. These allowed the hiring of additional staff and the funding can only be used for public safety, including Sheriff, Prosecutor, County Clerk, and Juvenile Departments. The county is also building a new compost facility as we were awarded $1.2 million grant. Please see Note 19 – Other disclosures.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Judy Pless, CGFM, PFO
Budget & Finance Manager
Kittitas County Auditor's Office
205 West 5th – Suite 105
Ellensburg, WA 98926
509-962-7502
www.co.kittitas.wa.us

KITTITAS COUNTY, WASHINGTON

Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	$ 23,762,706	$ 1,019,878	$ 24,782,584
Investments	8,702,020	2,636,656	11,338,676
Receivables (net)	3,039,051	193,405	3,232,455
Internal Balances	13,207	(13,207)	-
Inventories	500,285	-	500,285
Due from other Governmental	2,480,070	81,763	2,561,833
Prepaid items	49,389	375	49,764
Customer deposits	1,206	-	1,206
Capital Assets (net of accumulated depreciation)			
Land	3,072,209	280,439	3,352,648
Buildings	8,849,212	762,822	9,612,034
Improvements	1,348,147	2,568,264	3,916,411
Equipment	4,047,445	262,690	4,310,135
Infrastructure	53,116,865	-	53,116,865
Construction in progress	998,733	126,433	1,125,166
Total Assets	$ 109,980,545	$ 7,919,518	$ 117,900,063
LIABILITIES			
Accounts payable and accrued exp.	$ 1,418,130	$ 202,904	$ 1,621,034
Unearned revenue	146,809	-	146,809
Other current liabilities	154,592	-	154,592
Liabilities payable from restricted assets	-		-
Non-Current Liabilities:			
Special Assessment Debt with Governmental Commitments			
Due within one year	140,000	-	140,000
Due in more than one year	40,000	-	40,000
Other Long Term Debt			
Due within one year	375,382	75,000	450,382
Due in more than one year	3,760,350	1,716,742	5,477,092
Total Liabilities	$ 6,035,263	$ 1,994,646	$ 8,029,909
NET ASSETS			
Invested in capital assets, net of related debt	$ 69,023,731	$ 2,950,647	$ 71,974,377
Restricted for:			
Debt service	411,247	-	411,247
Capital projects	-	-	-
Other	-	567,198	567,198
Unrestricted	$ 34,510,304	$ 2,407,028	$ 36,917,332
Total Net Assets	$ 103,945,281	$ 5,924,873	$ 109,870,154

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

KITTITAS COUNTY, WASHINGTON

Statement of Activities
For the Year ended December 31, 2008

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Judicial	$ 2,018,756	$ 2,203,744	$ 42,808	$ 44,049	$ 271,845	$ -	$ 271,845
General Government	7,166,678	1,808,247	378,477	-	(4,979,954)	-	(4,979,954)
Public Safety	8,556,265	1,121,042	985,340	145,036	(6,304,847)	-	(6,304,847)
Physical Environment	337,835	13,315	158,780	-	(165,740)	-	(165,740)
Transportation	6,040,349	146,990	2,566,948	32,386	(3,294,025)	-	(3,294,025)
Economic Environment	1,334,167	2,148,437	131,229	-	945,499	-	945,499
Mental & Physical Health	3,036,772	346,301	1,902,323	-	(788,147)	-	(788,147)
Culture & Recreation	1,590,420	155,994	39,757	-	(1,394,669)	-	(1,394,669)
Interest on long-term debt	143,195	-	-	-	(143,195)	-	(143,195)
Total Government Activities	$ 30,224,437	$ 7,944,069	$ 6,205,663	$ 221,471	$ (15,853,234)	$ -	$ (15,853,234)
Business-type Activities:							
Garbage & Solid Waste	$ 3,256,544	$ 3,092,840	$ -	$ -	$ -	$ (163,705)	$ (163,705)
Total Business-Type Activities	$ 3,256,544	$ 3,092,840	$ -	$ -	$ -	$ (163,705)	$ (163,705)
Total Primary Government	$ 33,480,981	$ 11,036,909	$ 6,205,663	$ 221,471	$ (15,853,234)	$ (163,705)	$ (16,016,939)
General Revenues:							
Property Taxes					$ 9,236,181	$ -	$ 9,236,181
Sales Taxes					5,925,867	-	5,925,867
B&O Taxes					-	-	-
Other Taxes					2,669,531	-	2,669,531
Unrestricted Grants & Contributions					1,948,248	-	1,948,248
Unrestricted Investment Earnings					1,293,203	139,237	1,432,440
Gain on Dispositon of Captial Assets					63,546	-	63,546
Special Item - Gain on Disposition of capital assets					-	-	-
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					**$ 21,136,576**	**$ 139,237**	**$ 21,275,813**
Change in Net Assets					**$ 5,283,342**	**$ (24,468)**	**$ 5,258,874**
Net Assets as of January 1					$ 57,069,908	$ 5,849,614	$ 62,919,522
Change for Accounting Principles - Prior Year					41,592,032	99,727	41,691,759
Net Assets as of December 31					$ 103,945,281	$ 5,924,873	$ 109,870,154

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2008

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	$ 7,993,767	$ 5,920,105	$ 6,315,702	$ 20,229,574
Investments	-	3,758,122	2,977,564	6,735,686
Receivables (net)	2,130,845	365,714	542,491	3,039,051
Due from other funds	111,194	226,997	15,436	353,627
Due from Other Governmental	280,294	1,497,484	702,292	2,480,070
Prepaid items	47,153	2,236	-	49,389
Customer deposits	1,206	-	-	1,206
Total assets	$ 10,564,459	$ 11,770,659	$ 10,553,484	$ 32,888,602
LIABILITIES				
Accounts payable and accrued exp.	$ 400,912	$ 525,948	$ 288,150	$ 1,215,010
Payable to other governments	300	6,000	93,192	99,492
Due to other funds	20,465	374,802	55,350	450,617
Deferred revenue	2,050,683	267,366	336,085	2,654,133
Unearned revenue	38,390	17,112	91,308	146,809
Deposits payable	13,780	-	140,812	154,592
Other current liabilities	-	-	-	-
Total liabilities	$ 2,524,530	$ 1,191,228	$ 1,004,898	$ 4,720,655
FUND BALANCE				
Reserved for:				
Encumbrances, petty cash, inventory	$ 60,228	$ 99,427	$ 4,060	$ 163,715
Debt service	-	-	411,247	411,247
Other	-	-	-	-
Unreserved, reported in				-
General Fund	7,979,702	-	-	7,979,702
Special revenue funds	-	10,480,005	6,689,247	17,169,251
Capital project funds	-	-	2,444,033	2,444,033
Total fund balance	$ 8,039,930	$ 10,579,431	$ 9,548,586	$ 28,167,947
Total liabilities and fund balance	$ 10,564,459	$ 11,770,659	$ 10,553,484	$ 32,888,602

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	68,510,057
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	2,654,134
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(4,315,732)
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 state of net assets.	8,928,876
Net assets of governmental activities	103,945,282

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 4,775,969	$ 4,016,377	$ 195,579	$ 8,987,926
Sales	4,402,736	-	1,523,131	5,925,867
Other	316,119	4,323	1,175,352	1,495,794
Licenses & Permits	1,457,321	56	202,263	1,659,640
Intergovernmental	3,009,586	4,557,632	2,502,567	10,069,784
Charges for Services	2,104,363	48,563	1,324,626	3,477,551
Fines & Forfeitures	1,600,289	-	37,505	1,637,794
Investment Earnings	818,854	276,282	95,850	1,190,986
Miscellaneous Revenues	473,310	24,846	624,686	1,122,842
Total revenues	$ 18,958,546	$ 8,928,078	$ 7,681,559	$ 35,568,183
EXPENDITURES				
Current:				
Judicial	$ 2,010,359	$ -	$ 53,477	$ 2,063,836
General Government	6,916,973	121,107	529,782	7,567,862
Public Safety	6,970,046	-	1,092,294	8,062,341
Physical Environ	91,562	-	246,634	338,196
Transportation	3,717	5,343,097	121,317	5,468,131
Health & Human Services	-	-	3,066,539	3,066,539
Economic Environment	1,043,646	-	202,858	1,246,504
Culture & Recreation	1,297,665	-	116,300	1,413,965
Debt Service:				-
Principal	238,154	-	286,061	524,215
Interest/Other Expense	64,492	-	78,703	143,195
Capital Outlay:				
General government	273,866	-	38,674	312,540
Judicial	-	-	253,203	253,203
Public safety	711,348	-	-	711,348
Physical environment	-	-	5,519	5,519
Transportation	-	2,379,301	46,314	2,425,615
Health & Human services	-	-	104,184	104,184
Economic environment	18,706	-	-	18,706
Culture & recreation	629,947	-	-	629,947
Total expenditures	$ 20,270,480	$ 7,843,505	$ 6,241,859	$ 34,355,843
Excess (deficiency) of revenues over (under) expenditures	$ (1,311,934)	$ 1,084,573	$ 1,439,700	$ 1,212,340
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 753,121	$ 84,754	$ 584,872	$ 1,422,747
Transfers out	(311,634)	(194,660)	(1,111,113)	(1,617,407)
Debt Proceeds & capital Leases	-	-	-	-
Gain on Disposition of capital assets	3,203	9,792	15,349	28,344
Total other financing sources (uses)	$ 444,691	$ (100,115)	$ (510,892)	$ (166,316)
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	(867,243)	984,458	928,808	1,046,024
Fund balances--beginning	8,907,173	9,594,973	8,608,509	27,110,655
Prior Period Adjustments	-	-	11,269	11,269
Fund balances--ending	$ 8,039,930	$ 10,579,431	$ 9,548,586	$ 28,167,947
Net changes in fund balances for governmental funds				$ 1,046,024

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.				
Capital outlays	$	4,461,061		
Depreciation		(1,063,190)		
Reduction in Construction in Progress		143,507		
Cost of Assets Sold		(664,406)		2,876,972
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.				
Debt Retired	$	524,215		524,215
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.				542,161
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.				49,863
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.				244,108
Change in net assets of governmental activities			$	5,283,343

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2008

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 8,999,500	$ 9,078,744	$ 9,494,824	$ 416,080
Licenses & Permits	1,832,820	1,847,820	1,457,321	(390,499)
Intergovernmental	2,390,951	3,056,457	3,009,586	(46,871)
Charges for Services	2,043,853	2,192,853	2,104,363	(88,490)
Fines & Forfeits	1,626,350	1,686,600	1,600,289	(86,311)
Miscellaneous	1,308,503	1,312,892	1,292,164	(20,728)
Total Revenues	$ 18,201,977	$ 19,175,366	$ 18,958,546	$ (216,820)
Expenditures				
General Governmental	$ 7,136,860	$ 7,715,840	$ 6,916,973	$ 798,867
Judicial	2,045,454	2,132,279	2,010,359	121,920
Security of Persons and Property	7,087,470	7,523,761	6,970,046	553,715
Physical Environment	121,246	121,546	91,562	29,984
Transportation	4,717	4,717	3,717	1,000
Economic Environment	1,224,752	1,232,502	1,043,646	188,856
Mental & Physical Health	-	-	-	-
Culture & Recreation	1,242,084	1,351,408	1,297,665	53,743
Debt Service	238,962	238,962	302,646	(63,684)
Capital Outlay	767,939	1,683,564	1,633,866	49,698
Total Expenditures	$ 19,869,484	$ 22,004,579	$ 20,270,480	$ 1,734,099
Excess (Deficit) Revenues over Expenditures	$ (1,667,507)	$ (2,829,213)	$ (1,311,934)	$ 1,517,279
Other Financing Sources (Uses)				
Proceeds Capital Leases	$ -	$ -	$ -	$ -
Restitution	500	500	1,168	668
Sale of Fixed Assets	-	-	2,035	2,035
Transfers In	576,312	1,223,310	753,121	(470,189)
Transfers Out	(294,347)	(294,347)	(311,634)	(17,287)
Total Other Financing Sources (Uses)	$ 282,465	$ 929,463	$ 444,691	$ (484,772)
Net Change in Fund Balance	$ (1,385,042)	$ (1,899,750)	$ (867,243)	$ 1,032,507
Fund Balance, January 1	$ 5,093,788	$ 5,864,631	$ 8,907,173	$ 3,042,542
Fund Balance, December 31	**$ 3,708,746**	**$ 3,964,881**	**$ 8,039,930**	**$ 4,075,049**

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2008

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 4,179,000	$ 4,179,000	$ 4,020,700	$ (158,300)
Licenses & Permits	200	200	56	(144)
Intergovernmental	6,211,500	6,211,500	4,557,632	(1,653,868)
Charges for Services	91,600	91,600	48,563	(43,037)
Miscellaneous	149,000	149,000	301,127	152,127
Total Revenues	$ 10,631,300	$ 10,631,300	$ 8,928,078	$ (1,703,222)
Expenditures				
General Governmental	$ 76,001	$ 76,001	$ 121,107	$ (45,106)
Transportation	6,275,700	6,275,700	5,343,097	932,603
Capital Outlay	4,721,000	4,721,000	2,379,301	2,341,699
Total Expenditures	$ 11,072,701	$ 11,072,701	$ 7,843,505	$ 3,229,196
Excess (Deficit) Revenues over Expenditures	$ (441,401)	$ (441,401)	$ 1,084,573	$ 1,525,974
Other Financing Sources (Uses)				
Sale of Fixed Assets	$ -	$ -	$ 9,792	$ 9,792
Transfers In	300,000	300,000	84,754	(215,246)
Transfers Out	(368,500)	(368,500)	(194,660)	173,840
Total Other Financing Sources (Uses)	$ (68,500)	$ (68,500)	$ (100,115)	$ (31,615)
Net Change in Fund Balance	$ (509,901)	$ (509,901)	$ 984,458	$ 1,494,359
Fund Balance, January 1	$ 7,217,901	$ 7,217,901	$ 9,594,973	$ 2,377,072
Fund Balance, December 31	**$ 6,708,000**	**$ 6,708,000**	**$ 10,579,431**	**$ 3,871,431**

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Net Assets
December 31, 2008

	Business-type Activities-- Enterprise Funds Solid Waste	Governmental Activities- Internal Service funds
ASSETS		
Current assets:		
Cash & cash equivalents	$ 1,019,878	$ 3,584,427
Investments	2,636,656	1,915,039
Receivables	193,405	-
Prepayment for Services	-	-
Due From Funds	94,618	343,935
Inventories	-	500,285
Due From Other governments	81,763	-
Total Current Assets	$ 4,026,320	$ 6,343,687
Noncurrent assets:		
Capital assets:		
Land	$ 280,439	$ 26,024
Buildings	1,142,364	441,344
Improvements	3,411,158	128,957
Equipment	697,402	6,653,285
Construction in progress	126,433	-
Less Depreciation	(1,657,148)	(4,327,056)
Total Capital Assets (net of accumulated depreciation)	$ 4,000,648	$ 2,922,554
Total assets	$ 8,026,968	$ 9,266,241
LIABILITIES		
Current liabilities:		
Accounts payable and accrued exp.	$ 202,904	$ 103,149
Due to other funds	107,824	233,738
Due to other governments	-	479
Compensated absences	-	-
Bonds, notes, loans payable	75,000	-
Total Current Liabilities	$ 385,728	$ 337,365
Noncurrent liabilities:		
Compensated absences	$ 79,661	$ -
Bonds, notes, loans payable	975,001	-
Landfill Closure Cost	662,080	-
Total Noncurrent Liabilities	$ 1,716,742	$ -
Total Liabilities	$ 2,102,470	$ 337,365
NET ASSETS		
Invested in capital assets, net of related debt	$ 2,950,647	$ 2,922,554
Restricted for Other	567,198	-
Unrestricted	2,407,028	6,006,322
Total net assets	$ 5,924,873	$ 8,928,876
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	
Net assets of business-type activities	$ 5,924,873	

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2008

	Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
	Solid Waste	
OPERATING REVENUES		
Charges for Services:		
Garbage & Solid Waste	$ 3,084,431	$ -
Other services	-	1,729,562
Total operating revenues	$ 3,084,431	$ 1,729,562
OPERATING EXPENSES		
Maintenance & operations	$ 3,032,078	$ 1,288,653
Administrative & general	-	66,308
Depreciation	224,467	472,794
Total operating expenses	$ 3,256,545	$ 1,827,755
Operating income (loss)	$ (172,114)	$ (98,193)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	$ 139,237	$ 102,217
Gain (loss) on Disposition of Capital Assets	11,074	35,202
Miscellaneous nonoperating revenues (expenses)	(2,665)	10,222
Total non-operating income (expense)	$ 147,646	$ 147,641
Income before contributions & transfers	$ (24,469)	$ 49,448
Transfers In	-	194,660
Change in net assets	$ (24,469)	$ 244,108
Net assets--beginning	5,849,614	- 8,684,768
Prior Period Adjustment	99,727	-
Net assets--ending	$ 5,924,873	$ 8,928,876

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2008

	Business - Type Activity	Governmental Activities
	Solid Waste	**Internal Service funds**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 3,222,304	$ 1,841,779
Cash payments to suppliers	(2,846,301)	(1,718,942)
Cash payment for operating expenses	0	0
Net cash provided (used) by operating activities	**$ 376,003**	**$ 122,837**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Non-Oper. Rents and Charges	$ 0	$ 10,222
Non-Oper. Expenses	0	0
Net cash provided from noncapital activities	**$ 0**	**10,222**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Sale of Capital Assets	$ 11,074	$ 35,202
Payments for Capital Acquisition	65,052	(706,145)
Payment on Long Term Debt	(75,000)	0
Residual Transfer In (Out)		194,660
Net cash provided (used in) capital financing activities	**$ 1,126**	**$ (476,283)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Interest	$ 86,568	$ 102,217
Purchase of Investment	(447,143)	577,499
Net cash flows from investing activities	$ (360,576)	$ 679,716
Net increase (decr.) in cash and cash equivalent	$ 16,553	$ 336,492
Cash and cash equivalents at beginning of year	$ 1,003,325	$ 3,247,936
Cash and cash equivalents at end of year	$ **1,019,878**	**$ 3,584,428**

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2008

	Business - Type Activity	Governmental Activities
	Solid Waste	**Internal Service funds**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net operating income (loss)	$ (172,114)	$ (98,193)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation expense	$ 224,467	$ 472,794
(Increase) decrease in accounts receivable	170,819	94,532
(Increase) decrease in due from other funds	18,724	17,685
(Increase) decrease in due from other governmental	(51,670)	0
(Increase) decrease in Prepayment for Services	(375)	0
Increase (decrease) in Salaries payable	2,041	706
Increase (decrease) in vouchers payable	184,843	(156,306)
Increase (decrease) in due to other funds	2,486	(204,649)
Increase (decrease) in inventory	0	(4,211)
Increase (Decrease) in Taxes Payable	(3,218)	479
Total Adjustments	**$ 548,117**	**$ 221,030**
Net cash provided by operating activities	**$ 376,003**	**$ 122,837**

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

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Assets
December 31, 2008

	Private Purpose Trust	Agency Funds	TOTAL
ASSETS			
Cash/Petty Cash	$	$ 11,535,648	$ 11,535,648
Cash with Fiscal Agency		353,470	353,470
Investments	2,026	10,935,037	10,937,063
Due From Others		-	-
Taxes Receivable		1,786,372	1,786,372
Other Receivables	3	5,341	5,344
TOTAL ASSETS	$ 2,029	$ 24,615,869	$ 24,617,898
LIABILITIES			
Warrants Payable	$ -	$ 3,952,493	$ 3,952,493
Salary/Vouchers Payable		200,734	200,734
Custodial Accounts	-	18,676,269	18,678,298
Due To Other Funds	-	-	-
Other Current Notes Payable	-	-	-
Deferred Revenues	-	1,786,372	1,786,372
TOTAL LIABILITIES	$ -	$ 24,615,869	$ 24,615,869
Net Assets			
Restricted for:			
Trust Fund	$ 2,029	$ 0	$ 2,029
Total Net Assets	$ 2,029	$ 0	$ 2,029

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

KITTITAS COUNTY, WASHINGTON

Statement of Change in Fuduciary Net Assets
Private Purpose Trust
For the Year Ended December 31, 2007

		Jerry William Library Trust
Additions		
Investment Earnings	$	33
Miscellaneous Revenues		
Total Additions	$	33
Deductions		
Culture & Recreation	$	-
Total Deductions	$	-
Net change in net assets		33
Fund balances--beginning		1,996
Fund balances--ending	$	2,029

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

KITTITAS COUNTY, WASHINGTON
Notes to the Financial Statements
For the year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kittitas County have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The chart of accounting conforms to the Budgeting, Accounting, and Reporting Systems (BARS) prescribed by the office of the State Auditor, to promote uniformity among cities and counties of Washington resulting in better comparability. The significant accounting policies are described below.

A. REPORTING ENTITY

Kittitas County was dedicated by the State of Washington as a public entity on November 28, 1883 and operates under the laws of the State of Washington applicable to a fourth-class County with a commissioner form of government. The accounting and reporting policies of the County conform to generally accepted accounting principles for local governments.

Kittitas County is a general purpose government and provides public safety, road improvement, parks and recreation, judicial administration, health and social services and general administration services. In addition, the County owns a solid waste disposal system and an airport. Kittitas County's combined financial statements include the financial positions and results of operations which are controlled by or dependent on the County (except that the operations of and equity in joint ventures are not included in the statements as explained in note 16). Control by the County was determined on the basis of budget adoption and resource allocation criteria. Dependence on the County was determined by the County's obligation to redeem the organization's debts, to finance the organization's deficits and the extent to which subsidies from the County constitute a major portion of the organizations' total non-grant resources. The financial statements include the assets and liabilities of all funds for which the county has a custodial responsibility.

The Agency funds, which include Irrigation, Fire, Hospital, PUD, School, Sewer, Cemetery, Water, Weed, Cities, and State Funds, are reported as Fiduciary funds. Kittitas County does not significantly contribute to or control the operations of these districts.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 financials statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kittitas County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Kittitas County reports the following major funds: the General Fund is the County's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The only major fund reported is County Road. Solid Waste is the only major proprietary fund. Additionally, reported are the following fund types: Internal service funds account for Equipment, Rental & Revolving and Unemployment Compensation provided to other departments of the county on a cost reimbursement basis.

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

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

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the county's policy to use non-restricted resources first, and then restricted resources as needed.

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. 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 expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the County Commissioners.

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

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

E. ASSETS, LIABILITIES AND EQUITIES

1. CASH AND EQUIVALENTS

It is the County's policy to invest all temporary cash surplus. At December 31, 2008, the treasurer was holding $35,897,828.50 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The County Treasurer reports the average compensating balances maintained during 2008 were approximately $1,610,000.

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

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

2. TEMPORARY INVESTMENTS

See Investment Note 4.

3. RECEIVABLES

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

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

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. For the year ended December 31, 2008, Kittitas County did not have any advances between funds.

5. INVENTORIES

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

Inventories in Proprietary Funds are valued at cost using the FIFO method, which approximates the market value.

6. CAPITAL ASSETS

See Note Number 6.

Capital assets, which includes property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the county as assets with an initial, individual cost of more than $5,000.00 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Kittitas County has elected to use the modified approach to account for the infrastructure account; Gravel Roads, which eliminates the need to report depreciation expense.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings & Improvements	45
Improvements other than Buildings	20-50
Machinery & Equipment	3-10
Roads & Railroad Crossings	20
Bridges	50

7. OTHER PROPERTY AND INVESTMENTS

See Deposits and Investments Note No 4.

8. COMPENSATED ABSENCES

The County records all accumulated unused vacation and sick leave. In proprietary Funds, the expenses are accrued when incurred and the liability is recorded in the fund. At this time the liability to the Proprietary Funds for unused vacation and sick leave is $79,661.

For Governmental Funds, unused vacation, comp time and sick leave as of December 31, 2008 is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Total vacation and sick leave pay-off recorded during 2008 for all Governmental Funds was $76,494. Vacation pay, which may be accumulated up to 30 days is payable upon resignation, retirement or death; sick leave may accumulate up to a maximum of 1056 - 1120 hours; twenty-five percent of outstanding sick leave is payable upon retirement, lay-off or death, depending on which bargaining unit the employee belongs. The following is a schedule of those bargaining units:

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

9. LONG-TERM DEBT

See Long-Term Debt and Leases Note No 10.

10. DEFERRED REVENUES

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

11. FUND RESERVES AND DESIGNATIONS

A. Governmental Fund Types

Reservations of Fund Balance

Fund balance in Governmental Fund types is reserved for two purposes: 1) where certain amounts are legally committed for specific future uses, such as outstanding purchase orders (encumbrances), continuing appropriations, capital projects, or debt service; and 2) where assets are not available for appropriation, because they are non-current receivables, or because they have been expended as inventories or prepayments.

B. Designated Fund Balances and Restricted Net Assets

This category is used to set aside Fund equity when County management has plans or tentative commitments to expend resources for certain purposes in future periods. Further legal action will be required to authorize the actual expenses or expenditures.

Currently, the General Fund has $4,555,886.09 in the designated fund balance; these funds are set aside from the Law & Justice Sales tax and the Adult/Juvenile Sales tax. The General Fund also has in reserved fund balance $13,075 in petty cash and $47,153 in prepaid services.

For the Special Revenue Funds, County Road has in reserved fund balance $1,000 in petty cash, $2,236.34 in prepaid services, and $96,190.39 in funds set aside for paths and trails. Public Health has in reserved fund balance $1,010 in petty cash. Public Health also has in designated fund balance $155,642.90 for equipment. Misdemeanant Probation has in reserved fund balance $50 in petty cash. The Drug fund has in reserved fund balance $3,000 in petty cash.

Solid Waste currently has in reserved fund balance $1,800 in petty cash, $375 in prepaid services, and $565,023 in funds for the landfill closure, which is a requirement per WAC 173-304-467.

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 Assets

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

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 assets of governmental activities as reported in the government-wide statement of activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the County's Funds are obligations of the U.S. Government, or deposits with Washington State Banks and Savings and Loan Institutions.

The County's investments are categorized to give an indication of the risk assumed at year-end. Category I include investments that are either insured registered or held by the County or its agent in the County's name.

	Category 1	Carrying Amount	Market Value
US Government Sec	$28,204,310.47	$28,204,310.47	$27,975,524.62
State Pool	$29,969,257.67	$29,969,257.67	$29,969,257.67
Total Investments	$58,173,568.14	$58,173,568.14	$57,944,782.29
Less Co. Residual	-$35,897,828.50	-$35,897,828.50	-$35,897,828.50
Net Investments	$22,275,739.64	$22,275,739.64	$22,046,953.79

NOTE 5 - PROPERTY TAXES

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

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

Property taxes are recorded as a receivable when levied, offset by deferred revenue. 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 2007 for the 2008 tax County levied the following property taxes on an assessed value of $4,964,949,052. The Road district property value assessed was $3,406,661,270.

Fund	Levy	Amount
General fund	.962609	$4,779,304.64
Mental Health	.025176	124,997.56
Veterans Relief	.015105	74,995.56
Total General fund Levy	**1.002890**	**$4,979,297.76**
Road Levy	1.200654	$4,090,221.48
County Road Diverted	.024951	84,999.61
Total Road Levy	**1.225605**	**$4,175,221.09**
GRAND TOTAL	**2.228495**	**$9,154,518.85**

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

Government Activities	**Beginning Balance**	**Increase**	**Decrease**	**Ending Balance**
Assets not being depreciated				
Land	$ 2,485,284	$ 586,925	$ 0	$ 3,072,209
Construction in Progress	770,057	372,183	143,507	998,733
Total	**$ 3,255,341**	**$ 959,108**	**$ 143,507**	**$ 4,070,942**
Assets Being Depreciated				
Buildings & Improvement	$ 15,517,676	$ 163,663	$ 0	$15,681,339
Improvements	1,414,192	96,352	0	1,510,544
Equipment & Machinery	9,131,768	1,938,720	664,406	10,406,082
Infrastructure	148,280,608	2,007,118	0	150,287,726
Total	**$174,344,244**	**$4,205,853**	**$ 664,406**	**$177,885,691**
Grand Total	**$177,599,585**	**$5,164,961**	**$ 807,913**	**$181,956,633**

Less accumulated depreciation for:	**Beginning Balance**	**Increase**	**Decrease**	**Ending Balance**
Buildings & Improvements	$ 6,331,671	$ 500,456	$ 0	$ 6,832,127
Improvements	23,445	138,952	0	162,397
Equipment & Machinery	5,934,855	1,430,455	1,006,673	6,358,637
Infrastructure	97,170,861	0	0	97,170,861
Total	**$109,460,832**	**$2,069,863**	**$1,006,673**	**$110,524,022**
Governmental activities Capital Assets, net	**$68,138,753**	**$3,095,098**	**$-198,760**	**$ 71,432,611**

Business Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Assets not being depreciated				
Land	$ 280,439	$ 0	$ 0	$ 280,439
Construction in Progress	0	126,433	$ 0	126,433
Total	**$ 280,439**	**$ 126,433**	**$ 0**	**$ 406,872**
Assets Being Depreciated				
Buildings & Improvements	$1,142,364	$ 0	$ 0	$1,142,364
Improvements	3,411,158	0	0	3,411,158
Equipment & Machinery	687,402	10,000	0	697,402
Total	**$5,240,924**	**$ 10,000**	**$ 0**	**$5,250,924**
Grand Total	**$5,521,363**	**$ 136,433**	**$ 0**	**$5,657,796**

Less accumulated depreciation for:	Beginning Balance	Increase	Decrease	Ending Balance
Buildings & Improvements	$ 347,342	$ 32,200	$ 0	$ 379,542
Improvements	714,115	128,779	0	842,894
Equipment & Machinery	371,225	63,488	0	434,712
Total	**$1,432,682**	**$ 224,467**	**$ 0**	**$1,657,148**
Business Activities Capital Assets Net	**$4,088,682**	**$ -88,034**	**$ 0**	**$4,000,648**

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

Government Activities	
Function/Program	Amount
Government activities	$ 210,963
Judicial Services	-39,841
Public Safety	287,704
Physical Environment	-5,600
Transportation	435,744
Health and Human Service	-39,165
Economic Environment	48,546
Culture and Recreation	164,839
Total	**$1,063,190**

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	$224,467
Total	**$224,467**

NOTE 7 - PENSION PLANS

A. WASHINGTON STATE RETIREMENT PLANS

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

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

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to but not yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Non-vested	52,575
Total	**255,849**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

Members Not Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	8.31%**	8.31%**	8.31%***
Employee	6.00%****	5.45%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 5.45% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer-State Agency*	10.81%	10.81%	10.81%**
Employer-Local Gov.*	8.31%	8.31%	8.31%**
Employee-State Agency	9.76%	11.13%	7.50%***
Employee-Local Gov.	12.26%	13.63%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** Plan 3 defined benefit portion only.
***Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	$37,123	$609,539	$110,000
2007	$31,638	$452,501	$89,329
2006	$20,994	$218,188	$39,178

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option.

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. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to but not yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Non-vested	3,708
Total	**26,330**

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.46%**
Employee	0.00%	8.83%
State	N/A	3.53%

*The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for ports and universities is 8.99%.

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

	LEOFF Plan 1	LEOFF Plan 2
2008	$0	$94,143
2007	$0	$79,231
2006	$0	$66,642

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and became effective July 1, 2006.

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

A *covered employer* is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

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

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire 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, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 71 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	2,755
Total	**2,755**

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2008, were as follows:

	PSERS Plan 2
Employer*	9.43%
Employee	6.57%

- The employer rate includes an employer administrative expense fee of 0.16%.

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

	PSERS Plan 2
2008	$52,974
2007	$45,612
2006	$13,169

B. DEFERRED COMPENSATION PLAN

The County offers its employees 2 deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan is with Great West Life & Annuity Insurance Company and National Association of Counties. The plans, which are available to all eligible employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As of December 31, 2008, the County had 57 active participants and Fire District #2 had 14 active participants with contributions totaling $1,920,523.

NOTE 8 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

Kittitas County was one of twenty-eight members of the Washington Counties Risk Pool ("Pool") during 2008. Other members included: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Kitsap, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Klickitat and Whitman Counties were former Pool members, but terminated their memberships effective October 2002 and 2003 respectively.

The Pool was formed August 18, 1988 when several Washington counties signed an Interlocal (Cooperative) Agreement. It was established to provide its member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The Pool operates under the state of Washington's "pooling" laws, more specifically Chapter 48.62 RCW implemented via Chapter 39.34 RCW. It is overseen by the State Risk Manager and is subject to fiscal audits performed annually by the State Auditor.

The enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support the best management of the Pool and its resources. The Compact established obligations to support these goals through three major elements: membership involvement, risk control practices, and a targeted risk management program.

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

New members are required to pay the Pool modest admittance fees to cover the members' share of organizational expenses and the costs to analyze their loss data and risk profile. Members contract initially to remain in the Pool for at least five years. Counties may terminate their memberships at the conclusion of any Pool fiscal year following the initial term if the county timely files its required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, a former member remains responsible for reassessments from the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The Pool is governed by a board of directors consisting of one director (and at least one alternate director) designated by each member county. The Pool's board of directors, made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Annual Meeting. The board of directors is responsible for determining the 3rd-party liability coverage to be offered (approving the insuring agreement or coverage document), the reinsurance program to acquire, the excess insurances to be jointly purchased or offered for optional purchase, and approving the Pool's annual operating budgets and work programs, and the member deposit assessment formulas.

Regular oversight of the Pool's operations is furnished by an 11-person executive committee. The committeepersons are elected by the Pool's board of directors from its membership to staggered 3-year terms during each Annual Meeting. The committee meets several times throughout the year to approve all Pool disbursements and examine the Pool's financial health; to approve case settlements exceeding the members' deductibles by at least $50,000 and to review all claims with incurred loss estimates exceeding $100,000; to evaluate the Executive Director and the Pool's operations and program deliverables; and to participate in the board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

The following constitute the highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2007 through September 2008):

- *Total Assets* grew by $3.3 million (12%) to nearly $31.1 million. More specifically, current assets increased $2.9 million while non-current assets increased $0.4 million.

- $800,000 of *Operating Income* was experienced, which represented a $1 million turn-around from the $200,000 *Operating Loss* experienced the prior year. A 7% reduction in the estimates for claims reserves ($8.2 vs. $8.8 million) by the independent actuary substantially contributed to this positive change.

- 15,506 3rd-party liability claims and lawsuits had been reported during the Pool's first twenty years (October 1988 – September 2008). Of those, only 457 remained classified as "open" at year's end. Estimates by the independent actuary project another 578 claims will be filed for occurrences from all Pool years through September 2008.

- *Interest Income* slipped $130,000 (17%) even with larger surpluses (funds not needed for current operations) for investing. This reduction is believed to have resulted from the lowering of interest rates to address the declining economy.

- *Net Assets* (sometimes referred to as *Members' Equity*) rose nearly $900,000 to nearly $6.8 million at September 30, 2008. $5.7 million is listed as being 'Restricted' to satisfy, in large part, the Section D provisions of the Pool's Underwriting Policy that were enhanced by the board of directors in March 2007. The remaining $1.1 million is invested in *Capital Assets* (net of debt). (NOTE: The Pool's board of directors retains the authority to determine if, how much, and when distributions of *Net Assets* are to be made.)

Professionals from some of the most respected organizations worldwide are called upon regularly to address specific needs of the Pool. For example, independent actuarial and claims auditing services are furnished by PricewaterhouseCoopers, LLP; insurance brokerage and advanced loss control services are provided by Arthur J. Gallagher Risk Management Services, Inc.; coverage counsel is provided by Stafford Frey Cooper; and special claims audits are frequently performed by the Pool's insurers and re-insurers. The listed professionals are in addition to the many counselors assigned to defend Pool cases as well as the ongoing oversight provided by the State Risk Manager and the annual financial audits performed by the State Auditor.

Over half of the Pool's 9-person staff handles and/or manages the several hundred liability cases filed upon and submitted by the Pool's member counties each year. These claims professionals have more than eighty years combined claims-handling experience. The Pool's "open" file count remains fairly constant between 400 and 450 cases. Other staffers provide various member services including conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverages and marketing, with some simply supporting the organization's administrative needs.

Pool member counties presently acquire $20 million (with another $5 million optional) of joint liability coverage on a "per occurrence" basis for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, and includes public officials' errors and omissions. Annually, members select a per occurrence deductible amount of $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. The initial $10 million of coverage, less the retention (the greater of the member's deductible or $100,000), is fully reinsured. The remaining insurance, up to $15 million, is acquired as "following form" excess insurance. There are no aggregate limits to the payments made for any one member county or all member counties combined.

Property insurance, with composite limits of $500 million for normal ("All Other Perils") coverage and $250 million for catastrophe coverage and participant deductibles between $5,000 and $50,000, was added to the Pool coverage lines a few years ago as an individual county option. Coverage is for structures, vehicles, mobile equipment, EDP equipment, and equipment breakdown, etc. Participants are responsible for their claims' deductibles. The insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. Twenty-seven counties purchased this program during some or all of 2008.

Additionally, many members use the Pool's producer (broker) services for other insurance placements, e.g. public officials bonds, and crime & fidelity, special events/concessionaires, and environmental hazards coverages.

The Washington Counties Risk Pool is a cooperative program, so there is joint liability amongst its participating members. Contingent liabilities are established when assets are not sufficient to cover liabilities. Pool member counties are required to timely submit their 3rd-party liability claims which are handled by the Pool's staff. This includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year's membership. **The Pool's reassessments receivable balance at December 31, 2008 was ZERO.**

B. WORKERS COMPENSATION

The County pays premiums to State of Washington Department of Labor and Industries based on hours worked for each employee. The County belongs to the Retrospective Rating program with Labor & Industries in which we joined in 1988. Each year the County selects a rate plan, showing the maximum refund/maximum premium the County is willing to risk based upon claims management. January 2008, the County had a credit account balance of $73,787 and subsequently we received a refund for the year 2007 in the amount of $14,745 leaving an accumulated credit balance of $88,532.

C. UNEMPLOYMENT COMPENSATON

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security $30,397 in unemployment charges in 2008. The County also contracts with TALX Corporation to assist with the claims handling, and in 2008 we paid $1,511.

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2008 and no short-term debt activities during 2008.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT

1. REVENUE BONDS

Kittitas County has issued revenue bonds to finance the construction and renovation of the fairgrounds grandstands. The revenue bonds are being repaid by revenues generated from the fairgrounds. The federal arbitrage regulations apply to the Grandstand Renovation debt.

The revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Grandstand Construction	5.875%	$79,630
Grandstand Renovation	4.25% - 5.10%	$1,000,000
TOTAL		**$1,079,630**

The variable interest rate is set by the bond resolution, 2002-2007 at 4.25%; 2008 at 4.30%; 2009 at 4.50% then increasing .10% each year until 2015.

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2009	$131,165	$49,678
2010	136,528	44,566
2011	141,911	38,948
2012	147,317	32,807
2013	157,747	26,127
2014-2018	364,962	32,512
TOTAL	**$1,079,630**	**$224,637**

2. CUMMINGS/BERRY PURCHASE LOAN

The Cummings/Berry loan to purchase property at 411 N. Ruby, Ellensburg, WA has a maturity date of September, 2012. The contract includes a balloon payment of $687,704.10 in September, 2012. The amount of the loan currently outstanding is:

Purpose	Interest Rate	Amount
Cummings/Berry Purchase	5.5%	$863,326
TOTAL		**$863,326**

The Cummings/Berry purchase debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2009	$44,467	$46,370
2010	46,975	43,862
2011	49,625	41,212
2012	722,259	26,003
TOTAL	**$863,326**	**$157,447**

3. SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

The Solid Waste Public Works Trust Fund Loan debt currently outstanding:

Purpose	Interest Rate	Amount
Solid Waste Loan	5%	$1,050,000
TOTAL		**$1,050,000**

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

Year Ending December 31	Principal	Interest
2009	$75,000	$5,520
2010	$75,000	$4,875
2011	$75,000	$4,500
2012	$75,000	$4,125
2013	$75,000	$3,750
2014-2018	$375,000	$13,125
2019-2022	$300,000	$3,750
TOTAL	**$1,050,000**	**$39,645**

4. SPECIAL ASSESSMENT

The Kittitas County Hyak Bond Fund was established in 1997 for the redemption of debt incurred by property owners within the Hyak County Road Improvement District. The initial aggregate principal amount of the bonds issued on June 15, 1997 was $2,087,070. The bonds bear interest at the rate of 6.44% per annum. The bonds are called annually on July 1st and shall mature on July 1, 2014.

In addition to the Hyak Bond Fund, Kittitas County also maintains the Hyak Bond Guaranty Fund. We are required to maintain a balance equal to 7% of the outstanding principal bond amount. The guaranty fund may be used for any defaulted assessments within the road improvement district. The County Treasurer currently invests funds and all interest remains in the guaranty fund.

Funds in excess of the mandatory 7% reserve remain with the county and will be used for Hyak RID issues and maintenance. For example, excess funds may be used for a 7-year cycle ACP overlay or other extraordinary costs associated with the roads within the Hyak Road Improvement District.

The RID assessment debt currently outstanding

Purpose	Interest Rate	Amount
RID 96-1	6.44%	$180,000
TOTAL		**$180,000**

The RID assessment debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2009	$140,000	$11,592
2010	40,000	2,756
TOTAL	**$180,000**	**$14,348**

At December 31, 2008, Kittitas County has $411,247 available in debt service funds to service the general bonded debt.

4. 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 $4,964,949,052 and the debt limits for the County as of December 31, 2008 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	$69,577,365
General Purposes – with a vote of the people	$124,123,723

NOTE 11 – LEASES

A. OPERATING LEASES

The county leases a copier under non-cancelable operating leases. Total cost for such leases was $15,921 for the year ended December 31, 2008. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2009	$15,921
2010	$9,423
2011	$7,257
2012	$7,257
2013	$605
2014-	0
Total	**$40,463**

B. CAPITAL LEASES

The county leases office equipment under non-cancelable capital leases for governmental activities. These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. There were no leases for Business-Type Activities to report.

Asset	Governmental Activities
Mail Machine	$22,714
Sheriff Vehicles – 2006 - #2	23,421
Sharp AR-M 280U Digital Copier	3,962
DM 500 Mail Machine System	4,368
OCE-IM 5530 Copier-Treasurer	11,614
Sharp MX-5500N Copier-Pros	17,645
IM 4511 Doc Feeder-Pros	10,350
IM4511-Prosecutor Support Div.	5,407
Sharp ARM-455N Copier-Sheriff	19,004
Dish Machine Lease	1,619
Kyocera Mita-Fair	2,689
Konica Minolta-CDS	14,084
Kyrocera KM5035-PH	5,382
Kyocera Mita-CDS	6,559
Less Accumulated Depreciation	
Total	**$148,818**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2008, are as follows:

Year Ending December 31	**Governmental Activities**
2009	$70,741
2010	43,069
2011	27,483
2012	7,357
2013	0
Total Minimum Lease Payments	$148,649
Less: Interest	$0
Present Value of Minimum Lease Payments	**$148,649**

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2008, the following changes occurred in long-term liabilities: The beginning balance 1/1/08 for Capital Leases does not agree with the ending balances Capital Leases 12/31/07. A revised amortization schedule for the 2006-Sheriff Vehicle Lease #2 changed the beginning balance 1/1/08 to $45,800.20 from $48,200.85 (reduction of $2,400.65). The Kyocera Mita-CDS lease was reported in 2007 as trade-in with an ending balance of zero. The copier was not traded-in and continued with a beginning balance 1/1/08 of $9,474.66 (increase of $9,474.66). The total amount redeemed for Capital Leases equals lease payments made during the year not including sales tax. The amount reported for Capital Leases on the General Ledger includes sales tax. Effective January 2008, the County's Other Post Employment Benefit (OPEB) liability was required to be reported per GASB 45 (See Note 17).

	Beginning Balance 01/01/08	Additions	Reductions	Ending Balance 12/31/08	Due Within One Year
Governmental Activities					
Bonds Payable: Revenue/Assessment Bonds	$1,543,008	$ 0	$283,378	$1,259,630	$ 271,165
Capital Leases	$ 325,574	$ 8,110	$184,866	$ 148,818	$ 70,741
Compensated Absences	$1,956,715	$26,630	$76,494	$1,906,851	$ 68,874
Long Term Liabilities	$ 914,327	$ 0	$51,001	$ 863,326	$ 44,467
Other Post Employment Benefits	$ 0	$137,106	$ 0	$137,106	$ 60,135
Total	**$4,739,624**	**$171,846**	**$595,739**	**$4,315,731**	**$515,382**
Business-Type Activities					
Compensated Absences	$ 76,996	$ 2,756	$ 92	$ 79,661	$ 0
Long-Term Liabilities	$1,125,001	$ 0	$ 75,001	$1,050,000	$ 75,000
Total	**$1,201,997**	**$ 2,756**	**$ 75,093**	**$1,129,661**	**$ 75,000**
GRAND TOTAL	**$5,941,621**	**$174,602**	**$670,832**	**$5,445,392**	**$590,382**

NOTE 13 – CONTINGENCIES AND LITIGATIONS

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

Kittitas County is named as the defendant in a few legal actions. Claims which have been classified as "reasonably possible" by the Prosecuting Attorney's office for 2008 are expected to be immaterial at this time.

Civil Actions Pending in which Kittitas County, its Officers and Agents are parties as of December 31, 2008.

Pending Litigation Where Money Damages are sought

1. **JAMES BARICH.** Kittitas County Claim No. 200811060012. Mr. Barich found some personal property that he turned over to the Sheriff's Office. Following the prescribed procedure, he filled out the necessary claim to receive the property or the proceeds from its sale, should it go unclaimed. That property was sold, but his claim to the proceeds was overlooked. Mr. Barich filed a claim for $432.50, the proceeds from the property found. Claim received 11-6-2008. (Claim approved on 1-6-2009 for $432.50. Claim paid on 1-12-2009).

2. **TY BASS.** Kittitas County Claim No. 200708270043. Mr. Bass claimed that he suffered from an unlawful arrest and search of his person and belongings, and sought damages in the amount of $1,000,000. Claim received 8-27-2007. Claim denied on 8-28-2008.

3. **LUCKY INDERMULE.** Kittitas County Claim No. 2008088180013. Mr. Indermule claimed he was harassed by the Kittitas County Sheriff's Department. He claimed that sheriff's deputies were following him around shooting him with high pitched sounds, and sought damages in an unknown amount. Claim received on 8-18-2008. Deemed denied.

4. **RICKY JOLLO.** Kittitas County Claim No. 200812180001. Mr. Jollo was an inmate in the Kittitas County Jail. He fell off the top bunk in his sleep and injured his arm and leg. He received prompt medical attention. Mr. Jollo submitted a claim for medical bills that the Sheriff's Office has already paid. He also claimed that there was a delay of 6 days before he received pain medication, which claim was contradicted by jail records. Plaintiff sought damages in the amount of $2,000. Claim received on 12-18-2008. (Claim denied on 2-3-2009).

5. **KEVIN O'SHAUGHNESSY**. Kittitas County Claim No. 200804080001. Mr. O'Shaughnessy lent his grill to the fair grounds for a High School Rodeo at the request of his supervisor. During the Rodeo the grill was destroyed. Mr. O'Shaughnessy was directed by the former Kittitas County maintenance director to purchase a replacement grill. Later, Mr. O'Shaughnessy was directed by the new Kittitas County maintenance director to place the grill in storage because the grill had not been purchased properly. Mr. O'Shaughnessy filed a claim for damages and provided a receipt for the replacement grill in the amount of $455.34. Claim received on 4-8-2008. Claim approved on 8-19-2008 for return of the already purchased grill.

6. **DARRYL PIERCY.** Kittitas County Claim No. 200812160001. Mr. Piercy filed a claim against the County for wrongful discharge in violation of public policy, breach of contract, defamation, and intentional infliction of emotional distress. Plaintiff seeks damages in the amount of $850,000.00. Claim received on 12-16-2008. Claim pending: Referred to Washington Counties Risk Pool.

7. **JOEL AND LYNNE THOMAS.** Kittitas County Claim No. 200809050001. Claimants claimed that Community Development Services (CDS) denied their application for a short plat. They retained legal representation and filed an appeal. On August 18, 2008 CDS informed the Thomases by telephone that CDS was rescinding the denial of their application for the short plat. The Thomases then sought damages in the amount of $1725.00 as the cost of appeal, plus attorney fees. Claim received on 9-5-2008. Claim denied on 12-3-2008.

8. **MANNA FUNDING, LLC v. KITTITAS COUNTY.** Kittitas County Superior Court Cause No. 07-2-00340-4 (original LUPA petition consolidated with second LUPA petition Cause No. 08-2-00425-5). On June 5, 2007, petitioners filed a petition in Kittitas County Superior Court under the Land Use Petition Act (LUPA), challenging a decision by the Board of Kittitas County Commissioners (BOCC) that denied the petitioners' application for a rezone. The LUPA petition alleged that the county's rezone denial would cause the petitioners substantial financial damage, and sought to recover damages in an amount to be proven at trial, plus attorney fees and costs. The matter was referred to the Washington Counties Risk Pool. On 11-30-2007 the superior court judge reversed the BOCC's decision and remanded the matter back to the BOCC with instructions for the Kittitas County Planning Commission to conduct "a meaningful open record hearing," make meaningful findings to support a recommendation to the BOCC, and for the BOCC to conduct a meaningful closed record proceeding including discussion of proposed findings to support its reasoning to the public. Following the required process on remand, on 6-17-2008 the BOCC again denied the rezone application. The petitioners then filed a second LUPA petition in superior court on 7-8-2008, through a second attorney, seeking damages in an amount to be proven at trial, plus attorney fees and costs. The matter was again forwarded to the Washington Counties Risk Pool. (On 2-5-2009 the superior court judge issued a Memorandum Decision remanding back to the BOCC with instructions to approve the rezone from forest and Range 20 to R-3. The BOCC approved the rezone and the petitioners have not sought damages).

9. **CAMERON, GLEASON PROPERTIES, LLC, FREMMERLID & TAYLOR, et al v. KITTITAS COUNTY.** Four cases consolidated under Kittitas County Superior Court Cause No. 08-2-00161-2. Four LUPA cases were filed on 3-19-2008 by an attorney on behalf of all four petitioners. The petitioners alleged that the County's denial of their Lot Performance Based Cluster Plat would cause them substantial financial damages to be proven at trial, including damage on account of substantive and procedural due process violations, including violations under 42 USC § 1983 and chapter 64.40 RCW. The matter was referred to the Washington Counties Risk Pool. On 10-24-2008 the superior court judge issued findings, conclusions and an order in favor of Kittitas County, affirming the BOCC's decision to deny the cluster plat applications. The case is now on appeal in the Washington State Court of Appeals.

10. **BENJAMIN R. SPENCER v. KITTITAS COUNTY.** Grant County Superior Court Cause No. 08-2-00454-2. Complaint for negligence filed in Grant County Superior Court by attorney for Plaintiff. Complaint alleged that Kittitas County Corrections was negligent in the care and administration of

medications to plaintiff while he was incarcerated during June of 2006. Plaintiff claimed he was given the wrong medications which caused him to suffer undesired health consequences. Plaintiff sought damages including attorney fees and costs, prejudgment interest on liquidated sums, and such other relief to be determined by the court. The matter was referred to the Washington Counties Risk Pool. Matter settled.

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, 2008 were as follows:

		Due From					
		General Fund	County Road	Non Major Government	Solid Waste	Internal service	**TOTAL**
Due To	General Fund	10,124	9	10,202		130	**20,465**
	County Road	30,276		1,420		343,106	**374,802**
	Non-Major Governmental	49,442	2,062	3,175		672	**55,351**
	Solid Waste	13,206			94,618		**107,824**
	Internal Service Funds	8,145	224,926	639		27	**233,738**
	TOTAL	**111,193**	**226,997**	**15,436**	**94,618**	**343,935**	**792,180**

B. Interfund Transfers

Interfund transfers during 2008 were as follows:

		Transfer From			
		General fund	County Road	All Others	Total
Transfer To	General Fund			311,634	**311,634**
	All Others	753,121	84,754	467,898	**1,305,773**
	Total	**753,121**	**84,754**	**779,532**	**1,617,407**

NOTE 15 – RECEIVABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2008 were as follows:

	Accounts	Taxes	Total
Total Government	$2,449,657	$589,393	$3,039,050
Total Business	$ 193,405	0	$ 193,405

NOTE 16 - JOINT VENTURES

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2008 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	$ 31,802	$42,824
City of Ellensburg Support	84,850	42,283
Tour Fees	17,000	17,503
Other	4,350	11,179
Total Revenues	$138,002	$113,790

NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. PLAN DESCRIPTION

In addition to the retirement described in the Pension note 7 above, the County provides certain medical insurance benefits for retired public safety employees. Substantially the entire County's LEOFF 1 employees may be come eligible for these benefits if they reach normal retirement age while working for the County. Kittitas County does not currently have any active LEOFF 1 employees employed. There are 8 retired LEOFF 1 employees who are eligible to receive these benefits.

B. FUNDING POLICY

In 2008, expenditures of $67,586.24 for medical premiums and billings were recognized for post employment health benefits. The program is funded "pay as you go".

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

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

The net OPEB obligation of $137,106 is included as a noncurrent liability ($60,135 due within one year, $76,971 due in more than one year) on the Statement of Net Assets.

Annual Required Contribution (ARC)	$ 204,692
Interest on net OPEB obligation	0
Annual OPEB cost	$ 204,692
Less: Contributions made	(67,586)
Increase in net OPEB obligation	$ 137,106
Net OPEB Obligation beginning of year 2008	0
Net OPEB Obligation end of year 2008 (NOO)	$137,106

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$204,692	33.0%	$137,106

D. FUNDING STATUS

As of December 31, 2008, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $2,198,297 and the actuarial value of the assets was $0 resulting in a UAAL of $2,198,297. Historically, Kittitas County has used a pay-as-you-go approach to funding.

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.22 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the September 30, 2006 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide

LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 18 - CLOSURE AND POST CLOSURE CARE COSTS

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

Date	Change/Modification
November 1993	Promulgation of new State Landfill Regulation WAC 173-351
December 1995	A new operations contractor was chosen in the bid process to operate each transfer State 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

As a result of the Department of Ecology Agreed Order, a Remedial Action Grant has been 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. As of December 31, 2008, the CDL post Closure account had a balance of $240,588.79 and the Ryegrass Closure account had a balance of $324,434.40. In total, the Solid Waste fund was holding $565,023.19 in funds designated for post closure. There are no “estimated total current cost (GASB 18, par 7) remaining”.

NOTE 19 – OTHER DISCLOSURES

A. ACCOUNTING AND REPORTING CHANGES

1. NEW FUND – PUBLIC SAFETY SALES AND USE TAX

In 2007, the Board of County Commissioners established a Citizens’ Advisory Committee to evaluate the law and justice service needs of Kittitas County and whether or not these needs could be or should be met by an increase in the county sales tax. The Committee was charged with:

> The three tenths of 1% county sales tax increase proposal citizens committee has been formed in order to examine the funding needs for criminal justice services provide by Kittitas County. Additionally, it is the task of the committee to examine and prioritize those needs that would best benefit the overall criminal justice system for Kittitas County.

The citizens’ advisory committee reported that if the proposed tax increase was passed, it would allow the Kittitas County Sheriff’s office to add 5 deputies, 1 civil deputy, and 1 evidence clerk. *Additionally, it will fund the indirect costs that will be created by the employment of additional officers, such as the costs of supplying the additional officers with the supplies that they need to perform their job (such as police cars, gasoline, computers, paper, paper clips, etc), the additional support personnel that will be required to process the persons arrested by the additional officers (e.g. the prosecuting attorney’s office, the superior court clerk’s office), and the cost of jailing those additional persons who are convicted of committing crimes.*

The citizens report also indicates the support of a full time position in the Clerk’s office; 2 attorneys in the Prosecutor’s office and a half-time custody officer in the Juvenile Department.

The Board of County Commissioners accepted the Committees report, passed Resolution 2007-94 and put the issue on the November 6, 2007 ballot for the taxpayers to vote. The ballot title was:

> *The Kittitas County Board of County Commissioners adopted Resolution No 2007-94, concerning a proposition to fund criminal justice service needs. If adopted, the proposition would implement a Citizens’ Advisory Committee’s recommendation to increase Kittitas County sales and use tax to fund escalating criminal justice services needs. The tax will be used to hire, train and equip additional law enforcement officers, additional county clerk, prosecuting attorney and associated administrative personnel, to fund a County-wide major criminal task force and enhance animal control. The tax will expire in seven years unless further authorized by public vote. Shall the sales and use tax be increased by three tenths of one percent to fund additional law enforcement and related criminal justice services and personnel for Kittitas County and the incorporated cities of Kittitas County? r Yes r No*
>
> *The issue was passed Yes 6,533 and No 3,738. The Board of County Commissioners adopted Ordinance 2007-36 adding a new chapter to the Kittitas County Code. This tax will automatically expire on December 31, 2014, unless further authorized by public vote.*

The tax went into effect April 1, 2008, so a new fund was created; *3/10th Sales Tax*; to report tax collections and expenditures.

2. PRIOR PERIOD ADJUSTMENT TO CAPITALIZED ASSETS

The Capitalized Assets has prior period adjustments for specific categories due to a change in software application. During 2008, the county purchased a new asset management software system, in order to accommodate the infrastructure reporting requirement. Because of the change in software we had made several changes in our reporting process including the adjustment of assets that were below the threshold that were not removed and of prior depreciation associated with those assets. The following tables show the changes in the reporting of the assets for Government Activities and Business Activity.

The Government Activities has the biggest adjustment to the beginning balance to reflect the reporting of the infrastructure and the applicable depreciation. We also made adjustments to assets being reported in the wrong asset type. The prior period adjustment reflects a net change of $41,577,024 on the Statement of Activities.

Government Activities	**December 31, 2007**	**December 31, 2007 Adjusted Balance**	**Prior Period Adjustment**
Land	$ 2,485,284	$ 2,485,284	$ 0
Construction in Progress	$ 143,507	$ 770,057	$ 626,550
Building & Improvements	$ 15,427,743	$ 15,517,676	$ 89,933
Improvements	$ 467,171	$ 1,414,192	$ 947,021
Equipment & Machinery	$ 9,363,623	$ 9,131,768	$ -231,855
Infrastructure	$ 13,147,967	$ 148,280,608	$ 135,132,641
Depreciation	$-14,473,566	$-109,460,832	$ -94,987,266
Total Adjustments	$ 26,561,729	$ 68,138,753	$ 41,577,024

Solid Waste, the only business type activity, had a change for the prior period in the total assets. This is a result of existing assets that were in previous years that didn't meet the threshold requirement. Because of the change in assets the depreciation amount changed. These changes were reported in the individual fund, Solid Waste, on the Proprietary Fund; Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flow.

Solid Waste	**December 31, 2007**	**December 31, 2007 Adjusted Balance**	**Prior Period Adjustment**
Total Capital Assets	$ 5,722,848	$ 5,521,363	$-201,485
Total Depreciation	$-2,194,489	$-1,432,682	$ 761,807

In completing this process we now know that in the next two years we will be performing in-depth internal audits on each department to verify all assets are reported, therefore adjustments to our assets may be necessary in upcoming years.

3. PRIOR YEAR ADJUSTMENTS TO FUND BALANCE

The following list of funds had prior period adjustments. The adjustments will reflect differences in ending and beginning balances on the Statement of Net Assets; Net Activity and Revenue, Expenditures and Changes in Fund Balance for Government funds.

Community Services had a prior year change in the amount of $50,485
EIS Trust had a decrease in Reserves in the amount of -$60,737
Construction Performance decrease in Reserves in the amount -$1,017
for a total of prior year changes in the amount of $11,269

4. PRIOR YEAR ADJUSTMENT TO NET ASSETS – GOVERNMENTAL ACTIVITIES

The Net Assets had prior year adjustments to the Governmental Activities based upon the above Note 19 A-2, Capitalized Assets in the amount of $41,577,024. In addition there was prior year adjustment of $3,738, and the adjustments to fund balance as indicated in Note 19 A-3 in the amount of $11,269. The total net asset prior year adjustment is $41,592.032.

5. PRIOR YEAR ADJUSTMENT TO NET ASSETS – BUSINESS TYPE

Kittitas County needed to report the liability of the Solid Waste Landfill Closure. As indicated in Note 18, above the landfill was closed in April 1998. It has been determined the prior Landfill Closure liability should be $662,080.00, which was recorded as a liability and a prior year adjustment to net assets.

The Net Assets were also adjusted as prior year based upon the changes in the Capital Assets as discussed in Note 19 A-2, in the depreciation amount of $761,807 is adjusted as a prior year.

The total prior year adjustment is $99,728.00

B. SUBSEQUENT EVENTS

1. COMPOST FACILITY

The Solid Waste department applied for and received a grant to build the compost facility in August 2007. The grant application was in the amount of $1,046,981.80. In August of 2008, received additional funding for the facility and received a grant in the amount of $280,000. These grants along with the Solid Waste funds are allowing the county to build this facility.

The compost facility is going to be located north of the Ellensburg Transfer Station on the City of Ellensburg's Old Sewage treatment site. Phase one of the projects has been completed, which was the removal of two tanks, and the buildings from the old sewage treatment plant site. We were able to save one of the tanks from the facility to be used as part of our storm water and leachate detention system. We started on Phase 2 of the compost facility on April 20, 2009, with an anticipated opening date of July 1, 2009.

As with the entire solid waste system we will need to structure the rates for the yard waste received and the sale of the finished compost as such to cover the cost to operate the facility. The Solid Waste Department is not part of the general fund and needs to run like a business and operate off of tip fees and grants we are able to receive.

In 2008, 2000 tons of yards waste was disposed of at the transfer stations. The compost facility has been designed to handle 6000 tons of yard waste in the future. This will provide for an alternative to burning for residence of Kittitas County along with providing closed loop recycling for the material generated in our community.

2. SHERIFF ADMINISTRATION BUILDING

Starting in late 2008, the Sheriff and the Board of County Commissioners discussed the current public safety building and repairs that are needed. As a result of much discussion and review, the Board of County Commissioners purchased a new 11,880 square foot building for the Sheriff Administration, in the amount of $1,916,997.67 funded from the General Fund designated fund balance, 1/10th sales tax. The Board of County Commissioners have authorized the Facilities and Maintenance Director to develop bid documents for the Board to review on the repairs to the existing jail with the estimated amount to be 1,600,000.00 to be funded from the General Fund designated fund balance 1/10 sales tax.

KITTITAS COUNTY
Required Supplementary Information
December 31, 2008

Information about Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the County has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the County expenses certain maintenance and preservation costs and does not report depreciation expense.

Full assessment of these infrastructure assets was completed in July, 2008 by County Staff. Through 2008, graveled roads were assessed on a yearly basis for the purpose of hard surfacing prioritization. Beginning in 2009, a full condition assessment will be done on a yearly basis. Detailed documentation of disclosed assessment levels is kept on file.

In order to utilize the modified approach, the County is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount 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.

ROADS

Measurement Scale
The County's graveled roads are scored based on the following point system. The number of structures on the road can be up to 41% of the total score.

	Max. Points
Structures	40
Based on number of residences access road	
2 points per residence	
No. of houses ________	
Traffic ADT	10
Based on a comparative ride roughness.	
Rating:	
Under 49=0	
50 to 99 = 2 pts	
100 to 149 = 4pts	
150 to 250 = 6 pts	
Over 250 = 10 pts	

Speed Limit 4

Based on a posted speed.

0-35 mph = 2 pts
over 35 mph = 4 pts

Routes 10

Based on a reported school and mail routes.

School Bus Route= 5
US Mail= 5

Classification 8

Based on Federal Functional Classification.

Access (Class 09) =0
Minor Collector (Class 08) =4
Major Collector (Class 07) =8

Connector 10

Maintenance Costs 15

≤ 1000 = 5 pts, ≤ 2000 = 6 pts, ≤ 3000 = 7 pts ,
≤ 4000 = 8 pts, ≤ 5000 = 9 pts, ≤ 6000 = 10 pts,
< 7000 = 11pts, <8000 = 12pts, <9000 = 13 pts,
<10,000 = 14 pts, >10,000 = 15 pts

Total Possible Points 97

Assessed Conditions

The following table reports the rating of the County's graveled roads by the number of miles by rating score. The ratings are used to prioritize the graveled roads for paving in the future.

Miles of Gravel Roads	Rating Score
4.21	50-65
1.14	41-49
7.3	31-40
5.16	21-30
25.35	11-20
24.71	0-10

Condition Level

The condition level which we budget to preserve condition level is equal to $5,000 per mile in maintenance/preservation costs. ($325,000 annual budget/64 miles of gravel roads).

BUDGETED AND ESTIMATED COSTS TO MAINTAIN INFRASTRUCTURE

The following table presents the County's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the past five fiscal years:

Fiscal Year	Estimated Spending	Actual Spending
2004	187,000	233,528
2005	292,000	78,169
2006	327,000	208,278
2007	312,000	193,131
2008	335,500	246,629

Required Supplemental Information
Kittitas County
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2008

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	$ -	$2,198,297	$2,198,297	0%	-	-

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

Kittitas County
2008 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2008 Expenditures: From Pass Through Awards	2008 Expenditures: From Direct Awards	2008 Expenditures: Total	Notes
U.S. Department of Agriculture- Pass through from WA Department of Health	WIC/USDA Farmers Market Nutrition Program (FMNP)	10.572	C14952	181		181	
	Special Supplemental Nutrition Program for Women, Infants and Children - WIC	10.557	C14952	95,049			
	Special Supplemental Nutrition Program for Women, Infants and Children - WIC/BF		C14952	2,195			
			Subtotal	97,244		97,244	
U.S. Department of Agriculture - Pass through WA Department of Health - Pass through to Judy Heesaker	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C14952	8,907		8,907	
U.S. Department of Agriculture	Cooperative Forestry Assistance	10.664	08LE11061700-070		44,898	44,898	
U.S. Department of Agriculture - Pass through WA Office of the State Treasurer	Secure Payments for States and Counties Containing Federal Land	10.665	N/A	392,950		392,950	4
U.S. Department of Housing and Urban Development - Pass through WA State Community, Trade & Economic Development	Community Development Block Grants	14.228	08-64008-005	113,229		113,229	
U.S. Department of Justice - Pass through Washington State Patrol	Domestic Cannabis Eradication/Suppression	16.000	WSP #C081635FED	3,574		3,574	5
U.S. Department of Justice - Pass through WA Department of Social & Health Services	Juvenile Accountability Incentive Block Grants - JRA	16.523	0663-98328-2	601			
	Juvenile Accountability Incentive Block Grants - JRA		0663-98328-1	8,935			
			Subtotal	9,536		9,536	
	Juvenile Justice and Deliquency Prevention_ Allocation to States	16.540	I-100-00708	4,357			
	Juvenile Justice and Deliquency Prevention_ Allocation to States		I-100-01407	6,181			
			Subtotal	10,537		10,537	
U.S. Department of Justice - Pass through WA Department of Community, Trade and Economic Development	Violence Against Women Formula Grant Program	16.588	F04-30304-019	3,826			
	Violence Against Women Formula Grant Program		F06-31103-022	10,467			
Pass through Central Washington Mental Health - ASPEN	Violence Against Women Formula Grant Program		N/A	1,259			4;5
	Violence Against Women Formula Grant Program-Equipment		N/A	2,572			4;5
	Violence Against Women Formula Grant Program-Equipment		N/A	1,748			4;5
			Subtotal	19,871		19,871	
U.S. Department of Justice - Bureau of Justice Assistance	State Criminal Alien Asst. Program	16.606	N/A		13,805	13,805	4
U.S. Department of Transportation, Federal Aviation Adm.	Airport Improvement Program	20.106	DOT-FA07NM-0083		32,386	32,386	8
U.S. Department of Transportation, Federal Highway Administration- Pass through WA Department of Transportation	Highway Planning and Construction: Bridge BHS- Naneum Road Bridge	20.205	BRS-19CJ(001)LA5461	608,530			8
	- Bridge BHS - Naneum Road Bridge		BRS-19CK(001)LA5462	73,340			9
	- Bridge BHS - Bar 14 Road Bridge		BROS-2019(023)/LA5811	736,307			8
	- Bridge BHS - West Fork Teanaway Road Bridge		BROS-19BG(001)/LA5768	82,912			9
	- STPH-Kittitas Hwy/Vantage Hwy safety Corridor		STPH-190(002)/LA6036	87,637			8
			Subtotal	1,588,725	-	1,588,725	

Kittitas County
2008 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2008 Expenditures: From Pass Through Awards	2008 Expenditures: From Direct Awards	2008 Expenditures: Total	Notes
U.S. Department of Transportation-National Highway Traffic Safety Administration:	State and Community Highway Safety :	20.600					
Pass through Washington Traffic Safety Commission	- Corridor Traffic Safety Project		N/A	764			4
	- X-52 Sustained Enforcement: DUI and Speeding Traffic Safety Emphasis (Speed)		N/A	1,490			4
Pass through Washington Association of Sheriff and Police Chiefs	- FST-PBT Equipment Grant		N/A	923			4;5
	- Handheld Radar		N/A	799			4;5
			Subtotal	3,976		3,976	
U.S. Department of Transportation-National Highway Traffic Safety Administration: Pass through Washington Traffic Safety Commission	- Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	N/A	131		131	4
U.S. Department of Transportation - Pass through Washington State Military Department	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E08-218	1,030		1,030	
U.S. Environmental Protection Agency - Pass through WA Department of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14952	2,250		2,250	
U.S. Election Assistance Commission- Pass through WA Secretary of State	Help America Vote Act Requirements Payments	90.401	G2844	150		150	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Immunization Grants	93.268	C14952	13,647			3,6,7
	Immunization Grant - Non Cash		N/A	39,205			3;4;6
			Subtotal	52,852		52,852	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Center for Disease Control and Prevention_Investigations and Technical Assistance	93.283					
	Shape Up		C14952	37,048			
	Tobacco Prevention and Control Program		C14952	7,846			
	Center for Disease Control and Prevention		C14952	88,809			
			Subtotal	133,704		133,704	
U.S. Department of Health and Human Services-Administration for Children and Families- Pass through WA Department of Social and Health Services	Promoting Safe and Stable Families	93.556	0863-34009	6,000		6,000	
	Child Support Enforcement	93.563	N/A	17,627			4
	Child Support Enforcement		N/A	100,125			4
			Subtotal	117,752		117,752	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Child Care and Development Block Grant	93.575	C14952	6,775		6,775	
U.S. Department of Health and Human Services: Pass-through WA Secretary of State	Voting Access for Individuals with Disabilities - Grants to States - Elections Assistance for Individuals with Disabilities (EAID)	93.617	G-3980	41,435		41,435	5
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Medical Assistance Program - MAM Match	93.778	0563-75729	87,981			
	Medical Assistance Program - MAM Match Interpreters		0563-75729	898			
	Medical Assistance Program - MAM Match Vaccine		0563-75729	15,845			
	Medical Assistance Program - MAM Match Oral Health		0563-75729	3,162			
			Subtotal	107,885		107,885	

Kittitas County
2008 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2008 Expenditures: From Pass Through Awards	2008 Expenditures: From Direct Awards	2008 Expenditures: Total	Notes
U.S. Department of Health and Human Services - Pass through Washington Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C14952	1,575			
	National Bioterrorism Hospital Preparedness Program -Child Profile		C14952	1,000			
			Subtotal	2,575		2,575	
U.S. Department of Health and Human Services-Centers for Disease Control and Prevention-Pass through Yakima Health District	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	93.919	KCHD 07-08	8,524			
	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program		KCHD 08-09	10,019			
			Subtotal	18,543		18,543	
U.S. Department of Health and Humans Services - Pass through the WA Department of Social and Health Services -Division of Alcohol and Substance Abuse	Block Grants for Prevention and Treatment of Substance Abuse - DASA	93.959	9505-0/0763-20318	78,708		78,708	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Maternal and Child Health Service Block Grant	93.994	C14952	30,790			
	Maternal and Child Health Federal Consolidated Program		C14952	13,905			
			Subtotal	44,695		44,695	
U.S. Department of Homeland Security - Pass through from Washington State Military Department, Pass through Grant County Emergency Management	Law Enforcement Terrorism Prevention Program	97.074	E07-176	61,013		61,013	5
	Homeland Security Grant Program- Domestic Preparedness Citizens Corps Program	97.067	E07-173	78,644			5
			2006-GE-T6-0059/OFM No. 870-07	5,116			
			Subtotal	83,760		83,760	
TOTAL FEDERAL FINANCIAL ASSISTANCE				**3,007,988**	**91,089**	**3,099,077**	

Kittitas County, Washington

NOTES TO THE 2008 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 - NON CASH AWARDS

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

NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain other identification number.

NOTE 5 – EQUIPMENT AND SUPPLIES PURCHASED WITH FEDERAL DOLLARS

Federal dollars used to purchase equipment and supplies.

NOTE 6 – VACCINE FOR CHILDRENS PROGRAMS

Vaccine supplied by Federal Government for Vaccine for Children Program.

NOTE 7 – VACCINE FOR 317 PROGRAMS

Vaccine supplied by Federal Government for Vaccine for 317 Program.

NOTE 8 – PROJECT HAS BEEN COMPLETED OR EXPIRED

Project has been completed or expired.

NOTE 9 – PROJECT CARRIED OVER

Project carried over pending construction funding.

NOTE 10 – IN-LIEU Of Tax

Kittitas County received $676,135.00 from the Bureau of Land Management. We did not include this on our 2008 Schedule of Expenditures of Federal Awards because they are not subject to an audit under the OMB Circular A-133.

ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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Deputy Chief of Staff	**Doug Cochran**
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Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
Communications Director	**Mindy Chambers**
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