Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Kittitas County

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006446

Issue Date
September 30, 2011

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 30, 2011

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

Table of Contents

Kittitas County
January 1, 2010 through December 31, 2010

Federal Summary

Kittitas County
January 1, 2010 through December 31, 2010

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 deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
10.665	Schools and Roads Grants to States
93.268	Immunization Grants
93.712	ARRA - Immunization Grants (Recovery Act)

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 qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Audit Findings and Responses

Kittitas County
January 1, 2010 through December 31, 2010

1. The County's internal controls over financial statement preparation are inadequate to ensure accurate reporting.

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 similar findings during the 2007 and 2008 financial statement audits. Although we noted improvements in 2009, we reported remaining control deficiencies in a letter to management.

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

During our current audit, 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 effective in ensuring the financial statements, notes and schedules were reported accurately.
- Staff responsible for recording the refunding bond transactions did not have sufficient technical knowledge to prepare the correct accounting entries.
- Each department receiving grant funding is responsible for calculating the expenditure amount reported on the Schedule of Expenditures of Federal Awards (SEFA). Departments have not properly reported grant spending to those responsible for preparing the SEFA.

Cause of Condition

The County's method of compiling the financial statements is complex and contains inherent risks. The County did not provide resources to ensure a sufficiently detailed review of the financial statements. It chose not to seek outside guidance for recording transactions that were complex, unusual or infrequent. Finally, the County did not provide sufficient training to staff responsible for providing information in preparation of the SEFA

Effect of Condition

Inaccurate financial reports affect the accuracy of the decisions made by County officials, the public, state and federal agencies and other interested parties relying on the financial information. In addition, inaccurate financial statements can also delay or hinder the audit process and increase audit costs.

We found the following significant errors in the original financial statements the County provided for the audit. These errors were subsequently corrected on the final financial statements:

Government – Wide Statement of Net Assets and Statement of Activities

The calculations rolling up the governmental fund amounts into the government-wide statements were not adequately supported by documentation and contained several errors. Specifically:

- Total liabilities were understated by $917,851.
- Total Net Assets for each of these statements did not agree. The difference was $869,904.
- Classification errors in Net Assets totalled $22.8 million for Special Revenue and $2.1 million for Capital Projects.

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

- Other Financing Sources – Proceeds of Refunding Long-Term Debt were understated by $833,850.
- Other Financing Uses – Payment to Refunded Debt was understated by $781,577.
- Debt Service Expenditures were understated by $52,273.

Schedule of Expenditures of Federal Awards (SEFA)

- The Public Assistance Grant (CFDA 97.036) expenditures were over-reported by $341,000, or 20% of total SEFA expenditures.

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. The review should include an independent review of the roll up of the governmental fund statements to the government-wide statements.

- Ensure staff have the technical expertise or obtain outside guidance when recording transactions that are complex, unusual or infrequent.

- Provide training to staff responsible for preparing the SEFA to ensure federal grant expenditures are correctly reported.

County's Response

The County would like to thank the State Auditor's for their time on our audit. The County went out for Bond in 2010, which included refunding a previous bond issue. The journal entries that were done to record the refunding portion were not completed correctly when the financial report was submitted, but have since been corrected and reported correctly in the Government-Wide Statement of Net Assets and Statement of Activities and the State of Revenues, Expenditures and changes in Fund Balance – Governmental Funds.

The Schedule of Financial Assistance had reported the FEMA grant incorrectly, according to BARS, which has been subsequently corrected.

Correction Action

It is the County's intention to have the financial statements done early enough to allow thorough review of the financial statements. The County will provide the necessary assistance in training for staff to receive additional technical expertise. The County has taken measures to fix data collection for the Schedule of Financial Assistance report and will be prepared according to the requirements.

Auditor's Remarks

We appreciate the steps the County is taking to resolve this issue. We will review the condition during our next audit.

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 there from; 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:

> 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.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

> Section 300 - Auditee responsibilities.
>
>> The auditee shall:
>>
>> (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
>>
>> (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
>>
>> (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
>>
>> (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

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

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

> a. Significant deficiency: A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
>
> b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Schedule of Prior Federal Audit Findings

Kittitas County
January 1, 2010 through December 31, 2010

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

<table>
<tr><td>Audit Period:
January 1, 2009 through December 31, 2009</td><td>Report Reference No:
1004301</td><td>Finding Reference No:
1</td><td>CFDA Number:
97.036</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
Disaster Assistance Grants – Public Assistance, U.S. Department of Homeland Security</td><td colspan="2">Pass-Through Agency Name:
Military Department, Emergency Management Division</td></tr>
<tr><td colspan="4">Finding Caption:
Kittitas County's internal controls are inadequate to ensure compliance with federal Disaster Grant requirements.</td></tr>
<tr><td colspan="4">Background:
The County paid three vendors a total of $140,258 for work related to flood recovery without ensuring the vendors were not suspended or debarred from receiving federal grant funds.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
✓ Fully Corrected ☐ Partially Corrected ☐ No Corrective Action Taken ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
As part of the contractor award process, the Construction Manager is checking to make sure that the contractor and subcontractors have not been suspended or debarred. In addition, prior to making payment to the contractor, the construction Manager checks the Excluded parties List System (EPLS), prints the results, and attaches the print out to the invoice. This ensures, prior to payment, that the contractors are in good standing. It appears the County has taken corrective actions and that this issue is resolved.</td></tr>
</table>

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, 2010 through December 31, 2010

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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 13, 2011.

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.

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.

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

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as Finding 1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 13, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Kittitas County
January 1, 2010 through December 31, 2010

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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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 in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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 deficiencies, 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 13, 2011

Independent Auditor's Report on Financial Statements

Kittitas County
January 1, 2010 through December 31, 2010

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, 2010, which collectively comprise the County's basic financial statements as listed on page 15. 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 16 through 27, budgetary comparison on pages 75 through 77 infrastructure modified approach on pages 79 through 80, and information on postemployment benefits other than pensions on page 81 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 opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information 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 13, 2011

Financial Section

Kittitas County
January 1, 2010 through December 31, 2010

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, 2010, 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, 2010 by over $113.68 million. Net Assets invested in capital assets (net of depreciation and related debt) account for 57% of this amount, with a value of $64.5 million. Of the remaining net assets, $11.95 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.

- As of December 31, 2010 Kittitas County's government activities reported combined ending net assets of $107.1 million. Of that amount, $60.3 million is invested in capital assets and $34.8 million are restricted funds.

- Fund Balance for the General Fund at December 31, 2010 was $4.9 million.

- Fund Balance for the County Road Fund at December 31, 2010 was $14.7 million.

- The County's total long term debt at December 31, 2010 was $16.7 million, with a remaining capacity for non-voted debt at $80.8 million. The Solid Waste Landfill Post-Closure costs are $1.1 million and other debt is $15.6 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 2010. 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 2010, 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 2010.

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, County Road Fund and Courthouse Jail Facilities Expansion 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, 2010, with 2009 comparative balances.

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Assets:						
Current Assets	$51,245,239	$39,653,765	$3,687,269	$3,502,192	$54,932,508	$43,155,957
Capital Assets	72,884,884	72,397,006	5,097,502	5,399,439	77,982,386	77,796,445
Total Assets	$124,130,123	$112,050,771	$8,784,771	$8,901,631	$132,914,894	$120,952,402
Liabilities						
Other liabilities	$2,308,317	$1,802,605	$132,609	$ 132,853	$2,440,926	$1,935,458
Long-term liabilities	14,698,525	4,205,625	2,090,428	2,158,847	16,788,952	6,364,472
Total Liabilities	$17,006,841	$6,008,229	$2,223,036	$2,291,700	$19,229,878	$8,299,930
Net Assets						
Investment in Capital Assets	$60,353,996	$70,270,795	$4,197,503	$4,424,438	$64,551,499	$ 74,695,233
Reserved	34,813,106	386,989	648,548	650,224	35,461,654	1,037,213
Unreserved	11,956,180	35,384,757	1,715,686	1,535,270	13,671,866	36,920,028
Total Net Asset	**107,123,282**	**$106,042,542**	**$6,561,737**	**$6,609,932**	**$113,685,019**	**$112,652,474**

Net Assets of the County's governmental activities were $107.1 million. The County's unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations $11.9 million.

Statement of Activities

For fiscal year ended December 31, 2010, the revenues from primary governmental funds totaled $32.9 million. Property taxes are the largest revenue source at $10.3 million, while Charges for Services are the second largest at $7.4 million.

The expenses for governmental activities totaled $31.59 million. General Government was the county's highest commitment at $8.40 million; Public Safety is the seconded highest expense for 2010 with $7.78 million. The expenses for Public Safety were contributed to the jail repairs construction costs.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues: Program Revenues:						
Charges for Services	$7,435,562	$7,359,430	$2,853,756	$3,742,678	$10,289,318	$11,102,107
Operating Grants	3,669,378	7,101,502	0	0	3,669,378	7,101,502
Capital Grants	122,747	194,577	0	0	122,747	194,577
General Revenues:						
Property Taxes	10,347,920	10,226,923	0	0	10,347,920	10,226,923
Sales Taxes	5,878,636	5,668,214	0	0	5,878,636	5,668,214
Other Taxes	4,946,562	2,980,409	0	0	4,946,562	2,980,409
Unrestricted Grants & Contributions	274,255	1,904,157	0	0	274,255	1,904,157
Unrestricted Investment Earnings	277,184	562,900	6,063	-37,769	283,247	525,130
Proceeds on Disposal Capital Assets	23,264	125,088	0	0	23,264	125,088
Total Revenues	**$32,975,509**	**$36,123,200**	**$2,859,818**	**$3,704,909**	**$35,835,328**	**$39,828,109**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Expenses:						
General Government	$8,403,516	$7,078,536		0	8,403,516	$7,078,536
Judicial	2,693,876	2,709,469		0	2,693,876	2,709,469
Public Safety	7,784,756	8,939,260		0	7,784,756	8,939,260
Physical Environment	389,247	383,168		0	389,247	383,168
Transportation	7,122,699	9,912,608		0	7,122,699	9,912,608
Economic Environment	1,204,789	1,426,630		0	1,204,789	1,426,630
Mental & Public Health	2,329,857	2,368,058		0	2,329,857	2,368,058
Culture & Recreation	1,599,225	1,512,119		0	1,599,225	1,512,119
Interest on Long Term Debt	72,009	111,567		0	72,009	111,567
Garbage & Solid Waste	0	0	2,800,597	2,651,161	2,800,597	2,651,161
Total Expenses	**$31,599,974**	**$34,441,414**	**$2,800,597**	**$2,651,161**	**$34,400,571**	**$37,092,575**
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	**1,375,535**	**$1,681,786**	**59,221**	**$1,053,748**	**1,434,757**	**$ 2,735,534**
Net Assets as of January 1	**$106,042,542**	**$103,945,281**	**$6,609,932**	**$5,924,873**	**$112,652,474**	**$109,870,154**
Prior Year Adjustments	-294,796	415,474	-107,416	-368,689	-402,212	46,785
Net Assets as of December 31	**$107,123,281**	**$106,042,542**	**$6,561,737**	**$6,609,932**	**113,685,019**	**$112,652,473**

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, County Road funds and Courthouse Jail Facilities Expansion are the three major funds in 2010. Together these funds account for 73% of the total government assets and 73% of the total government fund balance. As of December 31, 2010, the county's government funds reported combined fund balances nearly $38.9 million. Of this total amount, $29.8 million is unreserved and available for spending within the designated funds.

In the total Assets, the Cash and Investments are up from the previous year by $13.7 million, and receivables have increased by $297,819 and the due from other Governmental decreased by $2.1 million. The net change in all assets is 27% increase.

In the total Liabilities, the biggest increase is the due to other funds by $729,755 and deferred revenue which is the offset of property taxes and court receivables, by $369,849. The net change in all liabilities is 22% increase.

Governmental Fund	2010	2009	Net Change
Total Assets	46,400,300	33,782,891	12,617,409
Total Liabilities	7,454,893	5,779,580	1,675,313
Total Fund Balance	38,945,407	28,003,311	10,942,096

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2010 was $689,880. The net change in the County Road fund was a $1.57 million. Governmental funds had an overall net change in fund balance of $10.88 million for 2010. The changes in fund balances are due GO & Refunding Bond monies that have not been spent.

The overall changes in Governmental Revenues were 5% decrease. The biggest decreases in the revenues occurred Intergovernmental Revenues a 39% decrease; 2009 $11,615,603 compared to $8,380,572 in 2010 showing a reduction of $3,235,031.

The overall expenditures decreased 5% from 2009. The biggest expense was in Public Safety due to Jail Repairs of $1.68 Million.

Governmental Funds	2010	2009	Net Change
Revenues	33,981,104	35,706,124	-1,725,020
Expenditures	33,559,943	36,022,860	-2,462,917
Other Financing Sources	10,461,434	74,200	10,387,234
Net Change in Fund Balance	10,882,595	-242,537	11,125,132
Fund Balance Beginning	28,003,312	28,167,948	-164,636
Prior Year Adjustments	59,503	77,901	-18,398
Fund Balance Ending	38,945,409	28,003,312	10,942,097

Enterprise Funds Net Assets Analysis

The net assets of the Solid Waste fund as of December 31, 2010 were $6.5 million; with $1.7 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 $2.86 million in revenues and had an operating expense of $2.80 million showing a net gain of $59,740. The changes in net assets for 2010 after non-operating revenues and expenses are $59,221.

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, 2010.

GENERAL FUND	2010 Original Budget	2010 Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	10,449,000	10,449,000	-
Licenses & Permits	727,756	857,756	130,000
Intergovernmental	2,685,060	3,040,200	355,140
Charges for Services	2,000,044	2,111,916	111,872
Fines & Forfeits	1,676,490	1,676,490	-
Miscellaneous	601,823	603,423	1,600
Total Revenues	**18,140,173**	**18,738,785**	**598,612**
Expenditures			
General Governmental	6,806,811	7,044,677	(237,866)
Judicial	2,592,167	2,653,358	(61,191)
Security of Persons and Property	7,065,131	7,385,495	(320,364)
Physical Environment	122,447	122,447	-
Transportation	3,717	3,717	-
Economic Environment	587,981	699,981	(112,000)
Mental & Physical Health	-	-	-
Culture & Recreation	1,191,568	1,193,168	(1,600)
Debt Service	140,803	140,803	-
Capital Outlay	403,605	638,927	(235,322)
Total Expenditures	**18,914,230**	**19,882,573**	**(968,343)**
Excess (Deficit) Revenues over Expenditures	**(774,057)**	**(1,143,788)**	**(369,731)**
Other Financing Sources (Uses)	-	-	-
Proceeds Capital Leases	-	-	-
Restitution	500	500	-
Sale of Fixed Assets	100	171,100	(171,000)
Transfers In	544,837	544,837	-
Transfers Out	(262,031)	(312,031)	50,000
Total Other Financing Sources (Uses)	**283,406**	**404,406**	**(121,000)**
Net Change in Fund Balance	(490,651)	(739,382)	248,731
Fund Balance, January 1	3,820,019	4,001,750	(181,731)
Fund Balance, December 31	**3,329,368**	**3,262,368**	**67,000**

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

The biggest expenditure supplemental budget increases were as follows:

<u>General Governmen t</u> - $237,866 for grants awarded to the County.
<u>Security of Persons & Property</u> – $320,364 for grants awarded to the County.
<u>Capital Outlay</u>- $235,322 includes a new parking lot and other improvements awarded by a grant.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately $18.7 and total revenues received $19.1 million, or 2% above budget. The specific changes to report are taxes and licensing & permits. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales and use tax collected are slightly above the budgeted amount. Our property taxes did not come in as expected. The licenses and permits were approximately 13% above the final budget. Our changes in projections were a little under estimated when the budget was prepared.

The General Fund budgeted expenses vs. actual came in at 6% under budget. The biggest unspent budget was General Government, due to reduction in employees and contracted services.

GENERAL FUND	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	10,449,000	10,481,803	32,803
Licenses & Permits	857,756	972,365	114,609
Intergovernmental	3,040,200	3,148,503	108,303
Charges for Services	2,111,916	2,180,557	68,641
Fines & Forfeits	1,676,490	1,624,908	(51,582)
Miscellaneous	603,423	763,759	160,336
Total Revenues	**18,738,785**	**19,171,893**	**433,108**
Expenditures			
General Governmental	7,044,677	6,345,529	699,148
Judicial	2,653,358	2,541,891	111,467
Security of Persons and Property	7,385,495	7,072,669	312,826
Physical Environment	122,447	78,475	43,972
Transportation	3,717	3,717	-
Economic Environment	699,981	656,058	43,923
Mental & Physical Health	-	-	-
Culture & Recreation	1,193,168	1,175,147	18,021
Debt Service	140,803	131,947	8,856
Capital Outlay	638,927	615,398	23,529
Total Expenditures	**19,882,573**	**18,620,831**	**1,261,742**

GENERAL FUND	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (Deficit) Revenues over Expenditures	(1,143,788)	551,063	1,694,851
Other Financing Sources (Uses)	-	-	-
Restitution	500	367	(133)
Sale of Fixed Assets	171,100	597	(170,503)
Transfers In	544,837	419,064	(125,773)
Transfers Out	(312,031)	(281,211)	30,820
Total Other Financing Sources (Uses)	**404,406**	**138,817**	**(265,589)**
Net Change in Fund Balance	**(739,382)**	**689,880**	**1,429,262**
Fund Balance, January 1	4,001,750	4,217,897	216,147
Fund Balance, December 31	**3,262,368**	**4,907,777**	**1,645,409**

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, 2010, amounts to over $77.9 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 2010 were increases Construction in Progress. The 2010 ending balance for Construction in Progress is $3,052,194 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, 2010 of approximately $16,788,953. In September of 2010, the County was awarded a GO-Refund Bond in the amount of $11,185,000, with a net of discounts and premiums of $56,850.11. The bonding period is through December 1, 2030.

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 September 10, 2010. The prior rating from Standards & Poor's was affirmed an "AA-(SPUR/Stable" underlining rating.

ECONOMIC FACTORS

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

The Board of County Commissioners has elected over the past several years to increase property taxes by 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 2012 tax rate decision. The Board of County Commissioners during the 2010 Budget process elected to do a levy shift of $1 million from the County Road fund to the General Fund. In 2011, the Board of County Commissioners elected to do another $735,000 levy shift from County Road to the General Fund. During this process, the levy rate for the County Road fund declined so in 2012 the Board of County Commissioners are looking at reversing the previous levy shifts by some dollar amount. This will have an impact on the County's General Fund, but at this time the amount has not been determined.

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 2005-2006 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 first quarter of 2011, the revenues projections seem to be 28% below budget predictions.

In the Volume 2011, Number 4, Kittitas County Labor Area Summary prepared by Washington State Employment Security Department indicates home sales also had less than a stellar year in 2010. According to the Real Review Data Report: December 2010 edition (prepared by KMW Enterprises LLC, Selah, WA), the number of homes sold across Kittitas County during 2010 was 547, whereas between January and December 2009 the number of homes sold countywide was 582; a significant 6.0-percent decrease during 2010. The dollar value of these home sales contracted 1.9 percent between the 2009 and 2010; from $133.5 million to $131.0 million, respectively. However, home sales did not fall uniformly across the County. According to the December 2010 edition of this Real Review Data Report, homes sold briskly in Ellensburg last year. During the twelve months of 2010; 259 homes were sold in Ellensburg (i.e., the Lower County) versus only 223 sales in the corresponding timeframe during 2009, a 16.1-percent over-the-year increase. Hence, last year home sales contracted in the Upper County area.

What about the first four months of 2011; how do home sales stack up to sales for the first four months of last year? According to the Real Review Data Report: April 2011 edition (prepared by KMW Enterprises LLC, Selah, WA), the number of homes sold across Kittitas County from January-April 2011 was 142, whereas during the corresponding timeframe in 2010 the number of homes sold countywide was 179; a substantial 20.7-percent decrease in the first four months of the New Year. The dollar value of these home sales contracted 20.0 percent between the first four months of 2010 and 2011; from $41.1 million to $32.8 million. Although these figures only compare sales in the first four months of 2011 versus the corresponding period in 2010; it is apparent that home sales have not yet rebounded in Kittitas County.

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, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	$ 18,637,894	$ 99,693	$ 18,737,587
Investments	26,323,975	2,751,573	29,075,548
Receivables (net)	4,348,363	249,064	4,597,427
Internal Balances	5,766	(5,766)	-
Inventories	431,166	-	431,166
Due from other Governmental	1,484,062	24,469	1,508,531
Prepaid items	14,013	-	14,013
Cash restricted for landfill closure & postclosure		568,236	568,236
Capital Assets (net of accumulated depreciation)			
Land	8,523,619	280,437	8,804,056
Graveled Roads	4,079,872	-	4,079,872
Buildings	12,978,272	864,060	13,842,332
Improvements	1,355,594	3,361,403	4,716,997
Equipment	3,662,717	591,602	4,254,319
Infrastructure	39,232,614	-	39,232,614
Construction in progress	3,052,195	-	3,052,195
Total Assets	$ 124,130,124	$ 8,784,771	$ 132,914,895
LIABILITIES			
Accounts payable and accrued exp.	$ 1,926,042	$ 132,609	$ 2,058,651
Unearned revenue	196,213	-	196,213
Other current liabilities	186,061	-	186,061
Other Long Term Debt			
Due within one year	648,923	122,290	771,213
Due in more than one year	14,049,602	1,968,138	16,017,739
Total Liabilities	$ 17,006,841	$ 2,223,036	$ 19,229,878
NET ASSETS			
Invested in capital assets, net of related debt	$ 60,353,996	$ 4,197,503	$ 64,551,499
Restricted for:			
Special Revenue	22,863,901	-	22,863,901
Debt service	1,125,550	-	1,125,550
Capital projects	10,823,655	-	10,823,655
Other	-	648,548	648,548
Unrestricted	$ 11,956,180	$ 1,715,686	$ 13,671,866
Total Net Assets	$ 107,123,282	$ 6,561,737	$ 113,685,019

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, 2010

		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	$ 2,693,876	$ 1,870,455	$ 60,555	$ -	$ (762,866)	$ -	$ (762,866)
General Government	8,403,516	2,721,455	320,696	122,747	(5,238,617)	-	(5,238,617)
Public Safety	7,784,756	1,472,747	598,122		(5,713,887)	-	(5,713,887)
Physical Environment	389,247	6,136	10,191	-	(372,920)	-	(372,920)
Transportation	7,122,699	217,439	903,521	-	(6,001,739)	-	(6,001,739)
Economic Environment	1,204,789	813,199	81,721	-	(309,869)	-	(309,869)
Mental & Physical Health	2,329,857	178,377	1,694,572	-	(456,908)	-	(456,908)
Culture & Recreation	1,599,225	155,754	-	-	(1,443,471)	-	(1,443,471)
Interest on long-term debt	72,009	-	-	-	(72,009)	-	(72,009)
Total Government Activities	$ 31,599,974	$ 7,435,562	$ 3,669,378	$ 122,747	$ (20,372,286)	$ -	$ (20,372,286)
Business-type Activities:							
Garbage & Solid Waste	$ 2,800,597	$ 2,853,756	$ -	$ -	$ -	$ 53,158	$ 53,158
Total Business-Type Activities	$ 2,800,597	$ 2,853,756	$ -	$ -	$ -	$ 53,158	$ 53,158
Total Primary Government	$ 34,400,571	$ 10,289,318	$ 3,669,378	$ 122,747	$ (20,372,286)	$ 53,158	$ (20,319,127)
General Revenues:							
Property Taxes					$ 10,347,920	$ -	$ 10,347,920
Sales Taxes					5,878,636	-	5,878,636
Other Taxes					4,946,562	-	4,946,562
Unrestricted Grants & Contributions					274,255	-	274,255
Unrestricted Investment Earnings					277,184	6,063	283,247
Proceeds on Disposition of Captial Assets					23,264	-	23,264
Special Item - Gain on Disposition of capital assets					-	-	-
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					**$ 21,747,822**	**$ 6,063**	**$ 21,753,884**
Change in Net Assets					**$ 1,375,536**	**$ 59,221**	**$ 1,434,757**
Net Assets as of January 1					$ 106,042,542	$ 6,609,932	$ 112,652,474
Prior year adjustment					(294,796)	(107,416)	(402,212)
Net Assets as of December 31					$ 107,123,282	$ 6,561,737	$ 113,685,019

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2010

	General Fund	County Road	Courthouse Jail Facilities Expansion	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	$ 4,823,840	$ 4,614,673	$ 278,631	$ 6,587,713	$ 16,304,857
Investments	-	9,823,331	8,604,370	4,929,426	23,357,128
Receivables (net)	3,145,489	900,618	1,984	299,450	4,347,541
Due from other funds	398,599	239,713	-	255,572	893,884
Due from Other Governmental	206,478	778,859	-	498,725	1,484,062
Prepaid items	11,738	962	-	129	12,829
Total assets	$ 8,586,143	$ 16,358,155	$ 8,884,985	$ 12,571,017	$ 46,400,300
LIABILITIES					
Accounts payable and accrued exp.	$ 421,108	288,301	$ 153,126	$ 817,582	$ 1,680,116
Payable to other governments	232	12,030	-	105,178	117,440
Due to other funds	218,610	450,825	1,079	503,977	1,174,492
Deferred revenue	3,024,797	842,658	-	233,116	4,100,570
Unearned revenue	60	-	-	196,153	196,213
Deposits payable	13,559	7,896	-	164,606	186,061
Total liabilities	$ 3,678,366	$ 1,601,710	$ 154,205	$ 2,020,612	$ 7,454,893
FUND BALANCE					
Reserved for:					
Encumbrances, petty cash, inventory	$ 27,213	$ 2,012	$ -	$ 4,089	$ 33,314
Debt service	-	-	-	343,973	343,973
Capital project funds	-	-	8,730,780	-	8,730,780
Unreserved, reported in					-
General Fund	4,880,564	-	-	-	4,880,564
Special revenue funds	-	14,754,433	-	8,109,467	22,863,901
Capital project funds	-	-	-	2,092,875	2,092,875
Total fund balance	$ 4,907,777	$ 14,756,445	$ 8,730,780	$ 10,550,405	$ 38,945,407
Total liabilities and fund balance	$ 8,586,143	$ 16,358,155	$ 8,884,985	$ 12,571,017	$ 46,400,300

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	69,841,728
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	4,100,570
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(14,698,525)
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.	8,934,102
Net assets of governmental activities	107,123,282

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, 2010

	General Fund	County Road	Courthouse Jail Facilities Expansion	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 6,054,242	$ 3,580,609	$ -	$ 225,044	$ 9,859,895
Sales	3,733,645	-	-	2,144,991	5,878,636
Other	693,915	11,669	-	651,340	1,356,925
Licenses & Permits	972,365	7,686	-	230,653	1,210,704
Intergovernmental	3,148,503	2,871,845	-	2,360,224	8,380,572
Charges for Services	2,180,557	544,577	-	1,471,643	4,196,776
Fines & Forfeitures	1,624,908	-	-	41,137	1,666,045
Investment Earnings	188,038	49,483	5,554	13,847	256,922
Miscellaneous Revenues	575,721	21,834	-	577,074	1,174,628
Total revenues	$ 19,171,893	$ 7,087,703	$ 5,554	$ 7,715,953	$ 33,981,104
EXPENDITURES					
Current:					
Judicial	$ 2,541,891	$ -	$ 0	$ 140,820	$ 2,682,710
General Government	6,338,342	665,658	-	1,116,801	8,120,801
Public Safety	7,086,949	-	-	1,850,585	8,937,534
Physical Environ	78,475	-	-	306,468	384,943
Transportation	3,717	3,129,018	-	338,478	3,471,213
Health & Human Services	-	-	-	2,300,569	2,300,569
Economic Environment	656,058	-	-	538,373	1,194,431
Culture & Recreation	1,175,147	-	-	256,529	1,431,676
Debt Service:					-
Principal	88,104	-	-	200,246	288,350
Interest/Other Expense	43,843	-	-	93,209	137,052
Capital Outlay:					
General government	334,637	-	-	-	334,637
Judicial	-	-	-	-	-
Public safety	272,587	-	1,686,584	22	1,959,194
Physical environment	-	-	-	-	-
Transportation	-	1,722,670	-	453,588	2,176,258
Health & Human services	-	-	-	-	-
Economic environment	-	-	-	-	-
Culture & recreation	1,080	-	33,637	105,858	140,575
Total expenditures	$ 18,620,831	$ 5,517,346	$ 1,720,221	$ 7,701,545	$ 33,559,943
Excess (deficiency) of revenues over (under) expenditures	$ 551,063	$ 1,570,357	$ (1,714,667)	$ 14,408	$ 421,161

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, 2010

	General Fund	County Road	Courthouse Jail Facilities Expansion	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 419,064	$ -	$ 37,447	$ 771,764	$ 1,228,275
Transfers out	(281,211)	-	-	(947,064)	(1,228,275)
Debt Proceeds	-	-	10,408,000	777,000	11,185,000
Premium on Bond				169,628	169,628
Discounts on Bond	-	-	-	(112,778)	(112,778)
Refunding Bond				(781,576)	(781,576)
Gain on Disposition of capital assets	964	-	-	195	1,160
Total other financing sources (uses)	$ 138,817	$ -	$ 10,445,447	$ (122,831)	$ 10,461,434
SPECIAL ITEMS					
Gain on Disposition of Capital Assets	-	-	-	-	-
Net change in fund balances	689,880	1,570,357	8,730,780	(108,423)	10,882,595
Fund balances--beginning	4,208,735	13,186,089	-	10,608,488	28,003,312
Prior Period Adjustments	9,163	-	-	50,340	59,503
Fund balances--ending	$ 4,907,777	$ 14,756,446	$ 8,730,780	$ 10,550,406	$ 38,945,409

Net changes in fund balances for governmental funds		$ 10,882,595
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	$ 4,610,664	
Depreciation	(3,276,388)	
Changes in Construction in Progress	1,260,379	
Cost of Assets Sold	(1,150,513)	1,444,142
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.		
Debt Proceeds	$ (11,241,850)	
Debt Retired	288,350	(10,953,500)
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		369,849
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.		(198,793)
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.		(84,754)
Reconciling item to balance net assets between statements		(84,002)
Change in net assets of governmental activities		$ 1,375,536

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Net Assets
December 31, 2010

	Business-type Activities-- Enterprise Funds Solid Waste	Governmental Activities- Internal Service funds
ASSETS		
Current assets:		
Cash & cash equivalents	$ 99,693	$ 2,333,037
Investments	2,751,573	2,966,847
Receivables	249,064	822
Prepayment for Services	-	1,184
Due From Funds	94,618	398,334
Inventories	-	431,166
Due From Other governments	24,469	-
Total Current Assets	$ 3,219,418	$ 6,131,391
Noncurrent assets:		
Cash restricted for landfill closure & postclosure	568,236	-
Total Non-Current Assets	$ 568,236	$ -
Capital assets:		
Land	$ 280,439	$ 46,227
Buildings	1,357,200	494,459
Improvements	4,513,052	170,216
Equipment	1,095,406	6,719,814
Construction in progress	-	103,078
Less Depreciation	(2,148,593)	(4,490,637)
Total Capital Assets (net of accumulated depreci	$ 5,097,504	$ 3,043,157
Total assets	$ 8,885,157	$ 9,174,548
LIABILITIES		
Current liabilities:		
Accounts payable and accrued exp.	$ 132,609	$ 128,307
Due to other funds	100,384	111,960
Due to other governments	-	178
Landfill Closure Cost	47,290	-
Bonds, notes, loans payable	75,000	-
Total Current Liabilities	$ 355,283	$ 240,445
Noncurrent liabilities:		
Compensated absences	$ 87,495	$ -
Bonds, notes, loans payable	825,001	-
Landfill Closure Cost	1,055,642	-
Total Noncurrent Liabilities	$ 1,968,138	$ -
Total Liabilities	$ 2,323,421	$ 240,445
NET ASSETS		
Invested in capital assets, net of related debt	$ 4,197,503	$ 3,043,157
Restricted for Other	648,548	-
Unrestricted	1,715,686	5,890,945
Total net assets	$ 6,561,737	$ 8,934,102
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	
Net assets of business-type activities	$ 6,561,737	$ 8,934,102

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, 2010

	Business-type Activities--Enterprise Funds	Governmental Activities- Internal Service funds
	Solid Waste	
OPERATING REVENUES		
Charges for Services:		
Garbage & Solid Waste	$ 2,860,337	$ -
Other services	-	1,687,770
Total operating revenues	$ 2,860,337	$ 1,687,770
OPERATING EXPENSES		
Maintenance & operations	$ 2,606,078	$ 1,262,844
Administrative & general	-	61,435
Depreciation	194,519	492,637
Total operating expenses	$ 2,800,597	$ 1,816,916
Operating income (loss)	$ 59,740	$ (129,146)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	$ 6,063	$ 20,262
Gain (loss) on Disposition of Capital Assets	-	22,105
Landfill Closure Revenues (Cost)	(4,548)	-
Miscellaneous nonoperating revenues (expenses)	(2,033)	2,026
Total non-operating income (expense)	$ (519)	$ 44,392
Income before contributions & transfers	$ 59,221	$ (84,754)
Transfers In	-	-
Change in net assets	$ 59,221	$ (84,754)
Net assets--beginning	6,609,932	- 8,998,653
Prior Period Adjustment	(107,416)	-
Increase/Decrease Retained Earnings	-	20,203
Net assets--ending	$ 6,561,737	$ 8,934,102

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

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2010

	Business - Type Activity	Governmental Activities
	Solid Waste	Internal Service funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 2,813,649	$ 1,563,320
Cash payments to suppliers	(2,603,771)	(1,214,217)
Net cash provided (used) by operating activities	**$ 209,878**	**$ 349,103**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Non-Oper. Rents and Charges	$ -	$ 2,026
Net cash provided from noncapital activities	**$ -**	**$ 2,026**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Sale of Capital Assets	$ -	$ 23,350
Payments for Capital Acquisition	-	(635,313)
Payment on Long Term Debt	(75,000)	-
Net cash provided (used in) capital financing activities	**$ (75,000)**	**$ (611,963)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Interest	$ 5,964	$ 41,741
Purchase of Investment	(651,798)	101,075
Net cash flows from investing activities	$ (645,834)	$ 142,816
Net increase (decr.) in cash and cash equivalent	$ (510,956)	$ (118,018)
Cash and cash equivalents at beginning of year	$ 1,178,884	$ 2,451,055
Cash and cash equivalents at end of year	$ **667,928**	**$ 2,333,037**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net operating income (loss)	$ 59,740	$ (129,146)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation expense	$ 194,519	$ 492,637
(Increase) decrease in accounts receivable	(64,403)	-
(Increase) decrease in due from other funds	8,210	(124,450)
(Increase) decrease in due from other governmental	9,505	-
(Increase) decrease in Prepayment for Services	1,676	1,250
Increase (decrease) in Salaries payable	154	(1,713)
Increase (decrease) in vouchers payable	(282)	(64,583)
Increase (decrease) in due to other funds	876	109,664
Increase (decrease) in inventory	-	69,144
Increase (decrease) in Accounts Payable	-	(3,398)
Increase (decrease) in Due to other Governments	-	(303)
Increase (decrease) in Taxes Payable	(116)	-
Total Adjustments	**$ 150,138**	**$ 478,248**
Net cash provided by operating activities	**$ 209,878**	**$ 349,103**

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

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Assets
December 31, 2010

	Private Purpose Trust	Agency Funds
ASSETS		
Cash/Petty Cash	$ 90	$ 12,819,575
Cash with Fiscal Agency	-	158,990
Investments	1,948	12,619,015
Taxes Receivable	-	4,918,705
Other Receivables	0	(0)
TOTAL ASSETS	$ 2,038	$ 30,516,285
LIABILITIES		
Warrants Payable	$ -	$ 2,979,030
Salary/Vouchers Payable	-	1,045,272
Custodial Accounts	-	21,415,884
Other Current Notes Payable	-	157,395
Deferred Revenues	-	4,918,705
TOTAL LIABILITIES	$ -	$ 30,516,286
Net Assets		
Restricted for:		
Trust Fund	$ 2,038	$ 0
Total Net Assets	$ 2,038	$ 0

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, 2010

		Private Purpose Trust
Additions		
Investment Earnings	$	5
Miscellaneous Revenues		-
Total Additions	$	5
Deductions		
Culture & Recreation	$	-
Total Deductions	$	-
Net change in net assets		5
Fund balances--beginning		2,033
Fund balances--ending	$	2,038

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Kittitas County is a general purpose government and provides public safety, road improvement, parks and recreation, judicial administration, health and social services 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 other two major funds reported are County Road and Courthouse/Jail Facilities Expansion. 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, 2010, the treasurer was holding $31,842,159.90 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. Investments are reported on the statements at fair value. The interest on these investments is credited to the General Fund.

The 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 2010 were approximately $3,610,000.

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, 2010, 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 expenditure at the time individual inventory items are purchased.

Inventories in Proprietary Funds are valued at cost using the average cost method, which approximates the market value. Items that are inventoried are Pits, Central Stores, Mechanical Parts, Fuel Depot and Sign Inventory.

6. CAPITAL ASSETS

See Note Number 6.

Capital assets, which includes property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the county as assets with an initial, individual cost of more than $5,000.00 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.

Computer Software that is purchased with a cost of over $5,000 is budgeted as a capital expense in the governmental funds, but is not capitalized.

Capital Leases are defined as long term debt to the county. The asset is tracked but there is not value placed in the Capital Assets. Capital Leases are determined by one of the following four criteria; 1) The lease transfers ownership of the property to the lessee by, or at, the end of the lease term; 2) The lease contains an option to purchase the leased property at a bargain price; 3) The lease is equal to or greater than 75% of the estimated economic life of the leased property; 4) The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90% of the fair value of the lease property. See Note Number 11

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

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

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

Assets	Years
Buildings & Improvements	5-60
Improvements other than Buildings	5-50
Machinery & Equipment	3-20
Roads & 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 $87,495.

For Governmental Funds, unused vacation, comp time and sick leave as of December 31, 2010 are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Total vacation and sick leave pay-off recorded during 2010 for all Governmental Funds was $54,442. 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 and assessment receivables. Also included are court receivables for the General fund and Misdemeanant Probation. This account includes amounts recognized as a receivable but not revenues in Governmental Funds because the revenue recognition criteria have not been met.

11. FUND RESERVES AND DESIGNATIONS

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 $4,880,564 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 $15,475 in petty cash and $11,737 in prepaid services.

For the Special Revenue Funds, County Road has in reserved fund balance $1,050 in petty cash, $962 in prepaid services, and $100,763 in funds set aside for paths and trails. Airport has $129 designated for prepaid items. Public Health has in reserved fund balance $910 in petty cash. Public Health also has in designated fund balance $157,351 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, $568,236 in cash restricted for landfill closure and post closure ($326,209 for the Ryegrass landfill and $242,027 for the Limited purpose landfill), and $78,512 for equipment reserve.

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.

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	$ 69,841,727
Other long-term assets are not available to pay for current-period expenditures	$ 4,100,570

and are therefore deferred in the funds

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	$(14,698,525)
Internal service funds are used by management to change the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets	$ 8,934,102
Net adjustment to increase total governmental funds to arrive at net assets-governmental activities	$ 68,177,874

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.

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

Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Capital outlays	$4,610,664	
Depreciation	(3,276,388)	
Changes in Construction in Progress	1,260,379	
Cost of Assets Sold	(1,150,513)	$ 1,444,142

The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principle is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.

Debt Proceeds	$(11,241,849)	
Debt retired	288,350	$(10,953,500)

Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds	$ 369,849
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	$ (198,793)
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	$ (84,754)
Reconciling item to balance net assets between statement	$ (84,002)
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	$ (9,507,058)

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

DEPOSITS

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

INVESTMENTS

It is the County's policy to invest all temporary cash surplus. At December 31, 2010, the treasurer was holding $31,842,159.90 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. Investments are reported on the statements at fair value. The interest on these investments is credited to the General Fund.

As of December 31, 2010, the County had the following investments:

Investment Maturities	**Fair value of Investments**
State Investment Pool	$63,469,257.67
U.S. Government Securities	10,069,413.74
Total	$73,538,671.41
Less Co. Residual	($31,842,159.90)
Net Investments	$41,696,511.51

Credit Risk

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

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

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

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

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

Investments by Fund

Fund	Total Investments
County Road	9,823,330.86
Special Revenue-Non Major	4,607,507.49
Debt Service	306,932.32
Capital Projects	8,619,357.03
Total Governmental Funds	**$23,357,127.70**
Solid Waste- Proprietary Fund	2,751,573.37
Internal Service Funds	2,966,847.4
Total Proprietary Funds	**$5,718,420.77**
Agency Funds	12,620,963.04
TOTAL	**$41,696,511.51**

Balance Sheet – Governmental Funds				
	General Fund	**County Road**	**Other Governmental Funds**	**Total Governmental Funds**
Assets				
Investments	$ -	$9,823,331	$13,533,797	$23,357,128

Proprietary Funds Statement of Net Assets		
	Business-type Activities Enterprise Funds	**Governmental Activities Internal Service Funds**
Assets		
Investments	$2,751,573	$2,966,847

Agency Funds Combining Balance Sheet	
Assets	
Investments	$12,620,963

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 2009 for the 2010 tax County levied the following property taxes on an assessed value of $6,411,783,255. The Road district property value assessed was $4,553,573,271.

Fund	Levy	Amount
General fund	.994662	$6,377,557.16
Mental Health	.024954	159,999.64
Veterans Relief	.011697	74,998.63
Total General fund Levy*	**1.031313**	**$6,612,555.43**
Road Levy	.831793	$3,787,630.37
County Road Diverted	.018666	84,997.00
Total Road Levy*	**.850459**	**$3,872,627.37**
GRAND TOTAL	**1.881772**	**$10,485,182.80**

*Levy Shift of $1,000,000 from Road Levy to General Fund

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 is shown by asset type in the following table. The biggest increases occurred under Government Activities is for construction in progress. This includes the construction on the Jail repairs, new Jail Pod, Upper District Court and the Armory the amount of $2,323,931.

There were no increases in Business Activity in Solid Waste.

GOVERNMENT ACTIVITES	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	3,052,209	337,525	0	(26,024)	3,363,710
Gravel Roads*	0	0	0	4,079,872	4,079,872
Easements & Right of Ways	0	13,936	11,421	5,157,394	5,159,909
Construction in Progress	1,791,816	2,323,931	935,060	(128,492)	3,052,195
Total	**4,844,025**	**2,675,392**	**946,481**	**9,082,750**	**15,655,687**
Assets Being Depreciated					
Buildings & Improvement	21,459,632	1,056,195	0	(391,329)	22,124,498
Improvements	1,644,510	393,843	0	(128,957)	1,909,396
Equipment	10,956,200	1,165,434	746,547	(325,119)	11,049,968
Infrastructure	147,587,631	1,558,897	392,545	(9,237,266)	139,516,717
Total	**181,647,973**	**4,174,369**	**1,139,092**	**(10,082,271)**	**174,600,579**
Grand Total	**186,491,999**	**6,849,762**	**2,085,573**	**(999,922)**	**190,256,266**
Less accumulated depreciation for:		**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Buildings & Improvements	8,548,552	944,969	0	(347,295)	9,146,226
Improvements	422,006	263,346	10,035	(121,515)	553,802
Equipment & Machinery	7,088,728	1,238,404	644,063	(295,818)	7,387,251
Infrastructure	98,035,707	2,583,909	335,513	0	100,284,103
Total	**114,094,993**	**5,030,628**	**989,611**	**(764,629)**	**117,371,382**
Total Government Activities, net	**72,397,006**	**1,819,134**	**1,095,962**	**(235,293)**	**72,884,884**
BUSINESS TYPE ACTIVITIES		**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Assets not being depreciated					
Land	280,439	0	0	0	280,439
Construction in Progress	-	0	0	0	0
Total	**280,439**	0	0	0	**280,439**
Assets Being Depreciated					
Buildings & Improvement	1,357,200	0	0	0	1,357,200
Improvements	4,513,052	0	0	0	4,513,052
Equipment	1,202,822	0	0	(107,416)	1,095,406
Total	**7,073,074**	**0**	**0**	**(107,416)**	**6,965,658**
Grand Total	**7,353,513**	**0**	**0**	**(107,416)**	**7,246,097**
Less accumulated depreciation for:		**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Buildings & Improvements	435,003	58,137	0	0	493,140
Improvements	995,346	156,302	0	0	1,151,649
Equipment & Machinery	523,724	87,496	0	(107,416)	503,804
Total	**1,954,074**	**301,935**	**0**	**(107,416)**	**2,148,593**
Business Activities Capital Assets, net	**5,399,439**	**(301,935)**	**0**	**0**	**5,097,504**

Adjustments

During the year, staff has performed several internal audits of items that were in the capital assets. As a result of the audits, we had adjustments that occurred.

The Governmental Activities shows in the adjustment column $999,992 as a decrease. This is an inventory adjustment for items that has been previously disposed and for duplicate entries. The depreciation in the amount of $764,628 is the related to the above equipment. The net result is $235,292. There is an adjustment in the amount of $9,237,266 removed from Infrastructure and added to Gravel Roads and Easements & Right of Ways as these assets are not depreciated.

The Business Type Activities shows in the adjustment column $107,416 as a decrease. This is an inventory adjustment for items have been previously disposed. The amount of $107,416 is the related depreciation to the above equipment.

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

Government Activities	
Function/Program	Amount
Government activities	$ 237,006
Judicial Services	2,650
Public Safety	267,908
Physical Environment	11,106
Transportation	2,551,012
Health and Human Service	32,508
Economic Environment	0
Culture and Recreation	174,198
Total	**$ 3,276,388**

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	$194,519
Total	**$194,519**

*See Required Supplementary Information

NOTE 7 - PENSION PLANS

A. WASHINGTON STATE RETIREMENT PLANS

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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; or it may be downloaded from the DRS website at www.drs.wa.gov. 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 members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or 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 Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf, Operation Iraqi Freedom.*

PERS 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 monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 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 for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, 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.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

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 Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

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) enacted in 2006. 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 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of 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 percent 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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
Total	**262,166**

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 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. 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 Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent 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, 2010, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% 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 3.90% 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*	7.81%	7.81%	7.81%**
Employer-Local Government*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%***
Employee-Local Government	12.26%	9.75%	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 the 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
2010	$19,383	$320,316	$71,482
2009	$30,385	$573,233	$91,835
2008	$37,123	$609,539	$110,000

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 members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned 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 Chapter 41.26 RCW and may be amended only 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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

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 2 percent of the FAS per year of service. (FAS are 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 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, 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 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	3,944
Total	**27,435**

Funding Policy

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, 2010, are as follows:

	LEOFF Plan 1	**LEOFF Plan 2**
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for ports and universities is 8.62%.

Both the 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**
2010	$0	$108,189
2009	$0	$110,309
2008	$0	$94,143

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 the following: 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 one of the following:

- 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.
- Primary responsibility to ensure the custody and security of incarcerated or probationary individuals.
- Limited authority to function as a Washington peace officer, as defined in RCW 10.93.020.
- 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 Chapter 41.37 RCW 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 10 years of PSERS service credit, with an allowance of 2 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 3 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 3 percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

PSERS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	4,340
Total	**4,342**

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 payroll, as of December 31, 2010, are as follows:

	PSERS Plan 2
Employer*	7.85%
Employee	6.55%

· 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
2010	$57,101
2009	$61,330
2008	$52,974

B. DEFERRED COMPENSATION PLAN

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

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

NOTE 8 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

Kittitas County was one of the twenty-eight members of the Washington Counties Risk Pool ("Pool") during 2010. Other members included: Adams, Benton, Chelan, Clallam and Clark, Columbia, Cowlitz, Douglas and Franklin, Garfield, Grays Harbor, Island and 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 Washington's "pooling" laws, more specifically Chapters 48.62 RCW and 82.60 WAC and 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 2008 through September 2009):

- *Operating Income* was experienced during the year of $1.15 million, a 40% increase from FY-2008.

- *Interest Income* slipped to just $0.22 million (-65%) due to the nearly non-existent interest rates associated with the national and worldwide recession.
- *Total Assets* grew by $4.64 million (15%) to more than $35.71 million. Specifically, current assets increased $4.69 million (16%) while non-current assets decreased $0.05 million (-4%).
- 966 cases were added to the Risk Pool's claims-related database during the year which raised the to-date (Oct. 1988 – Sep. 2009) total of third-party liability claims and lawsuits submitted by WCRP member counties to 16,470. Only 492 cases remained classified as "open" at year's end. Independent actuarial estimates suggest another 553 claims may be filed for covered occurrences from all years-to-date through September 2009.
- *Net Assets* (also referred to as *Members' Equity*) increased nearly $1.38 million to more than $8.16 million at September 30, 2009. $6.35 million is classified as 'Restricted' to satisfy the Section D provisions of the WCRP Underwriting Policy that were enhanced by the Board of Directors in March 2007. Another $1.06 million is invested in *Capital Assets* (net of debt). The remaining $0.76 million is listed as 'Non-Restricted' and is available. The WCRP Board of Directors is the authority to decide if, how much, and when distributions of any (Non-Restricted) *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 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. These professionals are in addition to the many contracted and in-county 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 500 cases. Other staffers provide various member services including conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverage's 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 by superior-rated commercial carriers. The remaining insurance, up to $15 million, is acquired from superior-rated commercial carriers 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 commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. Twenty-six counties purchased this program during 2009.

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 coverage's.

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, 2010 remains at 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 2010, the County had a credit account balance of $50,982 and subsequently we received a refund for the year 2009 in the amount of $17,888 leaving an accumulated credit balance of $68,870.

C. UNEMPLOYMENT COMPENSATON

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security $90,754 in unemployment charges in 2010. The County also contracts with TALX Corporation to assist with the claims handling, and in 2010 we paid $1,622

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2010 and no short-term debt activities during 2010.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT

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
"2001" Grandstand Renovation	4.25% - 5.10%	$0
TOTAL		**$0**

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 “2001” Grandstand Renovation debt is scheduled to be refunded on an advance basis in 2011. The County issued the Limited Tax G.O. & Refunding bonds in 2010 in the amount of $11,185,000 which included the refunding of the “2001” Grandstand Renovation debt. A portion of the proceeds of the Bonds, together with other funds of the County, will be escrowed to the redemption date for the Refunded Bonds at which time the Refunded Bonds will be redeemed at a price of par plus accrued interest to the date of redemption. The redemption date for the Refunded Bonds is June 1, 2011. US Bank currently holds in escrow $781,576.96 for the refunding of these bonds.

Limited Tax General Obligation Bonds, 2001

Maturity	Principal Amount	Interest Rate	CUSIP No.
December 1, 2011	$135,000	4.70%	498226AK5
December 1, 2012	140,000	4.80	498226AL3
December 1, 2013	150,000	4.90	498226AM1
December 1, 2014	155,000	5.00	498226AN9
December 1, 2015	165,000	5.10	498226AP4

$745,000

Kittitas County, Washington

Limited Tax General Obligation Bonds, 2001

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
12/01/2010	-	18,290.00	18,290.00	-	-	18,290.00	18,290.00
06/01/2011	745,000.00	18,290.00	763,290.00	-	-	18,290.00	18,290.00
12/01/2011	-	-	-	135,000.00	4.700%	18,290.00	153,290.00
06/01/2012	-	-	-	-	-	15,117.50	15,117.50
12/01/2012	-	-	-	140,000.00	4.800%	15,117.50	155,117.50
06/01/2013	-	-	-	-	-	11,757.50	11,757.50
12/01/2013	-	-	-	150,000.00	4.900%	11,757.50	161,757.50
06/01/2014	-	-	-	-	-	8,082.50	8,082.50
12/01/2014	-	-	-	155,000.00	5.000%	8,082.50	163,082.50
06/01/2015	-	-	-	-	-	4,207.50	4,207.50
12/01/2015	-	-	-	165,000.00	5.100%	4,207.50	169,207.50
Total	**$745,000.00**	**$36,580.00**	**$781,580.00**	**$745,000.00**	**-**	**$133,200.00**	**$878,200.00**

Yield Statistics

Average Life	3.270 Years
Weighted Average Maturity (Par Basis)	3.270 Years
Average Coupon	5.4674504%

Refunding Bond Information

Refunding Dated Date	9/30/2010
Refunding Delivery Date	9/30/2010

During 2010, the County issued bonds in the amount of $11,185,000. The Bonds are being issued for the purpose of construction of repairs and expansion of the County Jail, acquisition of a building for court facilities, remodel of a building on the County fairgrounds, refunding of an advanced basis the County's Limited Tax General Obligation Bonds, 2001, paying the costs of issuance of the Bonds, and other legal purposes of the County. The federal arbitrage regulations apply to the 2010 GO & Refund Bonds debt.

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

Purpose	Interest Rate	Amount
Limited Tax General Obligation and Refunding Bonds, 2010	2%-3.75%	$11,185,000
Reoffering Premium or (Discount)		169,628
Total Underwriter's Discount (1.008%)		(112,778)
TOTAL		**$11,241,850**

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2011	$495,000	$384,199
2012	560,000	318,631
2013	575,000	307,431
2014	580,000	295,931
2015	600,000	284,331
2016-2020	2,375,000	1,237,544
2021-2025	2,760,000	835,913
2026-2030	3,240,000	356,825
TOTAL	**$11,185,000**	**$4,020,805**

2. LONG TERM LIABILITIES

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 $688,028.34 in September, 2012. The amount of the loan currently outstanding is:

Purpose	Interest Rate	Amount
Cummings/Berry Purchase	5.5%	$772,070
TOTAL		**$772,070**

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

Year Ending December 31	Principal	Interest
2011	$49,608	$41,229
2012	722,462	$26,015
TOTAL	**$772,070**	**$67,244**

3. SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

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

Purpose	Interest Rate	Amount
Solid Waste Loan	5%	$900,000
TOTAL		**$900,000**

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

Year Ending December 31	Principal	Interest
2011	$75,000	$4,500
2012	75,000	4,125
2013	75,000	3,750
2014	75,000	3,375
2015	75,000	3,000
2016-2020	375,000	9,375
2021-2022	150,000	1,125
TOTAL	**$900,000**	**$29,250**

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%	$0
TOTAL		**$0**

At December 31, 2010, Kittitas County has $339,459.41 available in debt service funds to service the general bonded debt.

5. DEBT LIMITS

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

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

The total tax property value was $6,411,783,255 and the debt limits for the County as of December 31, 2010 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	$80,830,187
General Purposes – with a vote of the people	$160,294,581

NOTE 11 – LEASES

A. OPERATING LEASES

The county leased copiers and a postage machine under non-cancelable operating leases. Total cost for such leases was $4,182 for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2011	$318
2012	318
2013	265
2014	0
2015	0
Total	**$901**

B. CAPITAL LEASES

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

The following table is a listing of the outstanding debt on the capital leases for 2010.

Asset	Governmental Activities
Mail Machine	$9,418
Sharp MX-C401 Copier-UDC	8,498
DM 525 Mail Machine-UDC	12,401
OCE-IM 5530 Copier-Treasurer	2,904
Sharp MX-C311 & Xerox W5655-Prosecutor	21,811
Sharp MX-5500N Copier – Prosecutor	6,501
IM 4511 Doc Feeder-Courthouse-Prosecutor	4,950
Ricoh 760D Scanner – Prosecutor	4,568
Sharp ARM-455N Copier – Sheriff	4,291
Kyocera Mita Copier – Sheriff	1,004
Sharp MX-3100N & MX-M453N-Sheriff	31,935
Konica Minolta – CDS	5,633
OCE CM 4521 Copier – Public Health	12,548
Xerox W5655PT – Juvenile/Clerk/Sup Court	11,281
Total	**$137,743**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2010, are as follows:

Year Ending December 31	Governmental Activities
2011	$53,820
2012	33,834
2013	24,453
2014	20,454
2015	5,182
Total Minimum Lease Payments	$137,743
Less: Interest	0
Present Value of Minimum Lease Payments	**$137,743**

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2010, the following changes occurred in long-term liabilities: The Kyocera Mita Copier that was transferred from Community Development Services in 2009 to the Sheriff's office incurred a higher monthly payment than the original lease required due to changes in its' usage. This amounted to an increase to the beginning balance due in the amount of $1,396. The Sheriff's dish machine was bought at the end of the lease term in 2010, with a buyout amount of $180. Upper District Court traded in their Sharp Copier and their DM Mail Machine for new equipment totaling a reduction of -$1,001. The total adjustment to Capital Leases in 2010 was $575. 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). The landfill closure cost liability has been reported for Business-Type Activities (See Note 18). During 2010, the County issued bonds in the amount of $11,241,850. The Bonds are being issued for the purpose of construction of repairs and expansion of the County Jail, acquisition of a building for court facilities, remodel of a building on the County fairgrounds, refunding of an advanced basis the County's Limited Tax General Obligation Bonds, 2001, paying the costs of issuance of the Bonds, and other legal purposes of the County.

	Beginning Balance 01/01/10	Additions	Adjustments	Reductions	Ending Balance 12/31/10	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	$940,000	$11,241,850	$0	$940,000	$11,241,850	$495,000
Capital Leases	98,417	100,740	575	61,989	137,743	53,820
Compensated Absences	2,079,414	88,223	0	0	2,167,637	50,495
Long Term Liabilities	819,139	0	0	47,069	772,070	49,608
Other Post Employment Benefits	268,655	110,570	0	0	379,225	0
Total	**$4,205,625**	**$11,541,383**	**$575**	**$1,049,058**	**$14,698,525**	**$648,923**
Business-Type Activities						
Compensated Absences	$85,462	$2,033	$0	$0	$87,495	$0
Long-Term Liabilities	975,001	0	0	75,000	900,001	75,000
Landfill Closure Cost	1,098,383	$55,657	$	$51,108	$1,102,932	47,290
Total	**$2,158,846**	**$57,690**	**$0**	**$126,108**	**$2,090,428**	**$122,290**
GRAND TOTAL	**$6,364,471**	**$11,599,073**	**$575**	**$1,175,166**	**$16,788,953**	**$771,213**

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 2010 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, 2010.

County Contingent Liability Litigation Cases

1. Manna Funding, LLC v. Kittitas County (07-2-00340-4; 08-2-00425-5): Plaintiffs allege that the County's denial of a rezone application would cause Plaintiffs to incur substantial financial damages. The matter was referred to the Washington Counties Risk Pool and the Superior Court remanded the matter to the Kittitas County Planning Commission with directions to conduct a "meaningful open record hearing." The rezone application was again denied and a Land Use Petition for Review was filed in Kittitas County Superior Court. The matter was forwarded to the Washington Counties Risk Pool. The Superior Court remanded the case back to the Kittitas County Board of Commissioners on February 5, 2009. The Board issued the rezone promptly. The applicant later moved forward with an action for damages that is being handled by the Risk Pool.

2. Cameron, Gleason Properties, LLC, Fremmerlid & Taylor, et al v. Kittitas County – Consolidated under 08-2-00161-2 (Cameron): Plaintiffs allege that County's denial of their (all four petitioners) Lot Performance Based Cluster Plat would cause Plaintiffs to incur substantial financial damages. Although this is a petition under the Land Use Petition Act, the Plaintiffs alleged violations of

their substantive and procedural due process rights and violations of 42 USC § 1983 and chapter 64.40 RCW. The matter was referred to the Washington Counties Risk Pool. The County was successful and the developer appealed to the Court of Appeals. This case is currently with the Court of Appeals under cause number 275922, also handled by the Washington Counties Risk Pool. It is stayed pending a subsequent development application.

3. Darryl Piercy v. Kittitas County: Mark McClain, Alan Crankovich and Paul Jewell (09-2-038484-4; Yakima County): Plaintiff alleges wrongful termination by Kittitas County in ending Mr. Piercy's employment with the County. Defense attorney filed a Notice of Intent to Withdraw on May 28, 2010. This matter was referred to the Washington Counties Risk Pool.

4. James Harum v. Kittitas County (10-2-00289-4): Lawsuit filed in Grant County Superior Court on March 3, 2010 as continuation of claim filed by James Harum against Kittitas County on October 7, 2009, Kittitas County Claim No. 200910070014. Plaintiff alleges that Sheriff Gene Dana and his staff at the Kittitas County Sheriff's Office created a harassing and hostile work environment at the Sheriff's Office. The matter was referred to the Washington Counties Risk Pool.

5. NetJets Aviation, Inc. v. State of Washington, et al (10-2-05135-1); Summons and Complaint filed in San Juan County Superior Court against the State of Washington Department of Revenue, Kittitas County and various other Washington counties for refund of property taxes. This matter was referred to the Attorneys General's Office for Tender of Defense.

6. Haley E. Weeks v. Kittitas County: Plaintiff alleges personal injury and damages resulting from the alleged negligence of Kittitas County and the county's Public Works Department by failing to maintain safe driving conditions, which caused Ms. Weeks to become involved in a motor vehicle collision after she lost control of her vehicle in ice and snow conditions. This matter was referred to the Washington Counties Risk Pool. The case was dismissed on Summary Judgment but the Plaintiff has since appealed.

Civil Claims Pending

7. Deborah McPherson
   Claimant states that a county employee, Daniel Davis, backed into her vehicle and caused damage to the left front of her vehicle. Ms. McPherson provided three estimates of $2,324.35, $2,341.27 and $2,853.48 to repair the damages. This claim was filed October 29, 2010 and was still pending as of December 31, 2010. Claim has since been approved by the Board of County Commissioners and paid.

8. Joshua McDonald
   Claimant states that a county owned dump truck was losing gravel from and said gravel fell onto claimant's vehicle causing damage to the windshield. Mr. McDonald provided an estimate for $365.26 and for $467.10 to replace the windshield in his vehicle. This claim was filed October 5, 2010 and was still pending as of December 31, 2010. This claim was deemed denied by the Board of County Commissioners on January 25, 2011.

9. Candi Eslinger (Greg Eslinger ETUX)
   Claimant states that a Kittitas County Sheriff's Deputy backed into their vehicle with a county owned patrol car causing damage to the left front fender and driver's side door of said vehicle. Monetary damages are sought in the amount of $1,642.65 to repair the vehicle damage. This claim was filed October 26, 2010 and was still pending December 31, 2010. This claim has since been approved by the Board and County Commissioners and paid.

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, 2010 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

		Due From						
		General Fund	County Road	Non Major Government	CTHSE/Jail Facilities Expansion	Solid Waste	Internal service	**TOTAL**
Due To	General Fund	$94,494	$123,566	$337	$0	$0	$213	**$218,610**
	County Road	53,059	0	2,890	0	0	394,876	**$450,825**
	Non-Major Governmental	242,558	7,392	251,146	0	0	2,883	**$503,979**
	CTHSE/Jail Facilities Expansion	800	0	279	0	0	0	**$1,079**
	Solid Waste	4,846	0	920	0	94,618	0	**$100,384**
	Internal Service Funds	2,842	108,755	0	0	0	362	**$111,959**
	TOTAL	**$398,599**	**$239,713**	**$255,572**	**$0**	**$94,618**	**$398,334**	**$1,386,836**

B. Interfund Transfers

Interfund transfers during 2010 included contributions between funds. The balances were as follows:

		Transfer From				
Transfer To		General fund	County Road	CTHSE/Jail Facilities Expansion	All Others	Total
	General Fund	$ -	$ -	$37,447	$243,764	**$281,211**
	All Others	419,064	-	0	528,000	**947,064**
	Total	**$419,064**	**$ -**	**$37,447**	**$771,764**	**$1,228,275**

NOTE 15 – RECEIVABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2010 were as follows:

	Accounts	Taxes	Total
Total Government	$822	$4,299,594	$4,300,416
Total Business	$249,064	$0	$ 249,064

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 2010 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	$ 40,000	$42,881
City of Ellensburg Support	68,520	49,803
Tour Fees	17,000	9,422
Other	14,200	25,844
Total Revenues	$139,720	$127,950

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 2010, expenditures of $77,153 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 $379,225 is included as a noncurrent liability on the Statement of Net Assets.

Annual Required Contribution (ARC)	$ 187,723
Interest on net OPEB obligation	0
Annual OPEB cost	$ 187,723
Less: Contributions made	(77,153)
Increase in net OPEB obligation	$ 110,570
Net OPEB Obligation beginning of year 2009	268,655
Net OPEB Obligation end of year 2010 (NOO)	$379,225

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OBEB Cost	Percentage of Annual OBEB Cost Contributed	Net OPEB Obligation
12/31/2008	204,692	33.0%	137,106
12/31/2009	193,917	32.0%	131,549
12/31/2010	187,723	41.1%	110,570
		TOTAL	379,225

D. FUNDING STATUS

As of December 31, 2010, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $2,016,062 and the actuarial value of the assets was $0 resulting in a UAAL of $2,016,062 Historically, Kittitas County has used a pay-as-you-go approach to funding.

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.22 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 Station and the balefill. A three year contract was signed.
February 1996	Major Flooding at the Ellensburg transfer station
March 1996	Leachate observed flowing from the southern tip of Ryegrass balefill
August 1996	Fire at balefill
December 1996	Record snowfall and snowload resulted in the collapse of the Ellensburg transfer station baler building
December 1996	A major fire broke out at Ryegrass balefill
January 1998	Flooding at Ellensburg transfer station
June 1998	Department of Ecology Air Quality Program issued an Order under RCW 70.94 requiring corrective action in operations of the balefill.
September and December 1998	Chloride levels in ground watering monitoring Well B-4 exceeded groundwater standards.
April 1998	Began discussion/negotiations on an Agreed order under the Model Toxics Control Act for closure of the landfill with the Department of Ecology.
April 1998	The Landfill is closed and not accepting any more garbage. The landfill has been covered and must be monitored for 30 years.
December 21, 2004	Resolution 2004-132 Established Reserve Fund 401-011 CDL Post Closure. This money is to be used for the closure and post closure care of the Limited Purpose Landfill which the County operates.
January 2005	CDL post Closure account was started with $200,000

The Ryegrass landfill was closed to new garbage waste in 1998 due to a Washington Department of Ecology Agreed Order. The closed bale fill will be monitored through 2028. The County still continues to accept construction demolition at its limited purpose landfill. The limited purpose landfill is expected to be operational until 2021 after which time it will be monitored for 20 years. State and federal laws and regulations including WAC 1273.350 required Kittitas County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. GASB 18 establishes the standards for accounting and financial reporting for municipal solid waste landfill closure and post-closure costs.

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

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

RyeGrass Landfill Post Closure

In 2009 the County estimated the liability for post-closure care cost for the Ryegrass landfill to be $645,477. The 2010 actual costs for post-closure care was $51,108 leaving a liability of $594,369. As required by federal, state, and local regulations, cash in the amount of $326,209 has been restricted for post-closure care. A contracted professional estimate for the Ryegrass post-closure care costs is in the process of being completed.

RyeGrass Closure Account	Recorded Liability	Actual Costs	Year	Cash Reserve
12/31/08	662,080	(16,602)	2009	326,209
12/31/09	645,477	(51,108)	2010	326,209
12/31/10	594,369			

Limited Landfill Post Closure

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. Based upon the report from RW Beck, the estimated closure costs are $908,847. The closure is estimated to be 2021 with post-closure activities to occur through 2041. The total cost of completing post-closure for the 20 year period is $242,760 (2004 dollars). The total landfill capacity is 470,258 cubic yards. The total amount of capacity used through December 31, 2010 is 207,671.

The recorded liability for December 31, 2010 is calculated as follows:

Total Closure Cost	$1,151,607.00	($908,847 + 242,760 post-closure)
X	207,671.00	Cumulative capacity used in 2010
	239,155,377,297.00	
÷	470,258.00	Total landfill capacity
	508,562.06	Estimated liability for post-closure
-	452,905.52	2009 Liability recorded
	55,656.54	2010 Liability recorded

As required by federal, state, and local regulations, cash in the amount of $242,027 has been restricted for post –closure care.

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

NOTE 19 – OTHER DISCLOSURES

A. ACCOUNTING AND REPORTING CHANGES

A. NEW FUND – 2010 GO& Refund Bond

The Board of County Commissioners adopted Resolution 2010-99, to establish 2010 GO & Refund bond fund.

The county was approved for a GO and refunding bond in the amount of $11,185,000. The description of the bond is included in Note 10. The bond was obtained to complete several projects as listed below. The 2001 Fair Bond was refunded in the amount of $781,576 as part of the bond package.

Jail Repairs & Maintenance	$ 1.3 Million
Jail Expansion	$ 6.1 Million
Armory Project	$ 1.5 Million
Upper District Court	$ 1.5 Million
Total	**$10.4 Million**

1. PRIOR PERIOD ADJUSTMENT TO CAPITALIZED ASSETS

The Capitalized Assets had prior period adjustments, reflected in the adjustment column. As stated in Note 6, the Governmental Activities shows in the adjustment column $999,921 as a decrease. This was a prior year adjustment as an equipment disposal was not recorded and some entries were recorded twice. The $(764,628) is the related depreciation to the above equipment. The total prior period adjustment was $235,292.

The Business Type Activities shows in the adjustment column $107,416 as a decrease. This is an inventory adjustment for items have been previously disposed. The amount of $107,416 is the related depreciation to the above equipment.

2. 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.

General Fund had a change in prior year receivables in the amount of $9,163.
EIS Trust had an increase in Reserves in the amount of $59,503.
Prosecutor Victim Witness had a change in prior year receivables in the amount of $9,163
for a total of prior year changes in the amount of $59,503

3. 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 $235,293. In addition there was prior year adjustment of $59,503, to fund balance as indicated in Note 19 A-3. The total net asset prior year adjustment is $294,796.

4. PRIOR YEAR ADJUSTMENT TO NET ASSETS – BUSINESS TYPE

The Net Assets were adjusted as prior year based upon the changes in the Capital Assets as discussed in Note 19 A-2, in the amount of $107,416 is adjusted as a prior year. This amount was for equipment adjustment as a result of an internal audit. The total net prior year adjustment is $107,416.

5. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY

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

The following amounts were adjusted for reporting purposes from capital to operating expenses totaling $1,798,206.

General Fund	
General Government – Prosecutor	(13,456)
General Government – Facilities Maintenance	20,643
Public Safety – Sheriff	(14,279)
County Road	
Transportation	1,456,463
Public Health	
Mental & Public Health	(8,636)
Courthouse/Jail Facilities Expansion	
Public Safety	323,835
Culture & Recreation	33,637

B. SUBSEQUENT EVENTS

As stated in Note 19-A-1 the county was awarded a GO & Refund Bond in the amount of $11,185,000. The Board of County Commissioners is in the process of obtaining bids for the new Jail Pod to be awarded in June 2011 with construction to be completed in 1 year. The Jail Repairs and Maintenance are scheduled to be concluded in May 2011. The Upper District has purchased a new building in the amount of $1,000.000 and remodeling will be scheduled in the near future. The Armory is in the design phase.

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2010

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 10,449,000	$ 10,449,000	$ 10,481,803	$ 32,803
Licenses & Permits	727,756	857,756	972,365	114,609
Intergovernmental	2,685,060	3,040,200	3,148,503	108,303
Charges for Services	2,000,044	2,111,916	2,180,557	68,641
Fines & Forfeits	1,676,490	1,676,490	1,624,908	(51,582)
Miscellaneous	601,823	603,423	763,759	160,336
Total Revenues	$ 18,140,173	$ 18,738,785	$ 19,171,893	$ 433,108
Expenditures				
General Governmental	$ 6,806,811	$ 7,044,677	$ 6,345,529	$ 699,148
Judicial	2,592,167	2,653,358	2,541,891	111,467
Security of Persons and Property	7,065,131	7,385,495	7,072,669	312,826
Physical Environment	122,447	122,447	78,475	43,972
Transportation	3,717	3,717	3,717	-
Economic Environment	587,981	699,981	656,058	43,923
Mental & Physical Health				-
Culture & Recreation	1,191,568	1,193,168	1,175,147	18,021
Debt Service	140,803	140,803	131,947	8,856
Capital Outlay	403,605	638,927	615,398	23,529
Total Expenditures	$ 18,914,230	$ 19,882,573	$ 18,620,831	$ 1,261,742
Excess (Deficit) Revenues over Expenditures	$ (774,057)	$ (1,143,788)	$ 551,063	$ 1,694,851
Other Financing Sources (Uses)				
Proceeds Capital Leases	$	$	$	$ -
Restitution	500	500	367	(133)
Sale of Fixed Assets	100	171,100	597	(170,503)
Transfers In	544,837	544,837	419,064	(125,773)
Transfers Out	(262,031)	(312,031)	(281,211)	30,820
Total Other Financing Sources (Uses)	$ 283,406	$ 404,406	$ 138,817	$ (265,589)
Net Change in Fund Balance	$ (490,651)	$ (739,382)	$ 689,880	$ 1,429,262
Fund Balance, January 1	$ 3,820,019	$ 4,001,750	$ 4,217,897	$ 216,147
Fund Balance, December 31	**$ 3,329,368**	**$ 3,262,368**	**$ 4,907,777**	**$ 1,645,409**

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2010

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 3,645,000	$ 3,645,000	$ 3,592,279	$ (52,721)
Licenses & Permits	100	100	7,686	7,586
Intergovernmental	4,708,485	4,708,485	2,871,845	(1,836,640)
Charges for Services	418,000	418,000	544,577	126,577
Miscellaneous	921,000	139,000	71,317	(67,683)
Total Revenues	$ 9,692,585	$ 8,910,585	$ 7,087,703	$ (1,822,882)
Expenditures				
General Governmental	$ 580,000	$ 580,000	$ 665,658	$ (85,658)
Transportation	5,267,200	5,267,200	4,585,481	681,719
Capital Outlay	6,154,000	6,154,000	266,207	5,887,793
Total Expenditures	$ 12,001,200	$ 12,001,200	$ 5,517,346	$ 6,483,854
Excess (Deficit) Revenues over Expenditures	$ (2,308,615)	$ (3,090,615)	$ 1,570,357	$ 4,660,973
Other Financing Sources (Uses)				
Sale of Fixed Assets	$ -	$ -	$ -	$ -
Transfers In	330,000	1,112,000	-	(1,112,000)
Transfers Out	(189,400)	(189,400)	-	189,400
Total Other Financing Sources (Uses)	$ 140,600	$ 922,600	$ -	$ (922,600)
Net Change in Fund Balance	$ (2,168,015)	$ (2,168,015)	$ 1,570,357	$ 3,738,373
Fund Balance, January 1	$ 8,578,000	$ 8,578,000	$ 13,186,088	$ 4,608,088
Fund Balance, December 31	**$ 6,409,985**	**$ 6,409,985**	**$ 14,756,445**	**$ 8,346,461**

Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2010

A. Budgetary Basis

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

B. Material Violations

There were no material violations of finance-related legal or contractual provisions in the general fund and special revenue funds. In addition, these fund's expenditures did not exceed legal appropriation for 2010.

KITTITAS COUNTY
Required Supplementary Information
December 31, 2010

Information about Infrastructure Assets Reported Using the Modified Approach

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

- Maintain an 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.

<u>Asset Management System</u>
The County maintains an Asset Management System that includes up-to-date inventory of all gravel roads.

<u>Condition Assessments</u>
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 in July. Detailed documentation of disclosed assessment levels is kept on file.

<u>Budgeted and estimated costs to maintain infrastructure</u>
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
2005	292,000	78,169
2006	327,000	208,278
2007	312,000	193,131
2008	335,500	246,629
2009	372,000	218,576
2010	$347,000	$311,164

Established Condition Level

Following are tables showing the measurement scales and basis for condition measurement used to assess and report conditions for gravel roads being reported using the modified approach and the condition level at which the County intends to preserve those assets.

Kittitas County manages its gravel road network using a priority array program. The gravel road condition rating is a numerical condition scale ranging from 1 (severely deficient) to 5 (excellent condition). The County has established an acceptable condition level of 3 (Fair Condition) and preserves 90% of its assets at or above this level.

The ratings are described as follows:

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

Required Supplemental Information
Kittitas County
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2010

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

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

Kittitas County
2010 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2010 Expenditures: Pass Through Awards	2010 Expenditures: Direct Awards	2010 Expenditures: Total	Notes
U.S. Department of Agriculture - Forest Service Pass through WA Office of the State Treasurer	Schools and Roads - Grants to States	10.665	N/A	318,726		318,726	10
U.S. Department of Housing and Urban Development - Pass through WA State Community, Trade & Economic Development	Community Development Block Grants	14.228	10-641000-005	81,721		81,721	
U.S. Department of Interior - Pass through Bureau of Land Management pass through Department of Ecology	National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	G1000270	12,354		12,354	
U.S. Department of Justice - Pass through Washington State Patrol	Domestic Cannabis Eradication/Suppression	16.000	WSP #C100885FED	15,000		15,000	15
U.S. Department of Justice - Pass through WA	Juvenile Accountability Incentive Block Grants - JRA	16.523	0663-98328-2	9,850		9,850	
	Juvenile Justice and Deliquency Prevention_ Allocation to States	16.540	I-100-00708	5,096			
	Juvenile Justice and Deliquency Prevention_ Allocation to States		I-100-00909	5,340			
			Subtotal	10,437		10,437	
U.S. Department of Justice - Pass through WA Department of Community, Trade and Economic Development	Violence Against Women Formula Grant Program	16.588	F09-31103-019(09-10)	10,295			
	Violence Against Women Formula Grant Program		F09-31103-019(10-10)	3,868			
Pass through ASPEN	Violence Against Women Formula Grant Program Equipment Grant		N/A	2,220			4;15
			Subtotal	16,383		16,383	
U.S. Department of Justice - Bureau of Justice Assistance	State Criminal Alien Assistance Program	16.606	2010-AP-BX-0329		12,179	12,179	15
U.S. Department of Justice - Office of Community Oriented Policing Services Pass through WA	Public safety Partnership and Community Policing Grant -Equipment	16.710	2009CKWX0392	13,553			15
	Public safety Partnership and Community Policing Grant - WA State		WSMI09104	16,314			15
Association of Sheriff and Police Chiefs	Methamphetamine Initiative			29,866		29,866	
Department of Justice - Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	09-34721-043	69,078		69,078	
Pass-through the City of Ellensburg and Kittitas County Recovery Act	ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	Interlocal	10,643		10,643	4;13
U.S. Department of Transportation, Federal Aviation Administration (FAA)	Airport Improvement Program - FHWA Teanaway Rd & North Fork Teanaway Road	20.106	FTFH70-11-00001		22		
	Airport Improvement Program - Bowers Field Needs Assessment		DOT-FA10NM-0075		34,044		
					34,066	34,066	
U.S. Department of Transportation, Federal Highway Administration- Pass through WA Department of Transportation	Highway Planning and Construction: -						
	Bridge BHS- Charlton Road Bridge	20.205	BRS-19CK(001)LA5462	2,130			8
	- Bridge BHS - West Fork Teanaway Road Bridge		BROS-19BG(001)/LA5768	114,774			8
	- STPD Kittitas Hwy Safety Improvement		STPD-C190(003)	33,801			
			Subtotal	150,705	-	150,705	
Highway Traffic Safety Administration: Pass through Washington Association of Sheriff's and Police Chiefs	State and Community Highway Safety:	20.600					
	- Equipment Grant		N/A	2,997			4;15
	- WASPC Traffic Safety Mini Grant (Badges)		N/A	455			4;15

Pass through WA Traffic Safety Commission	- WTSC Speeding Campaign		N/A	1,611			4;15
				5,063		5,063	
U.S. Department of Transportation-National Highway Traffic Safety Administration: Pass through Washington Traffic Safety Commission and Kittitas County Community Public Health and	Alcohol Impaired Drinving Countermeasures Incentive Grants	20.601					
Pass through WA Traffic Safety Commission	- Drive Hammered Get Nailed, Multi-jurisdictional DUI Patrols		N/A	6,008			4;15
Pass through WA Traffic Safety Commission	- High Visibility Enforcement		N/A	1,428			4;15
			Subtotal	7,436		7,436	
U.S. Department of Transportation- Pipeline and Hazardous MaterialsSafety Administration: Pass through Washington State Military Department	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E10-149	3,160		3,160	15
U.S. Environmental Protection Agency - Pass through WA Department of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14952	1,250		1,250	
Department of Energy - Pass through WA Department of Commerce	ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	F10-52110-033	53,543		53,543	12
U.S. Election Assistance Commission-Pass through Office of the Secretary of State	Help America Bote Act Requirements Payments	90.401	G2844	65,591		65,591	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Public Health Emergency Preparedness	93.069	C14952	80,437		80,437	15
U.S. Department of Health and Human Services - Center for Disease Control and Prevention	Immunization Grants	93.268	C14952	13,488			6;7;15
Pass through Washington Department of Health	Immunization Grant - Non Cash		N/A	84,564			3;4;6
			Subtotal	98,052		98,052	
U.S. Department of Health and Human Services Center for Disease Control and Prevention - Pass through Washington Department of Health	Center for Disease Control and Prevention_Investigations and Technical Assistance	93.283					
	PHEPR LHJ		C14952	71,759			15
	Shape Up/ Obesity Program		C14952	50,377			15
	Tobacco Prevention and Control Program		C14952	5,766			15
Pass through ESD 112	Community Mobilization Program		7000200063	2,361			15
			Subtotal	130,264		130,264	
U.S. Department of Health and Human Services-Administration for Children and Families- Pass through WA Department of Social and Health Services	Child Support Enforcement	93.563	N/A	13,195			4
	Child Support Enforcement		N/A	88,163			4
			Subtotal	101,358		101,358	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Child Care and Development Block Grant	93.575	C14952	16,087		16,087	15
U.S. Department of Healht and Human Services-Center for Disease Control and Prevention	ARRA- Immunization	93.712	C14952	8,486		8,486	13;15
	ARRA- Prevention and Wellness-State, Territories and Pacific Islands - Nutrition and Physical Activity	93.723	C14952	10,614		10,614	13;15
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Medical Assistance Program - MAM Match	93.778	0963-53332	26,976			
	Medical Assistance Program - MAM Match Interpreters		0963-53332	118			
	Medical Assistance Program - MAM Match Vaccine		0963-53332	17,181			
			Subtotal	44,275		44,275	

U.S. Department of Health and Human Services - Pass through Washington Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C14952	485		485	15
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 09-10	6,000			15
			N15850-11-12	11,012			15
			Subtotal	17,012		17,012	
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	0963-680044-02	47,636		47,636	5
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Maternal and Child Health Federal Consolidated Program	93.994	C14952	45,289		45,289	5;15
U.S. Department of Homeland Security- Pass through from WA State Parks and Recreation Commission	Boating Safety Financial Assistamce	97.012	LE911-220	7,123			15
	Boating Safety Financial Assistamce		Agreement 2009-48	6,821			15
				13,944		13,944	
U.S. Department of Homeland Security - Pass through from Washington State Military Department-2009 Flood	Department of Homeland Security-Public Assistance pass through State of Washington Military Department - Emergency Management	97.036	Flood DSR#1817 (Road)	37,862			8;16
			Flood DSR#1817 (Gen Fund)	3,939			9;16
				41,801		41,801	
	- Emergency Management - Hazard Mitigation	97.039	Flood DSR#1817 WA-7-P	48,268		48,268	
U.S. Department of Homeland Security - Pass through from Washington State Military Department, Pass through Grant County Emergency Management	Homeland Security Grant Program- Domestic Preparedness	97.067	E10-187	13,882			15
	Homeland Security Grant Program- Domestic Preparedness		E09-131 FY08	45,033			15
	Homeland Security Grant Program- Domestic Preparedness-Camtek		E09-131 FY08	11,261			15
	Citizens Corps Program		K-461	3,652			15
			Subtotal	73,827		73,827	
TOTAL FEDERAL FINANCIAL ASSISTANCE				**1,638,640**	**46,245**	**1,684,885**	

KITTITAS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2010

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 - NON CASH AWARDS

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

NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain other identification number.

NOTE 5 – PASSED-THROUGH TO SUBRECIPIENTS

Passed-through dollars to Subrecipients.

NOTE 6 – VACCINE FOR CHILDRENS PROGRAMS

Vaccine supplied by Federal Government for Vaccine for Children Program.

NOTE 7 – VACCINE FOR 317 PROGRAMS

Vaccine supplied by Federal Government for Vaccine for 317 Program.

NOTE 8 – PROJECT HAS BEEN COMPLETED OR EXPIRED

Project has been completed or expired.

NOTE 9 – PROJECTS PENDING COMPLETION/CERTIFICATION

2009 Flood projects pending completion/certification.

NOTE 10 – PROJECT COMPLETED/IN-LIEU OF TAXES/UNRESTRICTED FUNDS

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

NOTE 11 – PRIOR YEAR

Prior year correction – Grant was not expended in 2009.

KITTITAS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2010

NOTE 12 – GRANT PROJECT SHARED

This grant is shared between County Funds.

NOTE 13 – AMERICAN RECOVERY AND REINBESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

NOTE 14 – PROJECT CARRYOVER

Large project carryover: Project pending environmental review and permits.

NOTE 15 – INDIRECT COST RATE

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of _35_ percent.

Sheriff's Department: The amount expended includes an indirect cost recovery using an approved indirect cost rate of _13_ percent.

NOTE 16 – EMERGENCY DISASTER #1817

2010 New project awards related to 2009 Emergency Disaster #1817 flood – not previously reported.

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

State Auditor	**Brian Sonntag, CGFM**
Chief of Staff	**Ted Rutt**
Deputy Chief of Staff	**Doug Cochran**
Chief Policy Advisor	**Jerry Pugnetti**
Director of Audit	**Chuck Pfeil, CPA**
Director of Performance Audit	**Larisa Benson**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte, CPA, CGFM**
Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
Communications Director	**Mindy Chambers**
Public Records Officer	**Mary Leider**
Main number	**(360) 902-0370**
Toll-free Citizen Hotline	**(866) 902-3900**

Website	**www.sao.wa.gov**
Subscription Service	**https://www.sao.wa.gov/EN/News/Subscriptions/**