



Office of the Washington State Auditor
Pat McCarthy

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

For the period January 1, 2019 through December 31, 2019

Published November 25, 2020

Report No. 1027374





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

November 25, 2020

Board of Commissioners
Kittitas County
Ellensburg, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Kittitas County

January 1, 2019 through December 31, 2019

2019-001 The County's internal controls over financial statement preparation were inadequate to ensure accurate and timely reporting.

Background

County management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. County management is responsible for designing, implementing and maintaining internal controls to ensure their financial statements, notes and required schedules are prepared and presented fairly in accordance with generally accepted accounting principles (GAAP) to provide reasonable assurance regarding the reliability of these statements. Also, state law (RCW 43.09.230) requires the County to prepare, certify and file annual reports with the State Auditor's Office within 150 days after the close of each fiscal year. For 2019 annual reports, legislative leaders approved an extension to the deadline as a result of the COVID-19 pandemic. The deadline was extended to July 1, 2020.

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

Description of Condition

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

- The County did not take the necessary steps to prepare the financial statements timely and perform an effective overall review of the financial statements to ensure all balances agreed between the statements, notes, and required supplementary information.
- The County's cash and investment reconciliation was not adequate to detect differences in the amounts reported within the cash and investment software systems maintained at the Treasurer's Office and the amounts reported in the general ledger.

- The County did not perform an adequate review of County Road transactions to determine whether expenses were related to capital outlay activity or current operating activity.
- The County did not research appropriate accounting for increase in landfill capacity to ensure that all necessary journal entries were made and the ending liability was correctly reported.

Cause of Condition

The County did not prioritize timely completion of the annual report, allowing for a detailed centralized review of the completed financial statements and associated schedules. Also, departments are not effectively communicating when preparing and reviewing the annual report to ensure all information is accurate and complete.

Effect of Condition

The County submitted the 2019 annual report on September 20, 2020, which was 50 days after the extended reporting deadline. Similar issues were noted in previous audit reports. Delays in the availability of complete annual financial reports prevent County officials, public bond agencies, and other interested parties from obtaining timely information.

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

- The County overstated investments in the external investment pool of \$39.5 million and the agency funds by \$1.3 million on the Statement of Changes in Fiduciary Net Position. External investment pool custodial account liabilities were also overstated by \$38 million.
- The County incorrectly classified \$2.6 million of transportation expenditures as capital outlay transactions, instead of current operating transactions in the County Road fund.
- The County did not correctly account for the increase in landfill capacity in 2019, resulting in an overstatement of non-current landfill and post closure care costs by \$384,248 in the solid waste fund.

We identified additional errors in the required supplementary information, financial statements and notes to the financial statements.

Recommendations

We recommend all County departments submit accurate and timely information to the County Auditor's Office and that the County perform a detailed and effective

review of the financial statements, notes and required supplementary information to ensure accurate reporting. We also recommend the County submit annual reports within 150 days of the fiscal year-end.

County's Response

Kittitas County would like to thank the State Auditor's for their expertise and time on working on our 2019 Audit.

The County was fully anticipating filing the 2019 financial statements on the due date of May 29, 2020. We were not anticipating the COVID-19 pandemic and the requirements on the financial staff needed for the constant changing of guidelines for employees and supplement funding from the CARES act. The Auditor's office requested additional staff and the Board of County Commissioners allowing the additional staff person to be hired in March of 2020. Because of the pandemic, we did not fill the position until July 2020. We fully anticipate the 2020 financial statements to be filed timely.

The Auditor's office sends out a financial year end guide to all departments, requesting detail information and the due date of the requested information. With the instances the described in the 2019 financial report findings, we are going to add additional questions to our guide for departments to answer, so we can apply that information correctly to the financial statements.

The Auditor's office and Treasurer's office have been working together to ensure the investments are recorded properly in all systems. We anticipate on performing a complete reconciliation between both systems on a monthly basis.

The information reported from County Road regarding the prior year entries, will be part of additional information requested in our year-end financial guide, enabling the Auditor's office to create the government wide financials correctly.

The Landfill capacity increased in 2019, and the post closure costs reduced substantially. The county elected to not change the post closure liability, as the recorded liability was over the require amount. The County did not follow the reporting requirements of GASB 18 Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs requires the recording of inflation and deflation amounts.

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Kittitas County January 1, 2019 through December 31, 2019

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

Audit Period: January 1, 2018 – December 31, 2018	Report Ref. No.: 1024778	Finding Ref. No.: 2018-001	CFDA Number(s): N/A
Federal Program Name and Granting Agency: N/A		Pass-Through Agency Name: N/A	
Finding Caption: The County's internal controls over financial statement preparation were inadequate to ensure accurate and timely reporting.			
Background: The following control deficiencies were identified: <ul style="list-style-type: none"> • County departments did not submit necessary financial information to the County Auditor's Office with enough time to allow for an effective preparation and review of the financial statements, notes, and required supplementary information before the required reporting deadline. The County Auditor's Office did not receive some of this information from the departments until August 2019, after the deadline for submitted the annual report. • The County did not adequately research accounting requirements to properly classify and report its external investment pool. • The County did not perform an effective overall review of the financial statements to ensure all balances agreed between the financial statements, notes, and required supplementary information, and that the notes contained all necessary disclosures. 			
Status of Corrective Action: (check one)			
<input type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input checked="" type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid

Corrective Action Taken:

Kittitas County Board of County Commissioners allowed the Auditor's office to hire an additional finance staff person in March 2020. Because of the COVID-19 pandemic, we did not get the position filled until July 2020. We anticipate the 2020 financial statement preparation to be a lot smoother and completed at the required due date.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Kittitas County
January 1, 2019 through December 31, 2019**

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 20, 2020.

As discussed in Note 19 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying

Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

COUNTY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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Pat McCarthy

State Auditor

Olympia, WA

November 20, 2020

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

**Kittitas County
January 1, 2019 through December 31, 2019**

Board of Commissioners
Kittitas County
Ellensburg, Washington

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

We have audited the compliance of Kittitas County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy

State Auditor

Olympia, WA

November 20, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kittitas County **January 1, 2019 through December 31, 2019**

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 22.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

November 20, 2020

FINANCIAL SECTION

Kittitas County **January 1, 2019 through December 31, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2019

Proprietary Fund Statement of Net Position – 2019

Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position –
2019

Proprietary Fund Statement of Cash Flows – 2019

Statement of Fiduciary Net Position – 2019

Statement of Changes in Fiduciary Net Position – 2019

Notes to the Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP
Basis) and Actual – General Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP
Basis) and Actual – County Road – 2019

Notes to Budgetary Comparison Schedule – 2019

Information about Infrastructure Assets Reported Using the Modified Approach – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – 2019

Notes to Pension – OPEB Retired LEOFF 1 Employees

Schedule of Employer Contributions – PERS 1, PERS 2 and 3, PSERS 2, LEOFF 1,
LEOFF 2 – 2019

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2 and 3,
PSERS 2, LEOFF 1, LEOFF 2 – 2019

Notes to Pension – State Sponsored Plans

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

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, 2019, 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, 2019 by over \$153.9 million. Net Investment in capital assets (net of depreciation and related debt) account for 63.5% of this amount, with a value of \$97.8 million. Of the remaining Net Position, \$11.8 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.
- As of December 31, 2019 Kittitas County's government activities reported combined ending Net Position of \$135.9 million. Of that amount, \$85.5 million is Investment in Capital Assets.
- Fund Balance for the General Fund at December 31, 2019 was \$25.3 million.
- Fund Balance for the County Road Fund at December 31, 2019 was \$7.5 million.
- The County's total long term debt at December 31, 2019 was \$22.7 million. The County's remaining debt capacity for non-voted debt is at \$90.6 million. The Solid Waste Landfill Post-Closure liability costs are \$1.17 million.
- The General Fund's fund balance increased 15.9% over 2019, showing an increase of \$3,465,086. The amount of unrestricted funds is \$10.28 million. The restricted and assigned fund balances have increased due to increases in restricted revenue and budgeted beginning fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Kittitas County's basic financial statements. The basic financial statements are comprised of three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements

Government-Wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Kittitas County's finances in a manner similar to a private-sector business.

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

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

The Statement of Net Position presents information on all Kittitas County’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as Net Position. This statement serves a purpose similar to that of the statement balance sheet in a private-sector business. Over time, increases or decreases in net position may service as a useful indicator of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of the financial health of the County. Other indicators include the condition of the County’s infrastructure systems (roads and bridges, etc.), changes in property tax base, and general economic conditions within the County.

The Statement of Activities presents information showing how the County’s net position changed during 2019. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2019, 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 2019.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds in Kittitas County can be divided into three categories:

- 1) Government Funds
- 2) Proprietary Funds
- 3) Fiduciary Funds

Government Funds are used to account for most, if not all, of a government’s tax-supported activities. Proprietary Funds are used to account for a government’s business type activities, where

all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activity. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the County's own programs.

Government Funds

The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance present separate columns of financial data for the General Fund and County Road Fund, which are considered major funds. A major fund is based on criteria established by GASB Statement 34¹. The statement defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise of the following: 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. Figures from the remaining governmental funds are combined into a single, aggregated presentation.

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

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

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

Proprietary Funds

There are two types of proprietary funds. The first type an Enterprise Fund is used to report the same functions presented as a business-type activity in the government-wide financial statements. Kittitas County has three Enterprise funds, Solid Waste, Community Development Services and

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

Water Mitigation. The second type is an Internal Service fund, used to accumulate and allocate costs internally among the County's various functions. The revenues and expense of the internal service funds that are duplicated into other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

Proprietary fund statements follow the government fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply to the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Position to the business-type column on the Government-Wide Statement of Net Position, you will notice that the total Net Position agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" and "due to other funds" from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Fiduciary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In accordance with GASB Statement 34², Kittitas County is not required to restate prior periods for the purposes of providing comparative information.

Statement of Net Position

The following is a summary of the Statement of Net Position as of December 31, 2019, with 2018 comparative balances.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets:						
Current Assets	\$65,578,951	\$62,872,988	\$5,821,277	\$5,255,059	\$71,400,229	\$68,128,047
Capital Assets	94,497,279	92,047,567	12,563,670	12,249,020	107,060,949	104,296,586
Deferred outflow of Resources -Pension	1,805,523	1,614,887	119,174	105,928	1,924,697	1,720,815
Deferred outflow of Resources -OPEB	0	75,015	0	0	0	75,015
Total Assets & Deferred outflows	161,881,753	156,610,457	18,504,122	17,610,008	180,385,875	174,220,464
Liabilities						
Other liabilities	1,603,432	2,689,595	298,182	326,730	\$1,901,615	\$3,016,324
Long-term liabilities	20,958,719	23,734,069	1,695,058	2,776,708	22,653,778	26,510,777
Deferred Inflows of Resources-OPEB	108,330	0	0	0	108,330	0
Deferred Inflows of Resources-Pension	3,284,934	3,008,781	265,374	246,796	3,550,308	3,255,577
Total Liabilities & Deferred Inflows	25,955,416	29,432,445	2,258,615	3,350,233	\$28,214,031	\$32,782,678
Net Position						
Investment in Capital Assets	85,460,821	82,249,481	12,330,826	11,068,408	97,791,647	93,317,889
Non Spendable	102,358	105,935	16,915	18,793	119,273	124,729
Restricted	27,532,668	27,163,919	0	0	27,532,668	27,163,919
Committed	3,678,921	3,572,616	0	0	3,678,921	3,572,616
Assigned	11,286,183	9,038,753	0	0	11,286,183	9,038,753
Unassigned	7,865,386	5,047,307	3,897,766	3,172,573	11,763,152	8,219,880
Total Net Position	\$135,926,336	\$127,178,012	\$16,245,507	\$14,259,774	152,171,844	141,437,786

Net Position of the County's governmental activities was \$135.9 million. The County's unrestricted Net Position, the part of the Net Position that can be used to finance day-to-day operations \$7,865,386.

Statement of Activities

For fiscal year ended December 31, 2019, the revenues of primary governmental activities totaled \$53.9 million. Property taxes are the largest revenue source at \$14.6 million, while Sales taxes are the second largest at \$13.6 million.

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

The expenses for governmental activities totaled \$47.8 million. Transportation was the county's highest commitment at \$13.57 million; Public Safety is the second highest expense for 2019 with \$11.8 million.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$10,935,459	\$9,473,904	\$7,383,938	\$7,580,109	\$18,319,398	\$17,054,013
Operating Grants	5,736,281	6,570,747	0	0	5,736,281	6,570,747
Capital Grants & Contributions	1,172,405	0	0	250,000	1,172,405	250,000
General Revenues:						
Property Taxes	14,550,105	13,877,148	0	0	14,550,105	13,877,148
Sales Taxes	13,551,018	12,363,464	0	0	13,551,018	12,363,464
Other Taxes	5,541,804	6,045,056	0	0	5,541,804	6,045,056
Unrestricted Grants & Contributions	1,236,575	0	0	0	1,236,575	0
Unrestricted Investment Earnings	2,224,337	2,002,702	83,594	146,572	2,307,931	2,149,274
Proceeds on Disposition of Capital Assets	262,346	52,809	0	0	262,346	52,809
Transfers	(1,225,167)	(1,109,137)	1,225,167	1,109,137	0	0
Total Revenues	\$53,985,164	\$49,276,692	\$8,692,699	\$9,085,819	\$62,677,864	\$58,362,511

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Expenses:						
Judicial	\$2,593,510	\$2,849,956	0	0	\$2,593,510	\$2,849,956
General Government	9,979,510	11,808,269	0	0	9,979,510	11,808,269
Public Safety	11,748,176	13,268,126	0	0	11,748,176	13,268,126
Physical Environment	92,608	180,689	0	0	92,608	180,689
Transportation	13,577,423	13,078,278	0	0	13,577,423	13,078,278
Economic Environment	3,814,937	1,792,521	0	0	3,814,937	1,792,521
Mental & Physical Health	3,297,127	3,970,923	0	0	3,297,127	3,970,923
Culture & Recreation	2,402,290	3,049,361	0	0	2,402,290	3,049,361
Interest on Long Term Debt	308,069	367,812	0	0	308,069	367,812
Garbage & Solid Waste	0	0	4,776,151	4,325,688	4,776,151	4,325,688
Community Development Services	0	0	1,906,610	1,861,846	1,906,610	1,861,846
Water Mitigation	0	0	24,206	39,612	24,206	39,612
Total Expenses	\$47,813,650	\$50,365,936	\$6,706,967	\$6,227,147	\$54,520,617	\$56,593,082
Excess (Deficiency) before Special Items and Transfers						
Change in Net Position	6,171,514	(1,089,243)	1,985,733	2,858,672	8,157,247	1,769,429
Net Position as of January 1	127,178,012	126,225,127	14,259,774	13,392,318	141,437,786	139,617,445
Change in Accounting Principles-GASB 75	0	3,179,140	0	0	0	3,179,140
Prior Year Adjustments	2,576,811	(1,137,012)	0	(1,991,215)	2,576,811	(3,128,227)
Net Position as of December 31	\$135,926,336	\$127,178,012	\$16,245,507	\$14,259,774	\$152,171,844	\$141,437,786

See the Notes to the Financial Statements, Note 19 on discussion for the Prior Year Adjustments

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund and County Road are the two major funds in 2019. Together these funds account for 63% of the total government assets and 62% of the total government fund balance. As of December 31, 2019, the county's government funds reported combined fund balances nearly \$52.88 million. Of this total amount, \$10.28 million is unassigned and available for spending within each of the designated funds. There are five types of fund balance as described in Note 1-11 and the breakdown of those fund balance types are below.

Fund Balance Type	Amount
Non Spendable	98,480
Restricted	27,532,668
Committed	3,678,921
Assigned	11,286,183
Unassigned	10,282,136

In the total Assets, the Cash and Investments have increased from the previous year by \$2,886,838; and receivables have increased by \$306,323 and the due from other Governmental decreased by \$872,397. The net change in all assets is a 4.4% increase.

In the total Liabilities, the biggest decrease is the Due to other funds/ Interfund Loans by \$662,244, and accounts payable and accrued exp. by a decrease of \$479,622. The net change in all liabilities is a 44.85% decrease.

Governmental Funds	2019	2018	Net Change
Total Assets	57,317,766	54,919,704	2,398,062
Total Liabilities	1,871,651	3,393,535	(1,521,884)
Total Fund Balance	52,878,388	49,237,014	3,641,374

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2019 was \$3,465,086. The net change in the County Road fund was a (\$1,664,822). Other Governmental Funds had an overall net change in fund balance of \$1,841,110 for 2019. The changes in fund balances for the General Fund are the additional Sales Taxes collected; County Road is due to the completion of Transportation Construction Projects.

The overall changes in Governmental Revenues were 7.0% increase. The biggest change in the revenues occurred in Sales Taxes with a 9.6% increase; 2018 \$12.4 million compared to \$13.6 million in 2019; showing an increase of \$1,187,554.

The overall expenditures increased 9.5% from 2018. The biggest change in expenses was in Economic Environment, which increased \$2.1 Million.

Governmental Funds	2019	2018	Net Change
Revenues	54,452,945	50,913,853	3,539,092
Expenditures	(49,404,217)	(45,124,114)	(4,280,103)
Other Financing Sources	(1,454,835)	(1,419,907)	(34,928)
Net Change in Fund Balance	3,593,893	4,369,831	(775,938)
Fund Balance Beginning	46,680,686	44,862,442	1,818,244
Prior Year Adjustments	2,603,809	4,734	2,599,075
Fund Balance Ending	52,878,388	49,237,007	3,641,381

Proprietary Funds Net Position Analysis

The Net Position of the Solid Waste fund as of December 31, 2019 was \$8.49 million; with \$1.81 million in unrestricted funds. The Net Position of the Community Development Services fund as of December 31, 2019 was \$1.54 million. The Net Position of the Water Mitigation fund as of December 31, 2019 was \$6.22 million. The internal service funds have net position in the amount of \$12.94 million.

Proprietary Funds Revenue/Expenditure Analysis

The Solid Waste fund collected \$5.37 million in revenues and had an operating expense of \$4.83 million showing a net gain of \$536,294. The changes in net position for 2019 after non-operating revenues and expenses are \$654,708.

The Community Development Services fund collected \$1.88 million in revenues and had an operating expense of \$1.91 million showing a net loss of \$23,757. The changes in net position for 2019 after non-operating and expense are \$342,672.

The Water Mitigation fund collected \$121,387 in revenues and had an operating expense of \$4,109 showing a net gain of \$117,278. The changes in net position for 2019 after non-operating and expense are \$988,352.

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, 2019.

KITTITAS COUNTY, WASHINGTON			
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual For the Year Ended December 31, 2019			
General Fund			
	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 15,043,097	\$ 15,100,907	\$ 57,810
Licenses & Permits	230,750	261,350	30,600
Intergovernmental	3,230,055	3,329,792	99,737
Charges for Services	3,129,734	3,257,197	127,463
Fines & Forfeits	1,665,565	1,665,565	-
Miscellaneous	2,219,134	2,247,157	28,023
Total Revenues	\$ 25,518,335	\$ 25,861,968	\$ 343,633
Expenditures			
General Governmental	\$ 9,688,889	9,913,886	\$ 224,997
Judicial	2,532,565	2,613,926	81,361
Security of Persons and Property	10,221,286	10,377,707	156,421
Physical Environment	109,944	109,944	-
Transportation	-	-	-
Economic Environment	50,100	50,100	-
Mental & Physical Health	561,633	597,643	36,010
Culture & Recreation	2,093,232	2,632,097	538,865
Debt Service	87,605	91,805	4,200
Capital Outlay	644,775	1,294,964	650,189
Total Expenditures	\$ 25,990,029	\$ 27,682,072	\$ 1,692,043
Excess (Deficit) Revenues over Expenditures	\$ (471,694)	\$ (1,820,104)	\$ 2,035,676
Other Financing Sources (Uses)			
Restitution	\$ 700	\$ 9,800	\$ 9,100
Other Loan/Bond Proceeds	-	-	-
Sale of Fixed Assets	5,000	5,000	-
Transfers In	150,000	150,000	-
Transfers Out	(2,001,619)	(2,001,619)	-
Total Other Financing Sources (Uses)	\$ (1,845,919)	\$ (1,836,819)	\$ 9,100
Net Change in Fund Balance	\$ (2,317,613)	\$ (3,656,923)	\$ (1,339,310)
Fund Balance, January 1	\$ 14,394,067	\$ 15,733,377	\$ 1,339,310
Fund Balance, December 31	\$ 12,076,454	\$ 12,076,454	\$ -

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

The biggest supplemental expenditure budget increase was in Capital Assets in the amount of \$650,189, which was mostly projects at the Event Center.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately \$25.86 million and total revenues received \$29.63 million, or 14.6% above budget. The specific changes to report are taxes and charges for services. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales

and use tax collected are slightly above the budgeted amount. Our changes in projections were under estimated due to the additional revenue received in sales tax.

The General Fund budgeted expenses vs. actual came in at 12.07% under budget. The biggest unspent budget was Security of Persons and Property, due to reduction in filled positions and contracted services.

KITTITAS COUNTY, WASHINGTON			
Schedule of Revenues, Expenditures, and Changes in Fund Balance			
Budget (GAAP Basis) and Actual			
For the Year Ended December 31, 2019			
General Fund			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 15,100,907	\$ 18,140,211	\$ 3,039,304
Licenses & Permits	261,350	277,825	16,475
Intergovernmental	3,329,792	3,363,018	33,226
Charges for Services	3,257,197	3,561,129	303,932
Fines & Forfeits	1,665,565	1,709,620	44,055
Miscellaneous	2,247,157	2,585,429	338,272
Total Revenues	\$ 25,861,968	\$ 29,637,233	\$ 3,775,265
Expenditures			
General Governmental	\$ 9,913,886	\$ 8,818,142	\$ 1,095,744
Judicial	2,613,926	2,502,766	111,160
Security of Persons and Property	10,377,707	9,004,476	1,373,231
Physical Environment	109,944	109,169	775
Transportation	-	721	(721)
Economic Environment	50,100	29,227	20,873
Mental & Physical Health	597,643	506,076	91,567
Culture & Recreation	2,632,097	2,091,925	540,172
Debt Service	91,805	87,857	3,948
Capital Outlay	1,294,964	1,189,352	105,612
Total Expenditures	\$ 27,682,072	\$ 24,339,709	\$ 3,342,363
Excess (Deficit) Revenues over Expenditures	\$ (1,820,104)	\$ 5,297,523	\$ 7,117,627
Other Financing Sources (Uses)			
Restitution	\$ 9,800	\$ 10,614	\$ 814
Other Loan/Bond Proceeds	-	-	-
Sale of Fixed Assets	5,000	28,189	23,189
Transfers In	150,000	13,028	(136,972)
Transfers Out	(2,001,619)	(1,884,268)	117,351
Total Other Financing Sources (Uses)	\$ (1,836,819)	\$ (1,832,437)	\$ 4,382
Net Change in Fund Balance	\$ (3,656,923)	\$ 3,465,086	\$ 7,122,009
Fund Balance, January 1	\$ 15,733,377	\$ 21,844,072	\$ 6,110,695
Fund Balance, December 31	\$ 12,076,454	\$ 25,309,158	\$ 13,232,704

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, 2019, amounts to over \$97.8 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, infrastructure, and construction in progress on

buildings and systems. Kittitas County has elected to use the modified approach to account for the infrastructure category of Gravel Roads, which eliminates the need to report depreciation expense. The largest increase in the Governmental activities is in Infrastructure; \$6.83 million. This includes County Road projects, and Equipment Rental & Revolving Fund Projects. In the Business Type Activities, the largest increase was for construction in progress for the new transfer station for \$489,182.

Additional information on Kittitas County's capital assets can be found in Note 5 in the Notes to the Financial Statements. The information regarding the Modified Approach for Graveled Roads is in the following Required Supplementary Information Schedule.

Long-Term Debt

Kittitas County has total outstanding liabilities as of December 31, 2019 of approximately \$22.65 million; of which Governmental was \$20.96million and Business type activities were \$1.70 million.

Additional information on Kittitas County's Long Term Debt can be found in Note 9 and Note 11 for Changes in Long-Term Liabilities in the Notes to the Financial Statements.

Kittitas County has an assigned rating of "AA/Stable" from the Standard & Poor's after a review and report issued on November 29, 2013. The prior rating from Standards & Poor's was affirmed an "AA-/Stable underlining rating.

ECONOMIC FACTORS

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

The Board of County Commissioners has elected over the past several years to increase property taxes by one percent plus new construction. The additional revenue from new construction has not covered the additional expenditures required in union contracts and supply costs.

The sales tax revenues are increasing due to construction projects. We are continuing to watch very carefully the revenues and all departments are watching and limiting travel and other expenses. With the help of all the departments, not spending their total budgets increased the fund balance of the General Fund. The 2018 ending fund balance for the General fund was \$21.84 million and the ending 2019 fund balance was \$25.3 million.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Kittitas County's finances for all those interested in the County's finances. Any questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Kittitas County Auditor's Office, Finance Department or visit our website at <http://www.co.kittitas.wa.us/auditor/default.aspx>

KITITAS COUNTY, WASHINGTON

Statement of Net Position December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash & cash equivalents	\$ 27,886,935	\$ 1,239,482	\$ 29,126,416
Investments	28,367,250	3,288,395	31,655,646
Receivables (net)	2,901,077	362,550	3,263,628
Internal Balances	240,465	(240,465)	-
Inventories	385,191	-	385,191
Pension Assets	2,059,906	-	2,059,906
Due from other Governmental	3,637,992	46,325	3,684,317
Prepaid items	81,703	13,615	95,318
Cash restricted			
Cash	18,432	-	18,432
Investments		1,111,375	1,111,375
Capital Assets (net of accumulated depreciation)			-
Land, and non-depreciable infrastructure	16,735,766	3,786,518	20,522,284
Intangible Assets	2,004,345	6,665,368	8,669,713
Buildings	19,928,015	422,946	20,350,961
Improvements	743,876	593,084	1,336,960
Equipment	5,873,993	289,862	6,163,855
Infrastructure	45,806,848	-	45,806,848
Construction in progress	3,404,436	805,892	4,210,328
Total Assets	<u>\$ 160,076,230</u>	<u>\$ 18,384,948</u>	<u>\$ 178,461,178</u>
Deferred outflow of Resources			
Deferred outflow of Resources - Pension	1,805,523	119,174	1,924,697
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	161,881,753	18,504,122	180,385,875
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable and accrued exp.	\$ 1,410,847	298,182	\$ 1,709,030
Unearned revenue	49,042	-	49,042
Other current liabilities	143,543	-	143,543
Liabilities payable from restricted assets			-
Non-Current Liabilities:			-
Other Long Term Debt (See Note 11)			-
Due within one year	1,040,255	176,118	1,216,374
Due in more than one year	19,918,464	1,518,940	21,437,404
Miscellaneous	-	-	-
Total Liabilities	<u>\$ 22,562,152</u>	<u>\$ 1,993,241</u>	<u>\$ 24,555,393</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources - OPEB	108,330	-	108,330
Deferred Inflows of Resources-Pensions	3,284,934	265,374	3,550,308
Total Deferred Inflows of Resources	<u>3,393,264</u>	<u>265,374</u>	<u>3,658,638</u>
NET POSITION			
Net Investment in Capital Assets	\$ 85,460,821	\$ 12,330,826	\$ 97,791,647
Fund Balance			
Non Spendable	102,358	16,915	119,273
Restricted	27,532,668	-	27,532,668
Committed	3,678,921	-	3,678,921
Assigned	11,286,183	-	11,286,183
Unassigned/Unrestricted	7,865,386	3,897,766	11,763,152
Total Net Position	<u>\$ 135,926,336</u>	<u>\$ 16,245,507</u>	<u>\$ 152,171,844</u>

KITTITAS COUNTY, WASHINGTON

**Statement of Activities
For the Year ended December 31, 2019**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Judicial	\$ 2,593,510	\$ 2,332,912	\$ 84,994	\$ -	\$ (175,604)	\$ -	\$ (175,604)
General Government	9,979,510	4,617,432	175,218	-	(5,186,860)	-	(5,186,860)
Public Safety	11,748,176	1,805,180	454,997	-	(9,487,998)	-	(9,487,998)
Physical Environment	92,608	339,131	-	-	246,523	-	246,523
Transportation	13,577,423	377,795	3,395,750	41,789	(9,762,089)	-	(9,762,089)
Economic Environment	3,814,937	870,729	146,203	1,130,616	(1,667,389)	-	(1,667,389)
Mental & Physical Health	3,297,127	270,739	1,379,119	-	(1,647,269)	-	(1,647,269)
Culture & Recreation	2,402,290	321,541	100,000	-	(1,980,749)	-	(1,980,749)
Interest on long-term debt	308,069	-	-	-	(308,069)	-	(308,069)
Total Government Activities	\$ 47,813,650	\$ 10,935,459	\$ 5,736,281	\$ 1,172,405	\$ (29,969,505)	\$ -	\$ (29,969,505)
Business-type Activities:							
Garbage & Solid Waste	\$ 4,776,151	\$ 5,370,784	\$ -	\$ -	\$ -	\$ 594,633	\$ 594,633
Community Development Services	1,906,610	1,891,768	-	-	-	(14,843)	(14,843)
Water Mitigation	24,206	121,387	-	-	-	97,181	97,181
Total Business-Type Activities	\$ 6,706,967	\$ 7,383,938	\$ -	\$ -	\$ -	\$ 676,971	\$ 676,971
Total Primary Government	\$ 54,520,617	\$ 18,319,398	\$ 5,736,281	\$ 1,172,405	\$ (29,969,505)	\$ 676,971	\$ (29,292,533)
General Revenues:							
Property Taxes				\$ 14,550,105	\$ -	\$ 14,550,105	
Sales Taxes				13,551,018	-	13,551,018	
Other Taxes							
Motor Vehicle Excise Tax				2,358,251	-	2,358,251	
Bureau of Land Management PILT				1,125,355	-	1,125,355	
Real Estate Excise Tax - REET				1,134,404	-	1,134,404	
Remaining Other Taxes				923,794	-	923,794	
Unrestricted Grants and Contributions				1,236,575	-	1,236,575	
Investment Earnings				2,224,337	83,594	2,307,931	
Proceeds on Disposition of Capital Assets				262,346	-	262,346	
Transfers				(1,225,167)	1,225,167	-	
Total General Revenues, Special Items & Transfers				\$ 36,141,019	\$ 1,308,761	\$ 37,449,780	
Change in Net Position				\$ 6,171,514	\$ 1,985,733	\$ 8,157,247	
Net Position as of January 1				\$ 129,754,822	\$ 14,259,774	\$ 144,014,597	
Net Position as of December 31				\$ 135,926,336	\$ 16,245,507	\$ 152,171,844	

KITTITAS COUNTY, WASHINGTON

**Balance Sheet
Governmental Funds
December 31, 2019**

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 23,426,294	\$ 400,322	\$ 3,992,792	\$ 27,819,408
Investments	-	7,113,676	15,570,604	22,684,280
Receivables (net)	2,452,864	168,691	267,166	2,888,722
Due from other funds	190,873	18,571	95	209,540
Due from Other Governmental	1,855,938	533,805	1,248,249	3,637,992
Prepaid items	34,322	28,828	14,675	77,825
Total assets	\$ 27,960,292	\$ 8,263,893	\$ 21,093,582	\$ 57,317,766
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued exp.	\$ 372,341	\$ 443,822	\$ 432,475	\$ 1,248,639
Payable to other governments	1,873	230	56,090	58,193
Due to other funds	8,083	219,468	144,683	372,234
Interfund Loans Payable				-
Interest Payable				-
Unearned revenue	1,155	-	47,888	49,042
Deposits payable	30,721	7,896	104,926	143,543
Total liabilities	414,174	671,416	786,062	1,871,651
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources- Taxes	235,546	142,425	39,397	417,368.28
Deferred Inflows of Resources- Court Fines	1,996,161	-	148,945	2,145,105.97
Deferred Inflows of Resources- Revenues Advanced	5,253	-	-	5,252.80
Total Deferred Inflow of Resources	2,236,960	142,425	188,343	2,567,727.05
FUND BALANCES				
Non Spendable	50,297	29,878	18,305	98,480
Restricted	5,969,341	7,420,174	14,143,153	27,532,668
Committed	1,456,010	-	2,222,910	3,678,921
Assigned	7,551,374	-	3,734,809	11,286,183
Unassigned	10,282,136	-	-	10,282,136
Total fund balances	25,309,158	7,450,052	20,119,177	52,878,388
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 27,960,292	\$ 8,263,893	\$ 21,093,582	\$ 57,317,766

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	88,028,282
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,567,727
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(20,486,554)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position.	12,938,494

Net Position of Governmental Activities	<u>135,926,336</u>
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KITTITAS COUNTY, WASHINGTON

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

For the Year Ended December 31, 2019

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 9,417,208	\$ 4,426,595	\$ 760,099	\$ 14,603,903
Sales	8,393,854	-	5,157,164	13,551,018
Other	329,150	7,002	1,144,883	1,481,035
Licenses & Permits	277,825	144,543	663,047	1,085,415
Intergovernmental	3,363,018	5,644,484	3,166,329	12,173,831
Charges for Services	3,561,129	377,795	2,205,097	6,144,021
Fines & Forfeitures	1,709,620	-	13,461	1,723,081
Investment Earnings	1,469,084	184,522	396,052	2,049,658
Miscellaneous Revenues				
Rentals	622,652	-	187,901	810,553
Other Miscellaneous Revenues	493,694	27,075	309,662	830,431
Total revenues	\$ 29,637,233	\$ 10,812,017	\$ 14,003,696	\$ 54,452,945
EXPENDITURES				
Current:				
Judicial	\$ 2,502,766	\$ -	\$ 174,369	\$ 2,677,135
General Government	8,818,142	242,678	723,074	9,783,895
Public Safety	9,004,476	-	2,791,378	11,795,854
Physical Environ	109,169	-	-	109,169
Transportation	721	5,676,171	293,075	5,969,967
Economic Environment	29,227	-	3,785,710	3,814,937
Health & Human Services	506,076	-	2,967,870	3,473,946
Culture & Recreation	2,091,925	-	14,557	2,106,482
Debt Service:				
Principal	84,673	-	710,274	794,947
Interest	3,184	-	303,985	307,169
Debt Expense	-	-	900	900
Capital Outlay:				
General government	237,785	-	767	238,552
Judicial	910	-	-	910
Public safety	312,875	-	5,102	317,978
Physical environment	-	-	-	-
Transportation	-	6,291,961	-	6,291,961
Economic environment	-	-	1,082,636	1,082,636
Health & Human Services	18,472	-	-	18,472
Culture & recreation	619,310	-	-	619,310
Total expenditures	\$ 24,339,709	\$ 12,210,810	\$ 12,853,698	\$ 49,404,217
Excess (deficiency) of revenues over (under) expenditures	\$ 5,297,523	\$ (1,398,793)	\$ 1,149,997	\$ 5,048,728
Continued on Next Page				
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 13,028	\$ -	\$ 1,393,739	\$ 1,406,766
Transfers out	(1,884,268)	(266,029)	(750,148)	(2,900,445)
Debt Proceeds	-	-	-	-
Proceeds on Disposition of capital assets	38,803	-	40	38,843
Total other financing sources (uses)	\$ (1,832,437)	\$ (266,029)	\$ 643,631	\$ (1,454,835)
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	3,465,086	(1,664,822)	1,793,629	3,593,893
Fund balances--beginning	21,844,072	6,558,547	18,278,067	46,680,686
Prior Period Adjustments	-	2,556,327	47,482	2,603,809
Fund balances--ending	\$ 25,309,158	\$ 7,450,052	\$ 20,119,177	\$ 52,878,388

Continued Next Page

KITTITAS COUNTY, WASHINGTON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

Net changes in fund balances for governmental funds \$ 3,593,893

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	\$	8,528,028	
Depreciation		(5,374,130)	
Reduction Construction in Progress		(3,299,301)	
Cost of Assets Sold		(1,401,835)	
Adjustments to Assets		(52,777)	
Assets from Construction Progress		599,476	
Donation of Capital Assets		41,789	
			(958,750)

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

Debt Proceeds	\$	-	
Debt Retired		794,947	794,947

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

278,572

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.

953,543

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.

814,425

Pension Expense

694,885

Change in Net Position of governmental activities \$ 6,171,514

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds Statement of Net Position
December 31, 2019**

	<u>Solid Waste</u>	<u>Community Development Services</u>	<u>Water Mitigation</u>	<u>TOTAL Business- type Activities-- Enterprise Funds</u>	<u>Governmental Activities- Internal Service funds</u>
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 657,722	\$ 466,003	\$ 115,757	\$ 1,239,482	\$ 67,527
Investments	1,551,107	1,236,786	500,502	3,288,395	5,682,970
Receivables	359,543	2,443	565	362,550	12,356
Due From Funds	-	1,175	-	-	418,561
Inventories	-	-	-	-	385,191
Due From Other governments	33,120	13,205	-	46,325	-
Prepayment for services	4,972	8,643	-	13,615	3,878
Total Current Assets	\$ 2,606,463	\$ 1,728,255	\$ 616,824	\$ 4,951,542	\$ 6,570,482
Noncurrent assets:					
Restricted Cash, Cash Equivalents and Investments:					
Cash restricted	-	-	-	-	18,432
Investments restricted	1,111,375	-	-	1,111,375	-
Total Restricted Assets	1,111,375	-	-	1,111,375	18,432
Capital assets:					
Land	3,786,518	-	-	3,786,518	447,473
Intangible Assets	1,062,311	2,590	5,600,467	6,665,368	-
Buildings	1,389,478	-	-	1,389,478	936,747
Improvements	4,775,159	-	-	4,775,159	268,738
Equipment	1,725,188	156,391	-	1,881,579	10,197,104
Construction in progress	805,892	-	-	805,892	1,019,534
Less Depreciation	(6,643,523)	(96,801)	-	(6,740,325)	(6,400,598)
Total Capital Assets	\$ 6,901,024	\$ 62,180	\$ 5,600,467	\$ 12,563,670	\$ 6,468,997
Total Noncurrent Assets	8,012,399	62,180	5,600,467	13,675,046	6,487,429
Deferred Outflow of Resources	-	-	-	-	-
Deferred Outflow of Resources-Pension	43,329	75,845	-	119,174	-
Total Assets and Deferred Outflows	\$ 10,662,191	\$ 1,866,280	\$ 6,217,290	\$ 18,745,762	\$ 13,057,911
LIABILITIES					
Current liabilities:					
Accounts payable and accrued exp.	\$ 271,293	\$ 26,675	\$ -	\$ 297,967	\$ 103,398
Due to other funds	230,743	10,897	-	241,640	15,401
Due to other governments	215	-	-	215	618
Unearned Revenue	-	-	-	-	-
Landfill Closure Cost	84,938	-	-	84,938	-
Compensated absences	4,435	8,977	-	13,412	-
Leases Payable	-	2,768	-	2,768	-
Bonds, notes, loans payable	75,000	-	-	75,000	-
Total Current Liabilities	\$ 666,624	\$ 49,317	\$ -	\$ 715,940	\$ 119,417
Noncurrent liabilities:					
Compensated absences	\$ 131,017	\$ 95,140	\$ -	\$ 226,157	\$ -
Leases Payable	-	5,075	-	5,075	-
Bonds, notes, loans payable	150,001	-	-	150,001	-
Pension Obligations	44,322	10,110	-	54,432	-
Landfill Closure Cost	1,083,276	-	-	1,083,276	-
Total Noncurrent Liabilities	\$ 1,408,616	\$ 110,325	\$ -	\$ 1,518,940	\$ -
DEFERRED INFLOW OF RESOURCES					
Deferred Inflow of Resources - Pensions	96,379	168,995	-	265,374	-
Total Deferred Inflows of Resources	\$ 96,379	\$ 168,995	\$ -	\$ 265,374	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 6,676,023	\$ 54,337	\$ 5,600,467	\$ 12,330,826	\$ 6,468,997
Restricted Net Position	7,872	9,043	-	16,915	-
Unrestricted Net Position	1,806,678	1,474,264	616,824	3,897,766	5,391,836
Total Net Position	\$ 8,490,573	\$ 1,537,644	\$ 6,217,290	\$ 16,245,507	\$ 11,860,833
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	-	-	-	-
Net Position of business-type activities	\$ 8,490,573	\$ 1,537,644	\$ 6,217,290	\$ 16,245,507	\$ 11,860,833

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2019**

	<u>Solid Waste</u>	<u>Community Development Services</u>	<u>Water Mitigation</u>	<u>TOTAL Business-type Activities-- Enterprise Funds</u>	<u>Governmental Activities-- Internal Service funds</u>
OPERATING REVENUES					
Charges for Services:					
Garbage & Solid Waste	\$ 5,370,784	\$ -	\$ -	\$ 5,370,784	\$ -
Other services	-	1,882,853	121,387	2,004,240	2,347,415
Total operating revenues	\$ 5,370,784	\$ 1,882,853	\$ 121,387	\$ 7,375,024	\$ 2,347,415
OPERATING EXPENSES					
Operations and Cost of Sales	\$ 4,599,736	\$ 1,934,214	\$ 4,109	\$ 6,538,059	\$ 1,352,262
Administrative, General & Maintenance	-	-	-	-	216,127
Depreciation	256,520	19,340	-	275,860	926,758
Compensated Absences	10,419	10,419	-	20,838	-
Pension Expense	(32,185)	(57,363)	-	(89,548)	-
Total operating expenses	\$ 4,834,490	\$ 1,906,610	\$ 4,109	\$ 6,745,209	\$ 2,495,146
Operating income (loss)	\$ 536,294	\$ (23,757)	\$ 117,278	\$ 629,815	\$ (147,732)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	\$ 60,076	\$ 22,444	\$ 1,074	\$ 83,594	\$ 174,679
Debt Interest Expense	(1,500)	-	(20,097)	(21,597)	-
Gain (loss) on Disposition of Capital Assets	-	8,914	-	8,914	223,503
Landfill Closure Revenues (Cost)	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Pension Expense	-	-	-	-	-
Miscellaneous nonoperating revenues (expenses)	59,839	-	-	59,839	-
Total non-operating income (expense)	\$ 118,415	\$ 31,358	\$ (19,023)	\$ 130,750	\$ 398,182
Income before contributions & transfers	\$ 654,708	\$ 7,602	\$ 98,255	\$ 760,565	\$ 250,451
Capital Grants	-	-	-	-	-
Capital Contributions	-	-	-	-	-
Transfers In (Out)	-	335,070	890,097	1,225,167	268,511
Change in net assets	\$ 654,708	\$ 342,672	\$ 988,352	\$ 1,985,732	\$ 518,962
Net Position--beginning	7,835,864	1,194,972	5,228,938	14,259,774	11,368,868
Prior Year Adjustment	-	-	-	-	(26,998)
Net Position--ending	\$ 8,490,573	\$ 1,537,644	\$ 6,217,290	\$ 16,245,507	\$ 11,860,832

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2019

	Solid Waste	Community Development Services	Water Mitigation	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities
					Internal Service funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 5,552,378	\$ 2,179,455	\$ 341,387	\$ 8,073,219	\$ 2,347,367
Cash payments to employees	(791,591)	(1,323,762)	-	(2,115,354)	-
Cash payments to suppliers	(3,537,514)	(681,904)	(14,109)	(4,233,527)	(1,783,721)
Net cash provided (used) by operating activities	\$ 1,223,273	\$ 173,788	\$ 327,278	\$ 1,724,339	\$ 563,646
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Received (Paid) on loans from other funds	-	-	-	-	-
Transfer from Other Funds	-	335,070	-	335,070	2,483
Non-Operating Expenses	-	-	-	-	-
Net cash provided from noncapital activities	\$ -	\$ 335,070	\$ -	\$ 335,070	\$ 2,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Capital Assets	-	8,914	-	8,914	223,503
Payments for Capital Acquisition	(528,805)	(61,706)	-	(590,510)	(1,430,680)
Construction in Progress	-	-	-	-	(342,502)
Proceeds from Capital Grant	-	-	-	-	-
Proceeds from Debt	-	-	-	-	-
Transfer from Other Funds In (Out)	-	-	890,097	890,097	266,029
Depreciation - prior year	-	-	-	-	-
Payment on Long Term Debt	(75,000)	(2,768)	(870,000)	(947,768)	-
Debt Interest Expense	(1,500)	-	(20,097)	(21,597)	-
Net cash provided (used in) capital financing activities	\$ (605,305)	\$ (55,559)	\$ -	\$ (660,864)	\$ (1,283,649)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment Interest	\$ 60,076	\$ 22,444	\$ 1,074	\$ 83,594	\$ 170,765
Interest Receivable	(457)	(277)	(526)	(1,260)	253
Balancing Item	-	-	-	-	-
Sale (Purchase) of Investment	(632,495)	(372,167)	(499,961)	(1,504,622)	404,509
Net cash flows from investing activities	\$ (572,876)	\$ (350,000)	\$ (499,412)	\$ (1,422,288)	\$ 575,527
Net increase (decrease) in cash and cash equivalent	\$ 45,092	\$ 103,299	\$ (172,134)	\$ (23,743)	\$ (141,994)
Cash and cash equivalents at January 1	\$ 612,630	\$ 362,704	\$ 287,891	\$ 1,263,225	\$ 227,953
Cash and cash equivalents at December 31	\$ 657,722	\$ 466,003	\$ 115,757	\$ 1,239,482	\$ 85,959
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Net operating income (loss)	\$ 536,294	\$ (23,757)	\$ 117,278	\$ 629,815	\$ (147,732)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation expense	\$ 256,520	\$ 19,340	\$ -	\$ 275,860	\$ 926,758
Compensated Absences	10,419	10,419	-	20,838	-
Pension Expense	(32,185)	(57,363)	-	(89,548)	-
(Increase) decrease in Receivables	182,698	(492)	-	182,206	3,043
(Increase) decrease in Due from other Funds	-	299,071	220,000	519,071	6,890
(Increase) decrease in Due from other Governmental	(1,104)	(1,978)	-	(3,082)	-
(Increase) decrease in Prepayment for Services	1,062	916	-	1,978	501
Increase (decrease) in Non Current Liability	-	-	-	-	-
Increase (decrease) in Due to other Funds	224,831	917	(10,000)	215,748	800
Increase (decrease) in Inventory	-	-	-	-	(1,325)
Increase (decrease) in Payables	44,556	(73,285)	-	(28,729)	(225,288)
Increase (decrease) in Due to other Governments	-	-	-	-	-
Increase (decrease) in Taxes Payable	182	-	-	182	-
Total Adjustments	\$ 686,979	\$ 197,545	\$ 210,000	\$ 1,094,524	\$ 711,377
Net cash provided by operating activities	\$ 1,223,273	\$ 173,788	\$ 327,278	\$ 1,724,339	\$ 563,646

KITTITAS COUNTY, WASHINGTON

**Statement of Fiduciary Net Position
December 31, 2019**

	Private Purpose Trust	Investment Trust	Private Water Trust	Custodial
ASSETS				
Cash/Petty Cash	\$ -	\$ -	\$ 62,266	\$ 13,887,022
Cash with Fiscal Agency	-	-	-	409,781
Investments	7,398	-	-	-
Investment with Pool	-	75,566,006	-	0
Taxes Receivable	-	-	-	1,428,136
Other Receivables	12	-	-	533,902
	<u>7,411</u>	<u>75,566,006</u>	<u>62,266</u>	<u>16,258,841</u>
TOTAL ASSETS	\$ 7,411	\$ 75,566,006	\$ 62,266	\$ 16,258,841
DEFERRED OUTFLOWS of RESOURCES				
LIABILITIES				
Warrants Payable	\$ -	\$ -	\$ -	\$ 2,901,204
Salary/Vouchers Payable	-	-	62,266	1,154,185
Custodial Accounts	-	75,566,006	-	10,775,316
	<u>-</u>	<u>75,566,006</u>	<u>-</u>	<u>14,830,705</u>
TOTAL LIABILITIES	\$ -	\$ 75,566,006	\$ 62,266	\$ 14,830,705
DEFERRED INFLOWS of RESOURCES				
Deferred Inflows of Resources - Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,428,136</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	1,428,136
NET POSITION				
Held in Trust for Other Purposes	<u>7,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	\$ 7,411	\$ -	\$ -	\$ (0)

KITTITAS COUNTY, WASHINGTON
Statement of Change in Fiduciary Net Position
Private Purpose Trust
For the Year Ended December 31, 2019

	Private Purpose Trust	Investment Trust	Private Water Trust
Additions			
Investment Earnings	\$ -	\$ (81,174)	\$ -
Charges for Services	-	-	173,519
Miscellaneous Revenues	169	-	-
Total Additions	<u>\$ 169</u>	<u>\$ (81,174)</u>	<u>\$ 173,519</u>
Deductions			
General Government	\$ -	\$ -	\$ 175,416
Culture & Recreation	-	-	-
Total Deductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,416</u>
Change in Net Position	\$ 169	\$ (81,174)	\$ (1,897)
Net Position--beginning	7,242	81,174	1,897
Net Position--ending	<u><u>\$ 7,411</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ -</u></u>

KITTITAS COUNTY, WASHINGTON
Notes to the Basic Financial Statements
Dated as of and for the year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

The Agency funds, which include Irrigation, Fire, Hospital, PUD, School, Sewer, Cemetery, Water, Weed, Parks & Recreation, Cities, and State Funds, are reported as Fiduciary funds. Kittitas County does not significantly contribute to or control the operations of these districts; however, the County Treasurer acts as the "bank" for these fund types and is charge with the collection of the taxes. The Agency funds are omitted from the government-wide financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of Kittitas County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kittitas County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

Kittitas County reports the following major funds: the General Fund is the County's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The major fund reported is County Road. In the Proprietary funds, Solid Waste and Community Developmental Services are considered major funds, but we choose to report Solid Waste, Community Development Services and Water Mitigation. Additionally, reported are the following fund types: Internal service funds account for Equipment, Rental & Revolving, Dental Self Insurance, Unemployment Compensation and Computer Replacement provided to other departments of the county on a cost reimbursement basis.

Governmental Accounting Standards Board (GASB) defines major funds as those meeting the following criteria:

- Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, and other financing sources, or expenditures/expenses and other financing uses of the individual governmental or enterprise fund are equal to or greater than 10 percent of the corresponding element total (assets, liabilities, and so forth) for all funds that considered governmental funds or enterprise funds.
- Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Both criteria must be met in the same element (assets, liabilities, etc.) for both the 10 percent and 5 percent tests for a fund to be defined as major. However, Statement 34 permits a government to designate a particular fund that is of interest to users as a major fund and to individually present its information in the basic financial statements, even if it does not meet the criteria. However, a government does not have the option to NOT report a fund as major if it meets the criteria above.

It should be noted that in applying the major fund criteria to enterprise funds, the reporting entity should consider both operating and non-operating revenues and expenses, as well as gains, losses, capital contributions, additions to permanent endowments, and special items. When the major fund criteria are applied to governmental funds, revenues do not include other financing sources and expenditures do not include other financing uses. However, special items would be included.

The private-purpose trust funds are used to account for the Jerry Williams Library Trust, Investment Trust and the Private Water Trust.

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

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

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

As required by GASB 34, Kittitas County's procedure was to use non-restricted resources first and then restricted resources as needed. With GASB 54 our procedure is to have committed amounts reduced first, followed by assigned amounts, and then unassigned, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

D. BUDGETARY INFORMATION

1. SCOPE OF BUDGET

Annual appropriated budgets are adopted for the General and Special Revenue Funds on the modified accrual basis of accounting, except Treasurer Investment Revolving and Treasurer M&O as per RCW 36.29.024 and RCW 84.56.020 no budget is required. All Proprietary funds are budgeted on a full accrual basis. For Governmental Funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted Governmental Funds only. NCGA Statement 1 does not require and the financial statements do not present budgetary comparisons for proprietary fund types.

Annual appropriated budgets are adopted at the level of each fund and the budget constitutes the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for all funds lapse at year-end.

2. AMENDING THE BUDGET

The County Auditor is authorized to transfer budget amounts between object classes within

departments. However, any revisions that alter the total budget of a fund, or that affect the number of

authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the County Commissioners.

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

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

E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. CASH AND EQUIVALENTS

It is Kittitas County's policy to invest all temporary cash surpluses. At December 31, 2019, the treasurer was holding \$38,546,754 in cash and pool investments. The amount of \$27,055,882 is in short-term residual investments of surplus cash. The amounts are classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund

The County's cash and cash equivalents are considered to be cash on hand and demand deposits. The county pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested or necessary, in order to facilitate the management of cash. All securities are measured at fair value per the implementation of GASB 72.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2019 were approximately \$8,200,000.

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

2. TEMPORARY INVESTMENTS

See Note 3 - Investments

3. RECEIVABLES

Taxes receivable consists of property taxes and related interest and penalties (See Note 4, Property Tax). Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2019, \$41,743 of special assessments receivable were delinquent. Taxes and Assessment receivables are offset by deferred inflow of resources.

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

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

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. INVENTORIES

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the (average/ending) amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

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

6. CAPITAL ASSETS

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There were no projects in 2018 that had interest allocated to an asset.

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

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

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

7. OTHER PROPERTY AND INVESTMENTS

See Note 3 - Deposits and Investments

8. COMPENSATED ABSENCES

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

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

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

9. LONG-TERM DEBT

See Note 9 - Long-Term Debt and Leases

10. DEFERRED OUTFLOW/INFLOW OF RESOURCES

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

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

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

11. FUND RESERVES AND DESIGNATIONS

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

A. Governmental Fund Types

Fund Balance types for Governmental Fund Types and reporting practice

Non-spendable Fund Balance:

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

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

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

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

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

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

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

Restricted Fund Balance:

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

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

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

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

Committed Fund Balance:

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

formal action is taken by the Board of County Commissioners to reverse or modify the previously imposed restriction.

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

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

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

Assigned Fund Balance:

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

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

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

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

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

Unassigned Fund Balance (General Fund Only):

Unassigned Fund Balance is the residual fund balance for the General Fund. While the unassigned is intended to report exclusively by the General Fund, there is an exception that if any other fund type has a negative fund balance due to expenditures incurred exceeding the amount other fund balances types, then the funds would be reported as a negative unassigned fund balance.

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

Prior Year Available Fund Balance: The portion of fund balance that is brought forward from the prior fiscal year and is available for appropriation to fund current fiscal year activities.

Fund Balance: Any portion of fund balance that does not fall under any of the fund balance definitions presented above.

Fund Balance Actuals

The following is the classifications for the Governmental funds fund balances as of December 31, 2019:

	General Fund	Road Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	34,322	28,828	14,675	77,825
Petty Cash	15,975	1,050	3,630	20,655
Total Nonspendable	50,297	29,878	18,305	98,480
Restricted for:				
Law & Justice	5,969,341	-	-	5,969,341
Paths Trails	-	27,336	-	27,336
Special Revenue	-	7,380,148	11,070,853	18,451,001
Construction Performance Bond	-	12,691	697	13,388
Title 1 Roads	-	-	-	-
GO Refunding Bond	-	-	28,996	28,996
Refund Fund	-	-	402	402
206 CRID 96-1 Bond	-	-	-	-
CRID Guaranty Fund	-	-	-	-
Other Capital Projects	-	-	3,042,205	3,042,205
Total Restricted	5,969,341	7,420,174	14,143,153	27,532,668
Committed to:				
Vehicle Replacement	835,912	-	-	835,912
Special Revenue	-	-	2,203,891	2,203,891
County Capital Improvements	620,098	-	-	620,098
Rodeo Grounds Capital Improvements	-	-	19,020	19,020
Total Committed	1,456,010	-	2,222,910	3,678,921
Assigned to:				
NY Budget	7,461,595	-	-	7,461,595
Event Center Rentals	43,759	-	-	43,759
Sheriff Surplus Proceeds	3,765	-	-	3,765
HR Wellness	42,255	-	-	42,255
Special Revenue	-	-	1,691,346	1,691,346
New Courthouse Capital Projects	-	-	2,043,463	2,043,463
Total Assigned	7,551,374	-	3,734,809	11,286,183
Unassigned	10,282,136	-	-	10,282,136
Total Fund Balance	25,309,158	7,450,052	20,119,177	52,878,388

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

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

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

December 31, 2019 Total Fund Balance	\$52,878,388
Capital assets used in governmental activities are not financial resources and are not reported in the funds	88,028,282
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,567,727
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(20,486,554)
Internal service funds are used by management to change the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position	<u>12,938,494</u>
Net Position of Governmental Activities	<u>\$135,926,336</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

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

December 31, 2019 Net Changes in Fund Balances for Governmental Funds	\$3,593,893
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	8,528,028
Depreciation	(5,374,130)
Reduction Construction in Progress	(3,299,301)
Cost of Assets Sold	(1,401,835)
Adjustments to Assets	(52,777)
Donated Assets	41,789
Assets from Construction in Progress	<u>599,476</u>
	-958,750
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principle is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net position.	
Debt Proceeds	-
Debt Retired	794,947
	794,947
Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds	278,572
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	953,543

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	814,425
Pension Expense	694,885
Change in Net Position of governmental activities	<u>\$6,171,514</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

A. DEPOSITS

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

Cash on hand at December 31, 2019 was \$38,546,754 in cash residual. This amount includes \$27,055,882 of cash and pooled investments in the General Fund. The carrying amount of the County’s deposits and investments was \$51,174,680 in the LGIP, and the bank balance was \$9,287,608 in various banks.

Custodial credit risk-Deposits The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the County would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The county has a formal investment policy that addresses this risk. All deposits held at December 31, 2019 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer’s name.

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

B. INVESTMENTS

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

Cash is deposited and invested on behalf of the County and local districts per its debt and investment policies. These investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute, including U.S. Treasury Notes, Federal Agencies, bankers’ acceptances, short-term commercial

paper, municipal bonds, money market accounts, and the State Treasurer’s Local Government Investment Pool (LGIP). Starting in 2016 the State Treasurer allowed counties the authority to purchase corporate notes and commercial paper.

The total fair market value of Kittitas County’s investments was \$147,064,976.91 on December 31, 2019, including cash on hand invested in various banks and the LGIP. Fair market value for purchased securities is determined monthly using information from current market prices as reported by U.S. Bank, itemized by security. Fair market value for the LGIP and WA Fed money market accounts are the current monthly balance reported by those entities. Fair market value for the Kittitas School District #403 bond held by the County is based on the bond’s actual current principal value.

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Investments that are not measured at fair value include state pools and money market accounts. As of December 31, 2019, Kittitas County had the following investments which are reported at amortized cost:

Investment	Kittitas County	WA LGIP	Total
State Investment Pool	\$ -	\$ 51,174,679.87	\$ 51,174,679.87
WAFD Money Market	\$ -	\$ 5,211,475.56	\$ 5,211,475.56
Total Amortized Cost	\$ -	\$ 56,386,155.43	\$ 56,386,155.43

Investments are subject to the following risks:

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

In addition to the interest rate risk disclosed above, the county includes investments with fair value potentially highly sensitive to interest rate changes, such as bonds. However, fixed income securities and interest rates are inversely correlated; therefore, as interest rates rise, prices of these securities tend to fall. Through its investment policy, the County manages its exposure to the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. Occasionally, a need to make changes to the portfolio is determined to exist, such as described below in Section E wherein several securities were sold and replaced with better options; this decision served to decrease interest rate risk and improve the convexity of the portfolio.

The adopted investment policy limits investment maturities to those shown in the following table based on security type, with the exception of preapproval by the County Treasurer. During 2019 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index. These maturity limits serve to limit the weighted average maturity of the investment portfolio to maturities that will fulfill the cash flow needs of Kittitas County and its junior taxing districts. The securities in the portfolio are managed to ensure enough cash is available to meet anticipated cash flow needs, based on historical information and expected bond payments. Any cash in excess of necessary liquidity needs is invested.

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

MATURITY REPORT AS OF 12/31/2019		Investment Maturities (in years)				
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10	
Debt Securities						
Corporate Notes	\$ 13,422,163.00	\$ -	\$ 13,422,163.00	\$ -	\$ -	
Federal Agency Callables	\$ 1,274,993.63	\$ 1,274,993.63	\$ -	\$ -	\$ -	
Federal Agency Coupon	\$ 49,441,298.92	\$ 35,018,515.00	\$ 14,422,783.92	\$ -	\$ -	
Federal Agency Disc-Amortizing	\$ 3,023,610.30	\$ 3,023,610.30	\$ -	\$ -	\$ -	
Misc Coupon Securities-Kittitas SD #403 Bond	\$ 148,616.98	\$ -	\$ 148,616.98	\$ -	\$ -	
Municipal Bonds	\$ 21,345,911.65	\$ 481,996.80	\$ 20,863,914.85	\$ -	\$ -	
SUPRA Nationals	\$ 1,001,417.00	\$ 1,001,417.00	\$ -	\$ -	\$ -	
Treasury Coupon Securities	\$ 1,020,810.00	\$ -	\$ 1,020,810.00	\$ -	\$ -	
WA State LGIP	\$ 51,174,679.87	\$ 51,174,679.87	\$ -	\$ -	\$ -	
Total Debt Securities	\$ 141,853,501.35	\$ 91,975,212.60	\$ 49,878,288.75	\$ -	\$ -	
Other Securities						
Money Market Account	\$ 5,211,475.56	\$ 5,211,475.56	\$ -	\$ -	\$ -	
Total Other Securities	\$ 5,211,475.56	\$ 5,211,475.56	\$ -	\$ -	\$ -	
Grand Total Securities	\$ 147,064,976.91	\$ 97,186,688.16	\$ 49,878,288.75	\$ -	\$ -	

Credit Risk-Investments: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the County will do business. The credentials of these business partners are reviewed at least annually. Presented below is the minimum rating required by the state statute and the actual rating, as of December 31, 2019, for each type of investment in which the County participates.

Credit Ratings as of 12/31/2019			
Investment Type	Fair Value	Required Min Rating	Year End Rating
US Agency Security	\$ 53,739,902.85	AA+	AAA
US Treasury Bonds and Notes	\$ 1,020,810.00	AA+	AAA
Municipal Bonds	\$ 21,494,528.63	A-	AA- or better
Corporate Notes	\$ 13,422,163.00	A-	A or better
Supranationals	\$ 1,001,417.00	A-	AAA
Bank Deposits	\$ 5,211,475.56	NR	NR
WA State LGIP	\$ 51,174,679.87	NR	NR
Total	\$ 147,064,976.91		

Concentration of Credit Risk-Investments: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The county has a formal policy for concentration of credit risk which requires diversification of the portfolio and limits the percentage of the total portfolio which may belong to federal and municipal bonds, repurchase agreements, bankers' acceptances, corporate notes, Supranationals, and registered warrants. The portfolio may consist of up to 100% in Treasury and Federal Agencies, Certificates of Deposit, Savings or Time accounts, and/or the Washington State Local Government Investment Pool (LGIP). The investment policy which was in effect as of December 31, 2019 sets forth maximum concentration guidelines whereby holdings of Treasury and Federal Agencies, Certificates of Deposit that meet state requirements, the Washington State Local Government Investment Pool, and Savings and Time Accounts may comprise up to 100% of the investment portfolio; repurchase agreements up to 40%, Bankers' Acceptances (A1 or P1) up to 15%; Bonds of any state of the United States or of any local Government in the United States up to 20%; Corporate notes up to 10%; Supranationals up to 5%; and Registered Warrants up to 5%.

Below is a list of investments held by the County as of December 31, 2019 and the type of investment. The County continues to work towards diversifying its portfolio and ensuring it best conforms to standard best practices as well as state and federal requirements.

Investment by Type - 12/31/2019	Market Value	Percentage	% Allowed	Difference
Corporate Notes	\$ 13,422,163	9.13%	10.00%	0.87%
Treasury Coupon Securities	\$ 1,020,810	0.69%	10.00%	9.31%
Federal Agency Callables	\$ 1,274,994	0.87%	100.00%	99.13%
Federal Agency Coupon	\$ 49,441,299	33.62%	100.00%	66.38%
Federal Agency Disc-Amortizing	\$ 3,023,610	2.06%	100.00%	97.94%
Misc Coupon Securities-Kittitas SD	\$ 148,617	0.10%	OK	OK
Money Market	\$ 5,211,476	3.54%	100.00%	96.46%
Municipal Bonds	\$ 21,345,912	14.51%	20.00%	5.49%
SUPRA National	\$ 1,001,417	0.68%	5.00%	4.32%
WA LGIP	\$ 51,174,680	34.80%	100.00%	65.20%
	\$ 147,064,977	100.00%		

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

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

Presented below are the two investments in any one issuer that represents 5% or more of securities in which the County participates.

Issuer - 5% or more	Investment Type	Amount	Percentage
Federal Home Loan Bank	Agency Security	\$ 38,427,367.92	26.13%
WA State LGIP	LGIP	\$ 51,174,679.87	34.80%
		\$ -	
		\$ 89,602,047.79	

Portfolio total \$ 147,064,976.91

Investments in the Local Government Investment Pool (LGIP)

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

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

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

Investments in Kittitas County Investment Pool (KCIP)

For investment purposes, the County uses the fund by fund approach of cash balances of County funds and allows for participation by other legally separate entities such as special districts and public agencies, for which the County is *ex officio* treasurer. Kittitas County established an Investment Pool effective October 1, 2018. There are currently over 40 special districts and over 60 special district funds participating in the county's investment pool, with only one investment fund not participating as of December 31, 2019. As of December 31, 2019, there was \$75,566,066 invested on behalf of the external districts, with the remainder of \$38,724,550 invested on behalf of the county.

The County operates and is a participant in the Kittitas County Investment Pool, an external investment pool. The pool was initiated October 1, 2018. The county reports its investment in the KCIP at the fair value amount, which

is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The County Treasurer, by law, is the Treasurer of most local governments and districts within the County, including schools, fire, and library districts. These districts do not have a legal option to have their cash handled by anyone other than the County Treasurer. The Pool is established per the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. The county's investment policy is established by the County Finance Committee consisting of the County Treasurer, County Auditor, and County Commissioner Chairperson.

The county external investment pool is not registered with the SEC and does not have a credit rating. It had a weighted average maturity of 417 days or 1.158 years as of December 31, 2019, an effective rate of return of 2.02% and an overall yield to market rate (at a 360-day equivalent) of 2.035%. The interest on these investments is allocated between all participating funds, including the General Fund, based on their percentage of participation, except where prohibited by statute or bond covenant. There was \$58,530.21 remaining in purchased accrued interest and \$1,400,000 in a pending redemption as of 12/31/2019.

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

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

Participation in the KCIP by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the Treasurer. The County and districts can take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the County's objectives of safety, liquidity, and yield. Most of the Agreements were signed in September 2018, and the County now considers that pooling officially began effective October 1, 2018 for those districts which had submitted a completed Agreement by that date. Other districts are added in the month following completion of an Agreement.

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

Kittitas County measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy by: Level 1 Quoted prices in active markets for identical assets or liabilities, Level 2 Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable, or Level 3 Unobservable inputs for an asset or liability. As of December 31, 2019, Kittitas County had the following fair value measurements, based on monthly market prices obtained via the County's securities custodian, US Bank, as well as stated values for the LGIP and WAFD accounts.

Investments by Fair Value Level as of December 31, 2019	Level 1-Quoted Prices in Active Markets for Identical Assets	Level 2-Significant Other Observable Inputs	Level 3-Significant Unobservable Inputs	Total
Corporate Notes	\$ 13,422,163	\$ -	\$ -	\$ 13,422,163.00
Treasury Coupon Securities	\$ 1,020,810	\$ -	\$ -	\$ 1,020,810.00
Federal Agency Callables	\$ 1,274,994	\$ -	\$ -	\$ 1,274,993.63
Federal Agency Coupon	\$ 49,441,299	\$ -	\$ -	\$ 49,441,298.92
Federal Agency Disc-Amortizing	\$ 3,023,610	\$ -	\$ -	\$ 3,023,610.30
Misc Coupon Securities-Kittitas SD	\$ 148,617	\$ -	\$ -	\$ 148,616.98
Municipal Bonds	\$ 21,345,912	\$ -	\$ -	\$ 21,345,911.65
Supranational	\$ 1,001,417	\$ -	\$ -	\$ 1,001,417.00
Investments Measured at the net asset value	\$ 90,678,821.48	\$ -	\$ -	\$ 90,678,821.48

Investments by Amortized Cost as of December 31, 2019	Level 1-Quoted Prices in Active Markets for Identical Assets
Money Market	\$ 5,211,476
WA LGIP	\$ 51,174,680
Investments Measured at amortized cost	\$ 56,386,155.43

Total Investments in Statement of Net Position	\$ 147,064,976.91
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C. GAINS AND LOSSES ON INVESTMENTS

In August of 2019, the Treasurer's Finance Officer decided to sell two callable agency bonds with negative convexity and one low-yielding municipal bond. This was done on a bidding basis between all four of the brokers used as fixed income advisors at the time. The focus, as always, was on risk reduction, cash flow timing, and earning potential. The winning bidder was Fifth Third Securities. It was decided to replace these three securities in question with two bank notes and two corporates with higher earning potential. This resulted in an overall gain on the sale of \$5,345.88. The purchases had an aggregated effective convexity of 0.19 and the change in overall net income was calculated by Fifth Third at \$124,510.

D. INVESTMENTS BY FUNDS

Fund	Total Investments
County Road	7,113,676
Special Revenue-Non-Major	10,979,879
Debt Service	28,279
Capital Projects	4,562,446
Total Governmental Funds	22,684,281
Enterprise Funds	4,399,771
Internal Service Funds	5,682,970
Total Proprietary Funds	10,082,741
Private Purpose Trust	7,398
External Investment Pool	75,566,006
TOTAL	108,340,427

Balance Sheet – Governmental Funds		
	County Road	Other Governmental Funds
Assets		
Investments	7,113,676	15,570,604

Proprietary Funds Statement of Net Position
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Assets		
Investments	\$4,399,771	\$5,682,970

Trust and Custodial Funds Combining Balance Sheet	
Assets	
Private Purpose Trust	7,398
External Investment Pool	\$75,566,006

The amount of funds investment in the External Investment Pool for reporting purposes is \$75,566,006, this amount is accounted in detailed in all the custodial accounts. The summary by fund category is listed below

Custodial Type	Amount
Irrigation	386,183
Fire	9,865,459
School	63,448,372
Utility	1,372,204
TV	72,713
Cemetery	95,862
Water	253,048
Weed	30,401
Clearing	41,764
Total	75,566,006

NOTE 4 - PROPERTY TAXES

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

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

Property taxes are recorded as a receivable when levied, offset by deferred inflows of resources. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 60 days. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

A. Washington State Law RCW's 84.55.010 and 84.55.0101 limits the growth of regular property taxes to 1 percent or less per year, plus adjustments for new construction. If the assessed valuation increases due to revaluation, the levy rate will be decreased.

B. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

For 2018 for the 2019 tax County levied the following property taxes on an assessed value of \$7,432,581,926. The Road district property value assessed was \$5,239,366,479.

Fund	Levy	Amount
General fund	1.219958	\$9,067,437.78
Mental Health/Development Disabilities	.025024	185,992.93
Veterans Relief	.006054	44,996.85
Total General fund Levy	1.251036	\$9,298,427.56
Road Levy	.828730	\$4,342,020.18
County Road Diverted	.041989	219,995.76
Total Road Levy	.870719	\$4,562,015.94
Flood Control Regular Levy	.070006	520,325.33
GRAND TOTAL	2.191761	\$14,380,768.83

NOTE 5 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is shown by asset type in the following table. The largest increase in the Governmental activities was for the purchase of land in the amount of \$1,082,635. In the Business Type Activities, the largest increase is in Construction in Progress in the amount of \$489,182 for the new Transfer Station.

GOVERNMENTAL ACTIVITIES (including Internal Service Funds)	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	6,100,106	1,082,636	4,541	-	7,178,201
Infrastructure - Gravel Roads*	3,968,123	22,880	205,706	177,619	3,962,916
Land - Easements & Right of Ways	5,330,918	60,380	54,225	257,576	5,594,649
Intangible Assets	1,891,868	125,934	13,457	-	2,004,345
Intangible Assets - Water Banks	-	-	-	-	-
Construction in Progress	4,348,467	2,542,284	3,528,275	41,960	3,404,436
Total	21,639,482	3,834,114	3,806,203	477,154	22,144,546
Assets Being Depreciated					
Buildings & Improvement	38,525,092	566,709	-	-	39,091,801
Improvements	2,620,486	-	-	-	2,620,486
Equipment	14,516,188	1,900,291	1,197,901	211,855	15,430,433
Infrastructure	160,467,994	4,711,915	989,574	1,978,672	166,169,006
Total	216,129,760	7,178,915	2,187,475	2,190,527	223,311,727
Grand Total	237,769,242	11,013,028	5,993,678	2,667,681	245,456,273
Less accumulated depreciation for:	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Buildings & Improvements	17,970,343	1,193,442	-	-	19,163,786
Improvements	1,796,445	80,165	-	-	1,876,610
Equipment & Machinery	9,468,596	1,207,760	1,197,122	77,206	9,556,440
Infrastructure	116,486,291	3,001,942	892,896	1,766,821	120,362,158
Total	145,721,675	5,483,310	2,090,018	1,844,028	150,958,994
Total Government Activities, net	92,047,567	5,529,719	3,903,660	823,654	94,497,279
BUSINESS TYPE ACTIVITIES	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	3,786,518	-	-	-	3,786,518

Intangible Assets	6,664,556	812	-	-	6,665,368
Construction in Progress	316,710	489,182	-	-	805,892
Total	10,767,784	489,994	-	-	11,257,778
Assets Being Depreciated					
Buildings & Improvement	1,389,478	-	-	-	1,389,478
Improvements	4,775,159	-	-	-	4,775,159
Equipment	1,805,980	100,516	24,917	-	1,881,579
Total	7,970,618	100,516	24,917	-	8,046,217
Grand Total	18,738,402	590,510	24,917	-	19,303,995
Less accumulated depreciation for:					
	Beginning Balance	Increase	Decrease		Ending Balance
Buildings & Improvements	915,059	51,473	-	-	966,532
Improvements	4,067,268	114,807	-	-	4,182,075
Equipment & Machinery	1,507,054	109,580	24,917	-	1,591,717
Total	6,489,381	275,860	24,917	-	6,740,325
Business Activities Capital Assets, net	12,249,020	314,650	-	-	12,563,670

B. ADJUSTMENTS

Prior year adjustments were made in the amount of \$2,556,327.07 due to roads being added in 2019 that should have been added in 2018 and 2012. Depreciation was also adjusted in the amount of \$2,013,600.00. County Road had donated infrastructure assets in the amount of \$41,789.

C. DEPRECIATION EXPENSE

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

Government Activities	
Function/Program	Amount
Government activities	\$708,006
Judicial Services	22,819
Public Safety	218,055
Physical Environment	4,193
Transportation	3,944,503
Health and Human Service	9,966
Culture and Recreation	329,777
Total	\$5,237,319

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	\$256,520
Community Development Services Public Safety	5,075
Community Development Services Economic Environment	(10,652)
Total	\$250,943

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(5,445,900)
Pension assets	\$2,059,906
Deferred outflows of resources	\$1,924,697
Deferred inflows of resources	\$(3,550,308)
Pension expense/expenditures	\$507,003

State Sponsored Pension Plans

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-

sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The county actual PERS plan contributions were \$806,157 to PERS Plan 1 and \$1,026,501 to PERS Plan 2/3 for the year ended December 31, 2019.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2019 were as follows:

PSERS Plan 2		
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Actual Contribution Rates	Employer	Employee
January – June 2019		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%
July – December 2019		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%

The county actual plan contributions were \$119,202 to PSERS Plan 2 and \$83,261 to PERS Plan 1 for the year ended December 31, 2019.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2019		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities		
Administrative Fee	0.18%	
Total	8.93%	8.75%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities		
Administrative Fee	0.18%	
Total	8.77%	8.59%

The county actual contributions to the plan were \$144,507 for the year ended December 31, 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$95,979.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)

PERS 1	\$11,399,076	\$9,102,378	\$7,109,691
PERS 2/3	21,297,912	2,776,925	(12,420,769)
PSERS 2	373,619	(36,190)	(358,129)
LEOFF 1	(2,329,444)	(2,847,545)	(3,294,877)
LEOFF 2	(2,507,837)	(13,487,184)	(22,448,845)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2019, the county reported a total pension liability of \$5,445,900 and total pension assets of \$2,059,906 for its proportionate share of the net pension liabilities and assets as follows:

	Liability	Assets
PERS 1	\$4,293,531	-
PERS 2/3	1,152,369	-
PSERS 2	-	47,320
LEOFF 1	-	170,977
LEOFF 2	-	1,841,609
TOTAL	5,445,900	2,059,906

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

	LEOFF 1 Asset	LEOFF 2 Asset	Total LEOFF Assets
Employer's proportionate share	170,977	1,841,609	2,012,586
State's proportionate share of the net pension asset associated with the employer	1,156,483	1,206,007	2,362,490
TOTAL	1,327,460	3,047,616	4,375,076

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	.111934%	.111655%	.000279%
PERS 2/3	.118055%	.118637%	(.000582%)
PSERS 2	.390713%	.363890%	.026823%
LEOFF 1	.008598%	.008650%	(.000052%)
LEOFF 2	.083794%	.079493%	.004301%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions, and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The

allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the county recognized pension expense as follows:

	Pension Expense
PERS 1	\$183,321
PERS 2/3	211,699
PSERS 2	76,628
LEOFF 1	(9,828)
LEOFF 2	45,184
TOTAL	\$507,003

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (286,844)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 401,352	\$ -
TOTAL	\$ 401,352	\$ (286,844)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 330,156	\$ (247,753)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,677,379)
Changes of assumptions	\$ 29,508	\$ (483,495)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 199,666	\$ (32,793)
Contributions subsequent to the measurement date	\$ 538,965	\$ -
TOTAL	\$ 1,098,296	\$ (2,441,421)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,961	\$ (4,185)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (82,174)
Changes of assumptions	\$ 381	\$ (25,431)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,670	\$ (8,908)
Contributions subsequent to the measurement date	\$ 59,845	\$ -
TOTAL	\$ 105,857	\$ (120,698)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (17,725)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ -	\$ (17,725)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132,520	\$ (33,117)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (377,587)
Changes of assumptions	\$ 3,034	\$ (207,240)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 113,228	\$ (65,675)
Contributions subsequent to the measurement date	\$ 70,410	\$ -
TOTAL	\$ 319,192	\$ (683,619)

GRAND TOTAL ALL PLANS	\$ 1,924,697	\$ (3,550,307)
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Deferred outflows of resources related to pensions resulting from the county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2020	\$ (63,322)
2021	\$ (149,993)
2022	\$ (53,526)
2023	\$ (20,003)
2024	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2020	\$ (486,854)
2021	\$ (819,293)
2022	\$ (340,198)
2023	\$ (162,737)
2024	\$ (83,041)
Thereafter	\$ 10,031

Year ended December 31:	PSERS 2
2020	\$ (14,548)
2021	\$ (27,470)
2022	\$ (17,250)
2023	\$ (8,783)
2024	\$ (1,190)
Thereafter	\$ (5,446)

Year ended December 31:	LEOFF 1
2020	\$ (4,117)
2021	\$ (9,074)
2022	\$ (3,293)
2023	\$ (1,241)
2024	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 2
2020	\$ (87,287)
2021	\$ (164,279)
2022	\$ (85,502)
2023	\$ (45,458)
2024	\$ (15,204)
Thereafter	\$ (37,108)

*See Required Supplementary Information

NOTE 7 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington

joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2019, Kittitas County selects a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the amount of the layer of coverage below. For 2018-19, the Pool’s SIR was \$1,000,000 (for 2019-20, the Pool’s SIR increased to \$2,000,000). More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2018-19, the “corridor” increased the SIR to \$2,000,000, with losses between \$1,000,000 and \$2,000,000 having an annual aggregated stop loss of \$2.5 million. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$20 million (lowest reinsured layer), \$30 million, (second layer), and \$50 million (third layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool’s 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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

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

During 2018-19, Kittitas County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool’s financial health, b) approve case settlements exceeding the applicable member’s deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool’s operations, program deliverables, and the Executive Director’s performance. Committee members are expected to participate in

the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon

During 2018-19, the WCRP's assets increased to \$60.6 million while its liabilities increased to \$40.6 million. The Pool's net position remained at \$19.8 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2019 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

B. WORKERS COMPENSATION

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

C. UNEMPLOYMENT COMPENSATION

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security \$39,433 in unemployment charges in 2019. The County also contracts with TALX Corporation to assist with the claims handling, and in 2018, we paid \$2,132.

NOTE 8 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2019 and no short-term debt activities during 2019.

NOTE 9 - LONG-TERM DEBT

A. LONG TERM DEBT – GOVERNMENTAL TYPE

LIMITED TAX G.O. & REFUNDING BONDS 2010

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

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation and Refunding Bonds, 2010	20 years Dec 2010-2030	2%-3.75%	\$11,185,000	\$485,000

The bond debt service requirement to maturity is as follows:

Year Ending December 31	Principal	Interest
2020	510,000	214,694

2021	520,000	199,394
2022	530,000	183,794
2023	555,000	167,894
2024	565,000	151,244
2025	590,000	133,588
2026-2030	3,240,000	356,825
TOTAL	\$6,510,000	\$1,407,433

LIMITED TAX G.O. & REFUNDING BONDS 2016A

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

The Limited Tax General Obligation currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016A (Jail HVAC System)	10 years Dec 2016-2026	1.080%- 2.780%	\$1,511,000	\$144,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2020	147,000	24,899
2021	149,000	22,385
2022	152,000	19,584
2023	155,000	16,483
2024	158,000	12,934
2025-2026	329,000	13,611
TOTAL	\$1,090,000	\$109,896

LIMITED TAX G.O. & REFUNDING BONDS 2016C

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

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016C (Mobile Home Park)	16 years Dec 2016-2032	1.660%- 2.890%	\$1,511,000	\$79,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
2020	81,000	41,008

2021	83,000	38,877
2022	85,000	36,479
2023	88,000	33,810
2024	91,000	30,712
2025-2027	295,000	69,705
2028-2032	560,000	49,419
TOTAL	\$1,283,000	\$300,010

B. LONG TERM LIABILITIES – BUSINESS TYPE

LIMITED TAX G.O. & REFUNDING BONDS 2017B

During 2016, the County issued bonds in the amount of \$2,517,000. The Bonds are being issued for the purpose of Water Bank Purchases (Taxable). The federal arbitrage regulations apply to the 2016 General Obligation Bond Series 2016B debt.

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016B (Water Bank Purchases)	3 years Dec 2016-2019	1.660%- 2.310%	\$2,517,000	\$870,000

The bond debt service requirement to maturity is as follows:

Year Ending December 1	Principal	Interest
TOTAL	\$0	\$0

SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

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

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

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

Year Ending December 31	Principal	Interest
2020	75,000	1,125
2021	75,000	750
2022	75,000	375
TOTAL	\$225,000	\$2,250

C. DEBT LIMITS

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

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

The total tax property value was \$7,432,581,926 and the debt limits for the County as of December 31, 2019 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	\$ 90,559,407
General Purposes – with a vote of the people	185,814,548

NOTE 10 – LEASES

A. OPERATING LEASES

The county ended the only non-cancelable operating lease of a postage machine in 2018. Total cost for operating leases was \$3,281.52 for the year ended December 31, 2019. There will be no non-cancelable operating leases in 2020.

B. CAPITAL LEASES

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

The following table is a listing of the outstanding debt on the capital leases for 2019:

Asset	Governmental Activities
Postbase 65-UDC	966
Sharp MX-3640N-UDC	1,112
Canon IR6565-Treasurer	2,174
Xerox W7855PT-Prosecutor	5,686
Canon IR-ADV C5250-Prosecutor	246
Election System-Auditor	60,832
Mail Machine-Centormail 140-Auditor	14,724
Sharp MX3070N (1), MXM465N (2) Copiers-Sheriff	23,252
Sharp MX465N Copier – Sheriff	5,182
Canon IR 6565III- Juvenile/Clerk/Sup Court	10,118
Canon IRC5540I- Event Center	6,099
Canon c5550A – Public Health	5,306
Canon IR-ADV C3530IV2-Assessor	6,527
Canon IR-ADV C5560IV2+4 scanners	11,232
Total	\$153,458

Asset	Business-Type Activities
Konica Minolta BH, C558-CDS	7,843
Total	\$7,843

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2019, are as follows:

Year Ending December 31	Governmental Activities
2020	79,108

2021	66,723
2022	13,286
2023	4,624
2024	582
Total Minimum Lease Payments	\$164,324
Less: Interest	(3,023)
Present Value of Minimum Lease Payments	\$161,301

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes occurred in long-term liabilities: A portion of the Limited Tax General Obligation bond Series 2016B for Water Bank Purchases was paid off. There were three departments that upgraded their copiers for an increase in leases of \$34,597. The amount reported for Capital Leases on the following chart and on the General Ledger includes sales tax.

Compensated absences are recorded using the actual leave balances accumulated for each employee. The liability for the governmental funds for 2019 is \$3,057,691. The due within one year amount is the average of the past three year payoff to separated employees. The average due within one year for Governmental Activities is \$104,332 and the Business type was estimated at \$13,412 due within one year. Total vacation, sick leave and compensatory time pay-off recorded during 2019 for all Governmental Funds was \$146,232. At this time, the liability to the Proprietary Funds for unused vacation, sick leave and compensatory time is \$239,568.

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

	Beginning Balance 01/01/19	Additions	Adjustments	Reductions	Ending Balance 12/31/19	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	\$9,591,000	-	-	\$708,000	\$8,883,000	\$738,000
Capital Leases	207,086	34,597	(1,278)	86,947	153,458	74,335
Compensated Absences	2,959,133	98,558	-	-	3,057,691	104,332
Other Post Employment Benefits-GASB 75	3,058,708	414,397	-	-	3,473,105	123,588
Pension Liabilities	6,870,224	-	-	1,478,758	5,391,466	-
Total	\$22,686,150	\$547,552	\$(1,278)	\$2,273,705	\$20,958,719	\$ 1,040,255
Business-Type Activities						
Limited Tax General Obligation Bond Series 2016B	\$870,000	\$0	\$0	\$870,000	\$0	\$0
Capital Leases	10,611	-	-	2,768	7,843	2,768
Compensated Absences	218,731	20,838	-	-	239,568	\$13,412
Pension Liabilities	149,312	-	-	94,880	54,432	-
Long-Term Liabilities	300,001	-	-	75,000	225,001	75,000
Landfill Closure Cost	1,228,053	-	-	59,839	1,168,214	84,938
Total	\$ 2,776,708	\$20,838	\$0	\$1,102,487	\$ 1,695,059	\$176,118
GRAND TOTAL	\$25,462,858	\$568,390	\$(1,278)	\$3,376,192	\$22,653,778	\$1,216,374

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

NOTE 12 – CONTINGENCIES AND LITIGATIONS

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

and/or self-insurance reserves are adequate to pay all known or pending claims.

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

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

Kittitas County is named as the defendant in a few legal actions. Claims which have been classified as "reasonably possible" by the Prosecuting Attorney's office for 2019 are expected to be immaterial at this time.

LAWSUITS PENDING IN WHICH KITTITAS COUNTY, ITS OFFICERS AND/OR AGENTS ARE PARTIES AND MONEY DAMAGES ARE SOUGHT AS OF DECEMBER 31, 2019

1. Allen et al v. Kittitas County

Yakima County Superior Court Case No. 11-2-00887-7

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

2. Kittitas County v. Sky Allphin, Chem-Safe Environmental, Inc. and the Washington State Department of Ecology

Kittitas County Superior Court Case No. 13-2-00074-4

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

3. Joseph A. Richmond

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

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

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

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

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

5. OneEnergy and Iron Horse SEPA Appeal

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

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

matter back down to the Court of Appeals. This matter is being handled jointly by Risk Pool retained counsel and the Kittitas County Prosecutor’s Office. Remanded back to Commissioners for further action

6. Shady Acres Home Owners Association v. Kittitas County
United States District Court for the Eastern District of Washington
Cause No.: 1:18-cv-03016-RMP

Case has been appealed to the 9th Circuit Court of Appeals.

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

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

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

**PENDING CLAIMS FOR DAMAGES AGAINST KITTITAS COUNTY
THROUGH DECEMBER 31, 2019**

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

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

2. Robert Kugen:

Result of an accident with a Deputy of the Sheriff’s Office on September 20, 2019. Mr. Kugen was reimbursed \$1,601.65 on January, 15 2020 for the cost of a rental car and license plates. This claim is being handled by risk pool with an outstanding property damage and medical claim of over \$14,000.

NOTE 13 – CONSTRUCTION & OTHER SIGNIFICANT COMMITMENTS

Kittitas County has active construction projects as of December 31, 2019 which have arrangements for future projects. Those projects include:

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

Project	Start Date	End Date	Estimated amount of Project
SW-Ellensburg Transfer Station Siting Project	2016	2020	\$734,989
SW-Paving office parking lot	2019	2020	38,663
SW-Pump Septage Pond	2019	2020	232,544
TOTAL			1,006,196

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

Project	Spent to date		Remaining Commitment
SW-Ellensburg Transfer Station Siting Project	\$730,138		\$4,851
SW-Paving office parking lot	36,878		1,785
SW-Pump Septage Pond	221,778		10,766
		TOTAL	\$17,402

Of the committed balance, Kittitas County will not need to raise the \$17,402 for future financing, the funds are available.

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, 2019 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	Community Development Services	Equipment Rental & Revolving	Dental Trust	All Others	Total
Due To	General Fund	-	-	-	-	\$2,483	\$95	\$2,578
	County Road	26,147	-	1,175	192,146	-	-	\$219,468
	Solid Waste	8,422	-	-	222,321	-	-	\$230,743
	Community Development Services	10,897	-	-	-	-	-	\$10,897
	Equipment Rental & Revolving	3,661	11,740	-	-	-	-	\$15,401
	All Others	136,240	6,831	-	1,612	-	-	\$144,683
	Total	\$185,368	\$18,571	\$1,175	\$416,078	\$2,483	\$95	\$623,770

B. INTERFUND TRANSFERS

Interfund transfers during 2019 included contributions between funds. The balances were as follows:

		Transfer From			
		General Fund	Road	Non Major Government	TOTAL
Transfer To	General Fund	-	-	\$13,028	\$13,028
	Community Development Services	335,070	-	-	\$335,070
	Water Mitigation	890,097	-	-	\$890,097
	ER&R	-	266,029	-	\$266,029
	Dental Self Insurance Program	2,483	-	-	\$2,483
	Non-Major Governmental	656,619	-	737,120	\$1,393,739

	TOTAL	\$1,884,268	\$266,029	\$750,148	\$2,900,445
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NOTE 15 – RECEIVABLE AND PAYABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2019 were as follows:

		Type								
		Accounts	Court	Employee	Interest	Unbilled	Assessments	Rent	Taxes	Total
Funds	General	\$109,129	\$1,996,161	\$1,315	\$62,979	\$9,987	\$22,546	\$35,723	\$213,001	\$2,450,839
	Non Major Governmental	34,241	148,945	-	32,620	-	19,198	12,178	20,199	267,382
	Road	14,293	-	-	11,973	-	-	-	142,425	168,691
	Solid Waste	288,895	-	-	4,431	-	-	66,217	-	359,543
	Community Development Services	492	-	-	1,951	-	-	-	-	2,443
	Water Mitigation	-	-	-	565	-	-	-	-	565
	Equipment Rental & Revolving	-	-	-	11,561	-	-	-	-	11,561
	Dental Self Insurance Program	310	-	-	-	-	-	-	-	579
	Unemployment				270					270
	Total	\$447,360	\$2,145,106	\$1,315	\$126,349	\$9,987	\$41,744	\$114,118	\$375,625	\$3,261,603

B. PAYABLES

Payables at December 31, 2019 were as follows:

		Type					
		Vouchers	Salaries	Retainage	Due to Other Governmental	Deposits	Total
Funds	General	\$306,466	\$35,369	\$30,506	\$1,873	\$30,721	\$404,936
	Non Major Governmental	410,143	21,485	848	56,090	104,474	593,039
	Road	142,052	289,079	12,691	230	7,896	451,948
	Solid Waste	235,107	21,349	14,836	215	-	271,508
	Community Development Services	25,925	750	-	-	-	26,675
	Equipment Rental & Revolving	42,338	28,717	-	618	-	71,674
	Dental Self Insurance Program	24,904	-	-	-	-	24,904
	Unemployment	7,439	-	-	-	-	7,439
	Total	\$1,194,373	\$396,751	\$58,880	\$59,026	\$143,091	\$1,852,121

NOTE 16 - JOINT VENTURES

A. City of Ellensburg

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2019 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	\$49,000	\$59,008
Tour Fees	8,000	13,952
Other	33,800	34,186
Total Revenues	90,800	107,146
City of Ellensburg Support	\$96,760	\$101,916

B. Snoqualmie Pass Utility District

The E. R. & R. Fund and the Snoqualmie Pass Utility District constructed a joint shop at Hyak. We each own ½ of the building and have joint responsibility for the small common entrance area. A condominium agreement was filed and an owner’s association/board formed for legal purposes. The county will manage the reserves for future repairs and maintenance of the common parts of the building, grounds, etc. The current amount in reserve is \$38,726

C. Related Parties

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

NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements for GASB Statement 75 for the year 2019:

Aggregate OPEB Amounts-LEOFF 1	
OPEB liabilities	\$3,473,105
OPEB assets	-
Deferred outflows of resources	61,792
Deferred inflows of resources	-
OPEB expenses/expenditures	\$522,727

A. PLAN DESCRIPTION

In addition to the retirement described in the Pension note 6 above, the County provides certain medical insurance benefits for retired LEOFF 1 employees. Substantially the entire County’s LEOFF 1 employees may become eligible for these benefits if they reach normal retirement age while working for the County. Benefits include: LEOFF 1 supplemental premiums, Reimbursement of Medicare Plan B and payments of Medical claims approved by the Kittitas County Disability Board as authorized by RCW 41.26.110.

At December 31, 2019, the following employees were covered by the benefit terms:

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

In 2019, expenditures of \$60,099 for medical premiums and billings were recognized for post-employment health benefits. The program is funded “pay as you go” there is no qualifying trust.

B. ASSUMPTIONS AND OTHER INPUTS

Kittitas County pays medical supplemental premiums which increased on 1/1/2019 from \$393.00 to \$416.00 per retiree. Premium renewal adjustments are usually known October or November 2019 and are factored into the 2020 Budget. The Office of the State Actuary (OSA) provided an AMM Online Tool in the form of a downloadable spreadsheet that allows eligible employers to determine their Other Post-Employment Benefits (OPEB) liability under the Governmental Accounting Standards Board (GASB) Statement No. 75. The AMM Online Tool is intended to be used by local employers in Washington State who cover less than 100 total LEOFF1 members and do not have a dedicated OPEB Trust Fund for LEOFF1. The total utilizes the measurement date of 6/30/19. We have utilized this tool here.

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

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

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$3,087,864	\$3,473,105	\$3,925,510

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

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$3,953,159	\$3,473,105	\$3,073,962

The source of assumptions is as follows:

Discount Rate	
Beginning of Measurement Year	3.87%
End of Measurement Year	3.5%
Healthcare Trend Rates	
Medical Costs	Initial rate is 6%, trends down to about 5% in the 2020's
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	RP-2000 Mortality Table
Age Setback	+1 year Healthy / -2 year Disabled Blended 50% / 50% Healthy/ Disabled
Mortality Improvements	100% Scale BB
Project Period	Generational
Medical Participation Rate	100%

C. CHANGES IN THE TOTAL OPEB LIABILITY

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

LEOFF 1

Total OPEB Liability at 01/01/2019	\$3,058,708
Interest	116,296
*changes of assumptions	406,431
Benefit payments	(108,330)
Total OPEB Liability at 12/31/2019	\$3,473,105

At December 31, 2019, the County's reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$61,792	\$0
TOTAL	\$61,792	\$0

NOTE 18 - CLOSURE AND POST CLOSURE CARE COSTS

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

Date	Change/Modification
November 1993	Promulgation of new State Landfill Regulation WAC 173-351
December 1995	A new operations contractor was chosen in the bid process to operate each transfer Station and the balefill. A three year contract was signed.
February 1996	Major Flooding at the Ellensburg transfer station
March 1996	Leachate observed flowing from the southern tip of Ryegrass balefill
August 1996	Fire at balefill
December 1996	Record snowfall and snowload resulted in the collapse of the Ellensburg transfer station baler building
December 1996	A major fire broke out at Ryegrass balefill
January 1998	Flooding at Ellensburg transfer station
June 1998	Department of Ecology Air Quality Program issued an Order under RCW 70.94 requiring corrective action in operations of the balefill.
September and December 1998	Chloride levels in ground watering monitoring Well B-4 exceeded groundwater standards.
April 1998	Began discussion/negotiations on an Agreed order under the Model Toxics Control Act for closure of the landfill with the Department of Ecology.
April 1998	The Landfill is closed and not accepting any more garbage. The landfill has been covered and must be monitored for 30 years.
December 21, 2004	Resolution 2004-132 Established Reserve Fund 401-011 CDL Post Closure. This money is to be used for the closure and post closure care of the Limited Purpose Landfill which the County operates.
January 2005	CDL post Closure account was started with \$200,000

The Ryegrass landfill was closed to new garbage waste in 1998 due to a Washington Department of Ecology Agreed Order. The closed bale fill will be monitored through 2028. The County continues to accept construction

demolition at its limited purpose landfill. The limited purpose landfill is expected to be operational until 2021 after which time it will be monitored for 20 years. State and federal laws and regulations including WAC 1273.350 required Kittitas County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. GASB 18 establishes the standards for accounting and financial reporting for municipal solid waste landfill closure and post-closure costs.

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

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

A. RYEGRASS LANDFILL POST CLOSURE

In 2018, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be \$166,604. The 2019 actual costs for post-closure care was \$59,839 leaving a liability of \$106,765. As required by federal, state, and local regulations, cash in the amount of \$748,389 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2019 was \$61,309 (39,748 tons of garbage at \$1.55 per ton), which will be placed into the reserve in 2020. A plan update was completed in 2012 for regulating compliance with Department of Ecology for monitoring. A plan for cost and air space analysis is to be updated in 2020.

Rye Grass Closure Account	Recorded Liability	Actual Costs	Year	Cash Reserve
12/31/08	\$662,080	\$(16,602)	2009	\$326,209
12/31/09	645,477	(51,108)	2010	326,209
12/31/10	594,369	(48,589)	2011	326,209
12/31/11	545,781	(46,157)	2012	326,209
12/31/12	499,623	(55,396)	2013	418,259
12/31/13	444,227	(46,280)	2014	462,856
12/31/14	397,947	(54,345)	2015	507,561
12/31/15	343,601	(49,640)	2016	554,406
12/31/16	293,962	(72,636)	2017	608,487
12/31/17	221,326	(54,722)	2018	673,024
12/31/18	166,604	(59,839)	2019	748,389
12/31/19	106,765			

B. LIMITED LANDFILL POST CLOSURE

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. Based upon the report from RW Beck, the estimated closure costs are \$908,847. The closure is estimated to be 2021 with post-closure activities to occur through 2041. The total cost of completing post-closure for the 20 year period is \$242,760 (2004 dollars). The total landfill capacity is 698,157 cubic yards. The total amount of capacity used through December 31, 2019 is 457,140 cubic yards.

The recorded liability for December 31, 2019 is calculated as follows:

Total Closure Cost	\$1,151,607.00	(\$908,847 + 242,760 post-closure)
X	457,140.00	Cumulative capacity used in 2018
	526,445,623,980.00	
÷	698,157.00	Total landfill capacity
	754,050.48	Estimated liability for post-closure
-	1,061,448.91	2009 thru 2018 Total recorded liability
	\$(307,398.43)	2019 Total liability
	\$0	2019 Total liability recorded

As required by federal, state, and local regulations, cash in the amount of \$367,438 has been restricted for post-closure care. The tip fee of \$2.44 per ton for the post-closure cash reserve for 2019 was \$16,870, which will be placed into the reserve in 2020.

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

NOTE 19 – OTHER DISCLOSURES

A. ACCOUNTING AND REPORTING CHANGES

1. COVID-19 PANDEMIC

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

2. DELAY OF IMPLEMENTATION OF GASB STATEMENT 84 - FIDUCIARY ACTIVITIES

The implementation date for GASB Statement 84 – Fiduciary activities was for reporting periods beginning after December 15, 2018. The Governmental Accounting Standards Board proposed April 15 to postpone the effective dates of provision in almost all Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later. Considering the COVID-19 pandemic, the postponement will be by one year; effective the reporting year ending 2020.

3. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY

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

County Road	
Transportation	\$6,250,171

4. PRIOR PERIOD ADJUSTMENTS GOVERNMENTAL FUNDS

The governmental activities prior period adjustment of \$20,484 is made up of a prior year adjustment in the Capital Asset Accounts from the internal service funds and the special revenue funds as follows:

- Adjustments of (\$26,998) in the Equipment Rental and Revolving fund which included recording assets that were not reported in 2016, adjustment to depreciation as a result of the 2016 state audit and internal audit of equipment.
- In fund 140 Stadium Fund increased by \$47,482, because we created the liability account Contracts Payable to enable us to monitor the balances of projects that have been awarded by the Lodging Tax Advisory Board. This amount debited out of Fund Balance and credited to Contract Payable.
- In fund 106 County Road a prior year adjustment in the amount of \$2,556,327 due to roads being added in 2019 that should have been added in 2018 and 2012.

5. PRIOR PERIOD ADJUSTMENT – PROPRIETARY FUNDS

The Net Position account was adjusted in the Proprietary funds – Internal Service funds in the amount of (\$26,998). The adjustments are as a result of the 2016 state audit and internal audit of equipment.

B. SUBSEQUENT EVENTS

1. FUND ACTIVITY

NEW UPPER COUNTY PUBLIC WORKS SHOP

On August 31, 2018, the County purchased property in the Upper County for the location of a new Public Works shop, in the amount of \$349,765.86. The construction has started on the building.

2. SOLID WASTE PROJECTS

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

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

3. BOND REFINANCING

Kittitas County has outstanding Limited Tax General Obligation and Refunding Bonds, 2010, issued on September 30, 2010, pursuant to Resolution No. 2010-099 adopted by the Board of County Commissioners on September 22, 2010, which remain outstanding as follows:

Maturity Year (December 1)	Principal Amount	Interest Rate
2020	\$ 510,000	3.000%
2021	520,000	3.000
2022	530,000	3.000
2023	555,000	3.000
2024	565,000	3.125
2025	590,000	3.250
2026	610,000	3.375
2027	625,000	3.375
2028	650,000	3.500
2029	665,000	3.625
2030	690,000	3.750

The County has received the offer of U.S. Bank National Association, dated January 8, 2020, to purchase the Bond, and the Board accepted with the interest rate of 1.19%. The new principal amounts are as follows:

Maturity Year (December 1)	Principal Amount	Interest Rate
2020	\$ 582,000	1.910%
2021	556,000	1.910
2022	561,000	1.910
2023	581,000	1.910
2024	585,000	1.910
2025	604,000	1.910
2026	616,000	1.910
2027	622,000	1.910
2028	638,000	1.910
2029	642,000	1.910
2030	656,000	1.910

KITTITAS COUNTY, WASHINGTON

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019**

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 15,043,097	\$ 15,100,907	\$ 18,140,211	\$ 3,039,304
Licenses & Permits	230,750	261,350	277,825	16,475
Intergovernmental	3,230,055	3,329,792	3,363,018	33,226
Charges for Services	3,129,734	3,257,197	3,561,129	303,932
Fines & Forfeits	1,665,565	1,665,565	1,709,620	44,055
Miscellaneous	2,219,134	2,247,157	2,585,429	338,272
Total Revenues	\$ 25,518,335	\$ 25,861,968	\$ 29,637,233	\$ 3,775,265
Expenditures				
General Governmental	\$ 9,688,889	\$ 9,913,886	\$ 8,818,142	\$ 1,095,744
Judicial	2,532,565	2,613,926	2,502,766	111,160
Security of Persons and Property	10,221,286	10,377,707	9,004,476	1,373,231
Physical Environment	109,944	109,944	109,169	775
Transportation	-	-	721	(721)
Economic Environment	50,100	50,100	29,227	20,873
Mental & Physical Health	561,633	597,643	506,076	91,567
Culture & Recreation	2,093,232	2,632,097	2,091,925	540,172
Debt Service	87,605	91,805	87,857	3,948
Capital Outlay	644,775	1,294,964	1,189,352	105,612
Total Expenditures	\$ 25,990,029	\$ 27,682,072	\$ 24,339,709	\$ 3,342,363
Excess (Deficit) Revenues over Expenditures	\$ (471,694)	\$ (1,820,104)	\$ 5,297,523	\$ 7,117,627
Other Financing Sources (Uses)				
Restitution	\$ 700	\$ 9,800	\$ 10,614	\$ 814
Other Loan/Bond Proceeds	-	-	-	-
Sale of Fixed Assets	5,000	5,000	28,189	23,189
Transfers In	150,000	150,000	13,028	(136,972)
Transfers Out	(2,001,619)	(2,001,619)	(1,884,268)	117,351
Total Other Financing Sources (Uses)	\$ (1,845,919)	\$ (1,836,819)	\$ (1,832,437)	\$ 4,382
Net Change in Fund Balance	\$ (2,317,613)	\$ (3,656,923)	\$ 3,465,086	\$ 7,122,009
Fund Balance, January 1	\$ 14,394,067	\$ 15,733,377	\$ 21,844,072	\$ 6,110,695
Fund Balance, December 31	\$ 12,076,454	\$ 12,076,454	\$ 25,309,158	\$ 13,232,704
	12,076,454	12,076,454	25,309,158	

KITTITAS COUNTY, WASHINGTON

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019**

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,401,903	4,401,903	\$ 4,433,597	\$ 31,694
Licenses & Permits	151,650	151,650	144,543	(7,107)
Intergovernmental	5,051,605	5,051,605	5,644,484	592,879
Charges for Services	359,115	359,115	377,795	18,680
Miscellaneous	116,475	116,475	211,597	95,122
Total Revenues	<u>\$ 10,080,748</u>	<u>\$ 10,080,748</u>	<u>\$ 10,812,017</u>	<u>\$ 731,269</u>
Expenditures				
General Governmental	\$ 132,410	\$ 132,410	\$ 242,678	\$ (110,268)
Transportation	6,392,610	6,392,610	5,717,960	674,650
Capital Outlay	6,756,000	6,756,000	6,250,172	505,828
Total Expenditures	<u>\$ 13,281,020</u>	<u>\$ 13,281,020</u>	<u>\$ 12,210,810</u>	<u>\$ 1,070,210</u>
Excess (Deficit) Revenues over Expenditures	\$ (3,200,272)	\$ (3,200,272)	\$ (1,398,793)	\$ 1,801,479
Other Financing Sources (Uses)				
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -
Transfers In	-	-	-	-
Transfers Out	-	-	(266,029)	(266,029)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (266,029)</u>	<u>\$ (266,029)</u>
Net Change in Fund Balance	\$ (3,200,272)	\$ (3,200,272)	\$ (1,664,822)	\$ 1,535,450
Fund Balance, January 1	\$ 8,780,097	\$ 8,780,097	\$ 9,114,874	\$ 334,777
Prior Period Adjustment	-	-	-	-
Fund Balance, December 31	<u>\$ 5,579,825</u>	<u>\$ 5,579,825</u>	<u>\$ 7,450,052</u>	<u>\$ 1,870,227</u>

Kittitas County, Washington
Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2019

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 2019

KITTITAS COUNTY

Required Supplementary Information

2019 Annual Report

Information about Infrastructure Assets Reported Using the Modified Approach

Asset Management System

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

Required Documentation

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

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

Condition Assessment Methods

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

Gravel Roads in Kittitas County

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

Budgeted and Estimated Costs to Maintain Infrastructure

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

Table A Costs to Maintain Gravel Roads in Kittitas County		
<i>Fiscal Year</i>	<i>Estimated Spending</i>	<i>Actual Spending</i>
2010	\$347,000	\$311,164
2011	\$225,000	\$158,237
2012	\$241,016	\$229,327
2013	\$363,466	\$281,487
2014	\$552,324	\$275,667
2015	\$457,378	\$299,906
2016	\$555,756	\$391,388
2017	\$333,582	\$449,649
2018	\$500,000	\$281,399
2019	\$350,000	\$343,888

Condition Level Description

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

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

Established Condition Level

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

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

Detailed documentation of disclosed assessment levels is kept on file.

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

Table D							
Condition Rating of Standard Gravel Roads (non-primitive) in Kittitas County							
Year	Total Miles	Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	22.69	.09mi 0.44%	0.26mi 1.15%	1.68mi 7.40%	15.03mi 66.24%	5.63mi 24.77%	22.34mi 98.41%
2013	23.16	0	0.05mi 0.22%	4.06mi 17.53%	16.06mi 69.34%	2.45mi 10.57%	22.57mi 97.44%
2014	22.52	0	.05 mi 0.22%	1.12mi 4.97%	7.91mi 35.12%	13.44mi 59.68%	22.47mi 99.78%
2015	20.63	.05 mi 1 %	0	.07 mi 1%	3.85 mi 18%	16.54mi 80%	20.46mi 99%
2016	20.04	0	0	1.01mi 5.039%	10.92mi 54.491%	8.11mi 40.469%	20.04mi 100%
2017	20.11	0.22mi 1.09%	.08mi 0.40%	4.43mi 22.03%	5.28mi 26.26%	10.10mi 50.22%	19.81mi* 98.51%
2018	19.09	0	0.15mi 0.79%	1.22mi 6.39%	10.69mi 56.00%	7.03mi 36.83%	18.94mi 99.21%
2019	20.26	0	0.08mi 0.004%	5.57mi 27.49%	9.8mi 48.37%	4.81mi 23.74%	20.18mi 99.6%

*Corrected value from previous report

Table E
Condition Rating of
Primitive Gravel Roads in Kittitas County

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

*Corrected value from previous report

**Attachment A
Gravel Road Condition Rating Form**

**Kittitas County
Department of Public Works 11/20/2020
Gravel Road Rating Worksheet**

Road Name: _____ Road No. _____

From: _____ to _____

ADT _____ FFC _____ Posted Speed Limit _____ Scorer _____

Check the following:

- CROWN
- DRAINAGE
- GRAVEL LAYER
- SURFACE DEFORMATION
- SURFACE DEFECTS
- ROUTES :

US Mail Route ?
School Bus Route?

CONNECTOR

MAINTENANCE COSTS

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

TOTAL PROJECT RATING _____ DATE _____

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

	2018	2019
Total OPEB liability - beginning	\$ 3,179,140	3058708
Interest	111,355	116296
Changes of assumptions	(93,264)	406431
Benefit payments	(138,523)	-108330
Total OPEB liability - ending	\$ 3,058,708	\$ 3,473,105
 Covered-employee payroll	 0	 0
 Total OPEB liability as a % of covered payroll	 0.00%	 0.00%

Notes to Schedule:

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

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

Note 1: Information Provided

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

Note 2:

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

Note 3: Significant Factors

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON

Schedule of Employer Contributions

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

As of December 31

	2015	2016	2017	2018	2019
PERS 1					
Statutorily or contractually required contributions	\$ 566,744	638,541	718,780	778,452	806,157
Contributions in relation to the statutorily or contractually required contributions	\$ (566,744)	(638,541)	(718,780)	(778,452)	(806,157)
Contribution deficiency (excess)	\$ 0	0	0	0	0
Covered employer payroll	\$ 12,275,361	12,751,139	14,048,798	14,688,420	15,582,618
Contributions as a percentage of covered employee payroll	% 4.62%	5.01%	5.12%	5.30%	5.17%
PERS 2 & 3					
Statutorily or contractually required contributions	\$ 593,742	683,790	831,911	945,949	1,026,501
Contributions in relation to the statutorily or contractually required contributions	\$ (593,742)	(683,790)	(831,911)	(945,949)	(1,026,501)
Contribution deficiency (excess)	\$ 0	0	0	0	0
Covered employer payroll	\$ 10,547,981	10,975,818	12,132,058	12,617,276	13,430,653
Contributions as a percentage of covered employee payroll	% 5.63%	6.23%	6.86%	7.50%	7.64%
PSERS 2					
Statutorily or contractually required contributions	\$ 78,916	84,928	98,035	112,323	119,202
Contributions in relation to the statutorily or contractually required contributions	\$ (78,916)	(84,928)	(98,035)	(112,323)	(119,202)
Contribution deficiency (excess)	\$ 0	0	0	0	0
Covered employer payroll	\$ 1,219,050	1,288,743	1,470,961	1,638,087	1,678,150
Contributions as a percentage of covered employee payroll	% 6.47%	6.59%	6.66%	6.86%	7.10%
LEOFF 1					
Statutorily or contractually required contributions	\$ 0	0	0	0	0
Contributions in relation to the statutorily or contractually required contributions	\$ 0	0	0	0	0
Contribution deficiency (excess)	\$ 0	0	0	0	0
Covered employer payroll	\$ 0	0	0	0	0
Contributions as a percentage of covered employee payroll	% 0.00%	0.00%	0.00%	0.00%	0.00%
LEOFF 2					
Statutorily or contractually required contributions	\$ 130,605	119,395	140,709	143,682	144,507
Contributions in relation to the statutorily or contractually required contributions	\$ (130,605)	(119,395)	(140,709)	(143,682)	(144,507)
Contribution deficiency (excess)	\$ 0	0	0	0	0
Covered employer payroll	\$ 2,586,232	2,364,248	2,666,191	2,671,628	2,697,044
Contributions as a percentage of covered employee payroll	% 5.05%	5.05%	5.28%	5.38%	5.36%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON
 Schedule of Proportionate Share of the Net Pension Liability
 Pension Plans; PERS 1, PERS 2 & 3, PSERS 2, LEOFF 1, LEOFF 2
 As of June 30

	2015	2016	2017	2018	2019
PERS 1					
Total Net Pension Liability (Asset)	\$ 5,230,930,000	\$ 5,370,471,000	\$ 4,745,078,000	\$ 4,466,034,000	\$ 3,845,355,000
Employer's proportion of the net pension liability (asset)	0.110864%	0.106396%	0.112327%	0.111934%	0.111655%
Employer's proportionate share of the net pension liability	\$ 5,799,218	\$ 5,713,966	\$ 5,330,004	\$ 4,999,010	\$ 4,293,531
TOTAL	\$ 5,799,218	\$ 5,713,966	\$ 5,330,004	\$ 4,999,010	\$ 4,293,531
Employer's covered employee payroll	\$ 12,275,361	\$ 12,751,139	\$ 13,743,477	\$ 14,220,577	\$ 15,107,518
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	211.67%	223.16%	257.85%	284.47%	351.87%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%
PERS 2 & 3					
Total Net Pension Liability (Asset)	\$ 3,573,057,000	\$ 5,034,921,000	\$ 3,474,522,000	\$ 1,707,411,000	\$ 971,340,000
Employer's proportion of the net pension liability (asset)	0.118491%	0.111397%	0.118686%	0.118055%	0.118637%
Employer's proportionate share of the net pension liability	\$ 4,233,751	\$ 5,608,751	\$ 4,123,771	\$ 2,015,684	\$ 1,152,369
TOTAL	\$ 4,233,751	\$ 5,608,751	\$ 4,123,771	\$ 2,015,684	\$ 1,152,369
Employer's covered employee payroll	\$ 10,519,395	\$ 10,975,818	\$ 11,826,723	\$ 12,244,306	\$ 12,970,955
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	248.47%	195.69%	286.79%	607.45%	1125.59%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%
PSERS 2					
Total Net Pension Liability (Asset)	\$ 18,252,000	\$ 42,498,000	\$ 19,593,000	\$ 1,239,000	\$ (13,004,000)
Employer's proportion of the net pension liability (asset)	0.424215%	0.362730%	0.401565%	0.390713%	0.363890%
Employer's proportionate share of the net pension liability	\$ 77,428	\$ 154,153	\$ 78,679	\$ 4,841	\$ (47,320)
TOTAL	\$ 77,428	\$ 154,153	\$ 78,679	\$ 4,841	\$ (47,320)
Employer's covered employee payroll	\$ 1,242,054	\$ 1,288,743	\$ 1,441,466	\$ 1,547,780	\$ 1,686,004
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1604.14%	836.02%	1832.09%	31972.33%	-3562.98%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	90.41%	96.26%	99.79%	101.85%
LEOFF 1					
Total Net Pension Liability (Asset)	\$ (1,205,221,000)	\$ (1,030,286,000)	\$ (1,517,220,000)	\$ (1,815,502,000)	\$ (1,976,611,000)
Employer's proportion of the net pension liability (asset)	0.009538%	0.009641%	0.009552%	0.008598%	0.008500%
Employer's proportionate share of the net pension liability	\$ (114,954)	\$ (99,330)	\$ (144,925)	\$ (156,097)	\$ (170,977)
TOTAL	\$ (114,954)	\$ (99,330)	\$ (144,925)	\$ (156,097)	\$ (170,977)
Employer's covered employee payroll	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%
LEOFF 2					
Total Net Pension Liability (Asset)	\$ (1,027,800,000)	\$ (581,630,000)	\$ (1,387,676,000)	\$ (2,030,218,000)	\$ (2,316,693,000)
Employer's proportion of the net pension liability (asset)	0.0099703%	0.078567%	0.078824%	0.083794%	0.79493%
Employer's proportionate share of the net pension liability	\$ (1,024,747)	\$ (456,969)	\$ (1,093,822)	\$ (1,701,201)	\$ (1,841,609)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (58,166)	\$ (297,911)	\$ (709,542)	\$ (1,101,495)	\$ (1,206,007)
TOTAL	\$ (1,082,913)	\$ (754,880)	\$ (1,803,364)	\$ (2,802,696)	\$ (3,047,616)
Employer's covered employee payroll	\$ 2,894,005	\$ 2,364,248	\$ 2,487,299	\$ 2,687,908	\$ 2,742,218
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-267.24%	-313.20%	-137.93%	-95.90%	-89.98%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Department Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249-10	6,002	-	6,002	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Department Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18249-4	14,698	-	14,698	-	8
Total SNAP Cluster:				20,700	-	20,700	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665	FORMULA GRANT	-	279,254	279,254	-	8,9
Total Forest Service Schools and Roads Cluster:				-	279,254	279,254	-	
Assistant Secretary for Community Planning and Development, Housing and Urban Development, Department of (via WA State Department Commerce)								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Department Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	18-62210-008	34,614	-	34,614	32,864	8
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Department Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	19-62210-008	47,811	-	47,811	46,061	
Total CFDA 14.228:				82,425	-	82,425	78,925	

The accompanying notes are an integral part of this schedule.

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA State Department Commerce)	Crime Victim Assistance	16.575	19-31101-517	5,567	-	5,567	-	8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA State Department Commerce)	Crime Victim Assistance	16.575	20-31101-513	16,352	-	16,352	-	
			Total CFDA 16.575:	21,919	-	21,919	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Central Washington Comprehensive Mental Health)	Violence Against Women Formula Grants	16.588	2019stopgrants subaward	15,912	-	15,912	-	8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	SH18-056	-	8,534	8,534	-	8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	SH18-034	-	7,205	7,205	-	8
			Total CFDA 16.606:	-	15,739	15,739	-	
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF (via WA State Patrol)	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	K14497	5,524	-	5,524	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0026-013- 2018	-	103,753	103,753	-	

Highway Planning and Construction Cluster

The accompanying notes are an integral part of this schedule.

**Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205	BROS-2019 (026)	-	716,291	716,291	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department Transportation)	Highway Planning and Construction	20.205	STPUS-6900 (008) LA 9461	57,461	-	57,461	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department Transportation)	Highway Planning and Construction	20.205	STPR-19AA (001) LA 9468	5,949	-	5,949	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department Transportation)	Highway Planning and Construction	20.205	STRP-19CS (001) LA 9463	3,950	-	3,950	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department Transportation)	Highway Planning and Construction	20.205	HSIP-STPR- 0005(5005) LA 9409	395,866	-	395,866	-	8
			Total CFDA 20.205:	463,226	716,291	1,179,517		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Lands Access Program	20.224	DTFH7017E300 11	-	858,686	858,686	-	
	Total Highway Planning and Construction Cluster:			463,226	1,574,977	2,038,203		
Highway Safety Cluster								

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety)	State and Community Highway Safety	20.600	2019-HVE-3249 -REGION12 TZM SH19-001	11,830	-	11,830	-	8
Total Highway Safety Cluster:				11,830	-	11,830	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Public Health Emergency Preparedness	93.069	CLH18249-5	34,643	-	34,643	-	8
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Public Health Emergency Preparedness	93.069	CLH18249-10	13,257	-	13,257	-	
Total CFDA 93.069:				47,900	-	47,900	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Immunization Cooperative Agreements	93.268	CH Federal Non Cash	10,315	-	10,315	-	3,5,6
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Immunization Cooperative Agreements	93.268	CLH18249-4	313	-	313	-	3,5,6, 8
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Immunization Cooperative Agreements	93.268	CLH18249-9	4,272	-	4,272	-	3,5,6

The accompanying notes are an integral part of this schedule.

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 93.268:	14,900	-	14,900	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via National Assn County City Health)	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	2019-031201	5,000	-	5,000	-	8
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	State Physical Activity and Nutrition (SPAN)	93.439	CLH18249-8	55,344	-	55,344	-	8
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	State Physical Activity and Nutrition (SPAN)	93.439	CLH18249-10	10,504	-	10,504	-	
			Total CFDA 93.439:	65,848	-	65,848	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Social Health Services)	Child Support Enforcement	93.563	2110-80579	19,471	-	19,471	-	8
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Medical Assistance Program	93.778	K3069	30,563	-	30,563	-	

The accompanying notes are an integral part of this schedule.

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Medical Assistance Program	93.778	K2747	4,750	-	4,750	-	
Total Medicaid Cluster:				35,313	-	35,313	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	HP 42990	58,546	-	58,546	-	8
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3924	30,122	-	30,122	-	
Total CFDA 93.959:				88,668	-	88,668	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Yakima Neighborhood Health Services)	Maternal and Child Health Services Block Grant to the States	93.994	HP 43809	9,686	-	9,686	-	8
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249-4	30,189	-	30,189	-	8

The accompanying notes are an integral part of this schedule.

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Grant County Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18249-10	10,657	-	10,657	-	
Total CFDA 93.994:				50,532	-	50,532	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via WA State Parks)	Boating Safety Financial Assistance	97.012	MLE1072	13,390	-	13,390	-	8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Department Military)	Emergency Management Performance Grants	97.042	E19-136	23,726	-	23,726	-	8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045	EMS-2018-CA-00020-S01	-	27,355	27,355	-	8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045	EMS2019CA00025S01	-	24,340	24,340	-	
Total CFDA 97.045:				-	51,695	51,695	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Department Military)	Pre-Disaster Mitigation	97.047	E17-062	2,479	-	2,479	-	8

The accompanying notes are an integral part of this schedule.

**Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Department Military)	Pre-Disaster Mitigation	97.047	PA-01-WA-4249 -PW-00039	4,128	-	4,128	-	8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Department Military)	Pre-Disaster Mitigation	97.047	037-99037-00	94,862	-	94,862	-	8
Total CFDA 97.047:				101,469	-	101,469	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Department Military)	Homeland Security Grant Program	97.067	E19-111	2,160	-	2,160	-	
Total Federal Awards Expended:				1,089,913	2,025,418	3,115,331	78,925	

The accompanying notes are an integral part of this schedule.

KITTITAS COUNTY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

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

Note 3 – Noncash Awards - Vaccinations

The amount of \$10,314.76 reported on the schedule is the value of vaccine received by the county during current year and priced as prescribed by Washington State Department of Health.

Note 4 – Not Available (N/A)

The county was unable to obtain other identification number.

Note 5 – Vaccine for Children's Programs

Vaccine supplied by Federal Government for vaccine for children program

Note 6 – Vaccine for 317 Programs

Vaccine supplied by Federal Government for vaccine for 317 programs.

Note 7 – Indirect Cost Rate

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

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

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

Note 8 – Project has been completed or expired

Project has been completed or expired.

Note 9 – In-Lieu of Taxes/Unrestricted Funds

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

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



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

Kittitas County
January 1, 2019 through December 31, 2019

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

Finding ref number: 2019-001	Finding caption: The County’s internal controls over financial statement preparation were inadequate to ensure accurate and timely reporting.
Name, address, and telephone of Kittitas County contact person: Judy Pless 205 W. 5th Street Ellensburg, WA 98926 (509) 962-7502	
Corrective action the auditee plans to take in response to the finding: <i>Kittitas County Board of County Commissioners allowed the Auditor’s office to hire an additional finance staff person in March 2020. Because of the COVID-19 pandemic, we did not get the position filled until July 2020. We anticipate the 2020 financial statement preparation to be a lot smoother and completed at the required due date.</i>	
Anticipated date to complete the corrective action: <i>May 2021, when the financial statements are due.</i>	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov