

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Kittitas County

Audit Period
January 1, 2007 through December 31, 2007

Report No. 1000195

Issue Date
November 26, 2008



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

November 26, 2008

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.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

Kittitas County January 1, 2007 through December 31, 2007

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.665	School and Roads Program
20.106	Airport Improvement Program

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

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

Schedule of Audit Findings and Responses

Kittitas County January 1, 2007 through December 31, 2007

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

Background

County management, the state Legislature, state and federal agencies and bondholders rely on the information included in financial statements and reports to make decisions. It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Controls must ensure that financial data is reliably authorized, processed and reported. Our audit identified significant deficiencies in controls that adversely affect the County's ability to produce reliable financial statements.

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

Description of Condition

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

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

Cause of Condition

The County has not dedicated and prioritized the necessary resources to ensure accounting principles are adequately researched by personnel for correct application or established processes to ensure its financial reporting is accurate and completed timely.

Effect of Condition

During our review of the County's financial statements, we found infrastructure amounts reported on the Statement of Net Assets for Governmental Activities contained significant errors and omissions for amounts, which the County's fixed asset software could not calculate. Infrastructure amounts included assets acquired only since 2003 instead of those acquired since 1980 as required by Generally Accepted Accounting Principles. As a result, we were unable to

issue an opinion on the infrastructure account balance in our report and have qualified our opinion on the financial statements. Except for this omission, the financial statements are presented fairly in all material respects.

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

- A liability of \$438,000 was incorrectly classified within the Airport Fund, which resulted in the County combining the activity with other funds instead of as a separate major fund.
- The capital asset figures for business-type activities in the Statement of Net Assets did not show an allowance for accumulated depreciation. This resulted in the capital assets being overstated by \$2,194,489. In addition, total assets did not agree with the sum of liabilities and net assets for this column.
- The budgetary comparison statements had original and final budget amounts from 2006 instead of 2007 for the General Fund and the County Road Fund. This resulted in material errors to these statements.
- The Schedule of Expenditures of Federal Awards did not include a large federal grant program, resulting in an understatement of \$872,325. Had we not identified this error, the number of programs audited would not have been adequate to meet federal audit requirements.

We also identified several other immaterial misstatements that were not corrected on the final financial statements. The deficiencies in internal controls make it reasonably possible that serious misstatements could continue to occur and not be prevented or detected by the County in future years.

In addition, the annual financial report for 2007 was not submitted to the State Auditor's Office by the required deadline of 150 days after the close of the fiscal year, as prescribed by state law (May 30, 2008). The County's financial statements were not completed until July 9, 2008.

The inability to prepare the timely and accurate financial reports limits access to financial information used by County officials, the public, state and federal agencies and other interested parties. In addition, the inability to produce a complete set of financial statements can delay or hinder the audit process and increase audit costs.

Recommendation

We recommend the County:

- Establish and follow internal control procedures that include a review of the financial statements after final preparation to ensure accurate presentation of the financial statements and related schedules.
- Adequately research and properly apply accounting standards, especially related to infrastructure and major fund calculations.
- Establish policies and procedures in order to comply with state reporting requirements by preparing and filing annual reports by the required deadline.

County's Response

Kittitas County has established internal control procedures for the review of the financial statements.

- *The \$438,000.00 interfund loan was accounted for as a liability in the individual Airport Fund, however during the conversion and consolidation process for the GASB 34 reporting requirements the interfund loan was recorded as a reduction in net assets, therefore not requiring the Airport fund to be a major fund. When this was corrected, the Airport fund was reported as a major fund.*
- *The capital asset figure for business type activities does show in the individual fund balance sheets as assets "less" depreciation. In entering the data in the statement of net assets the amounts were not reported as "net" of depreciation. This has been corrected.*
- *The Budgetary comparison statements were completed with the correct data, somehow the statements presented were for the prior year. The correct statements were presented to the auditors.*
- *The Schedule of Expenditures Federal Awards (SEFA) originally excluded the Payment in lieu of taxes, (PILT); Title 1 funds account code 332.10.68. These funds were considered as PILT funds and entitlements, impact payments and in-lieu taxes are not to be reported on the SEFA. The auditor pointed out that just these PILT funds were to be on the SEFA. This has been corrected.*
- *The 2007 financial statements were filed July 9, 2008. The 2006 financial statements were filed on September 2007. The County feels we have made great strides in our attempt to produce the financial statements timely. Timely reporting is very important to us. However, it is paramount that financial statements be correct to the best of our ability. We will always put accuracy of the report before timely filing when necessary.*

Auditor's Remarks

We reaffirm our finding.

We look forward to reviewing the County's corrective action during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class. The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, and other persons.

The accounts shall show the receipt, use, and disposition of all public funds properly, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all

reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

RCW 43.09.230 states:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

The reports shall be certified as to their correctness by the state auditor, the state auditor's deputies, or other person legally authorized to make such certification.

Their substance shall be published in an annual volume of comparative statistics at the expense of the state as a public document.

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

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

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

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

For all financial audits, auditors should report the following deficiencies in internal control:

- a. Significant deficiency: a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is a more

than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented

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

Kittitas County January 1, 2007 through December 31, 2007

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 6, 2008. The County declined to report infrastructure assets acquired after 1980 and before 2003 for the governmental activities on the government-wide statement of net assets. The presentation of such assets is required by accounting principles generally accepted in the United States of America. Therefore, our report was modified to include a qualified opinion on the governmental activities.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 1 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

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

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

October 6, 2008

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

Kittitas County
January 1, 2007 through December 31, 2007

Board of Commissioners
Kittitas County
Ellensburg, Washington

COMPLIANCE

We have audited the compliance of Kittitas County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 6, 2008

Independent Auditor's Report on Financial Statements

Kittitas County January 1, 2007 through December 31, 2007

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed on page 13. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The County declined to report infrastructure assets acquired after 1980 and before 2003 in the governmental activities column on the government-wide statement of net assets. Accounting principles generally accepted in the United States of America require the inclusion of such assets in the governmental activities, thus increasing that activity's assets and expenses, and changing its net assets. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of the omissions noted above, the financial statements present fairly, in all material respects, the financial position of the governmental activities as of December 31, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Road and Airport funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 14 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 6, 2008

Financial Section

Kittitas County January 1, 2007 through December 31, 2007

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2007

BASIC FINANCIAL STATEMENTS

Statement of Net Assets - 2007

Statement of Activities - 2007

Balance Sheet – Governmental Funds – 2007

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds–
2007

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis)
and Actual – General Fund – 2007

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis)
and Actual – Airport Fund - 2007

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis)
and Actual – County Road Fund – 2007

Statement of Net Assets – Proprietary Funds – 2007

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2007

Statement of Cash Flows – Proprietary Funds – 2007

Statement of Fiduciary Net Assets – 2007

Statement of Change in Fiduciary Net Assets – Private Purpose Trust – 2007

Notes to the Financial Statements – 2007

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards – 2007

Notes to the Schedule of Expenditures of Federal Awards – 2007

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, 2007, 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, 2007 by over \$62.9 million. Net Assets invested in capital assets (net of depreciation and related debt) account for 42% of this amount, with a value of almost \$26 million. Of the remaining net assets, \$36.3 may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.
- As of December 31, 2007 Kittitas County's government activities reported combined ending net assets of \$57 million. Of that amount, \$23.7 million is invested in capital assets and \$354,849 are restricted funds.
- Fund Balance for the General Fund at December 31, 2007 was \$8.9 million.
- Fund Balance for the County Road Fund at December 31, 2007 was \$9.5 million.
- The County's total long term debt at December 31, 2007 was \$5.9 million, with a remaining capacity for non-voted debt at \$53.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Kittitas County's finances in a manner similar to a private-sector business. Both the government-wide financial statements distinguish functions of Kittitas County that are principally supported by taxes and intergovernmental revenues (referred to as

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

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

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

The statement of activities presents information showing how the County’s net assets changed during 2007. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2007, 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 2007.

Fund Financial Statements

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

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

Government Funds are used to account for most, if not all, of a government’s tax-supported activities. Proprietary Funds are used to account for a government’s business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activity. Fiduciary Funds are used to account for

resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the County's own programs.

Government Funds

The Governmental Fund Balance sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance present separate columns of financial data for the General Fund and County Road Fund both to be considered a major fund. A major fund is based on criteria established by GASB Statement 34. The statement defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. Figures from the remaining governmental funds are combined into a single, aggregated presentation.

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

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenses and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

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

Proprietary Funds

There are two types of proprietary funds. The first type an Enterprise Fund is used to report the same functions presented as a business-type activity in the government-wide financial statements. Kittitas County has one Enterprise fund, Solid Waste. The second type is an Internal Service fund, used to accumulate and allocate costs internally among the County's various functions. The revenues and expense of the internal service funds that are duplicated into other

funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Assets

The following is a summary of the Statement of Net Assets as of December 31, 2007, with 2006 comparative balances.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets:						
Current Assets	36,875,284	\$30,915,317	3,542,489	\$3,073,597	40,417,774	\$33,998,915
Capital Assets	26,561,729	25,760,367	3,528,359	3,614,427	30,090,088	29,374,794
Total Assets	63,437,013	\$56,675,684	\$7,070,848	\$6,688,024	\$70,507,862	\$63,373,709
Liabilities						
Other liabilities	1,634,555	\$1,484,778	19,238	\$ 118,213	\$1,653,793	\$1,602,991
Long-term liabilities	4,732,550	5,097,888	1,201,997	1,264,257	5,934,547	6,362,145
Total Liabilities	6,367,105	\$6,582,666	\$1,221,235	\$1,382,470	\$7,588,340	\$7,965,136
Net Assets						
Investment in Capital Assets	23,785,894	\$22,493,815	2,403,358	\$2,414,426	\$26,189,251	\$24,908,241
Reserved	354,849	349,422	0	0	354,849	349,422
Unreserved	32,929,165	27,249,781	3,446,255	2,891,128	36,375,420	30,140,909
Total Net Asset	\$7,069,908	\$50,093,018	\$5,849,613	\$5,305,554	\$62,919,520	\$55,398,572

Net Assets of the County's governmental funds were \$62.9 million. The County's unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations \$32.9 million.

Statement of Activities

For fiscal year ended December 31, 2007, the revenues from primary governmental funds totaled \$36.5 million. Charges for Services are the largest revenue source at \$9.1 million, while property taxes are the second largest at \$7.9 million.

The expenses for governmental activities totaled \$29.5 million. Public Safety was the county's highest commitment at \$8 million; Transportation is the seconded highest expense for 2007 with \$7.4 million. The expenses for Public Safety are contributed to the cost of salaries and benefits; intergovernmental services and new equipment.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues						
Charges for Services	\$9,108,251	\$ 8,906,157	\$3,372,077	\$2,957,846	\$12,480,328	\$11,864,004
Operating Grants	7,902,687	7,260,973	0	0	7,902,687	7,260,973
Capital Grants	1,075,746	0	0	0	1,075,746	0
General Revenues	0	0	0	0	0	0
Property Taxes	7,982,493	7,429,517	0	0	7,982,493	7,429,517
Sales Taxes	5,748,087	5,187,720	0	0	5,748,087	5,187,720
Other Taxes	2,644,877	2,931,434	0	0	2,644,877	2,931,434
Unrestricted Grants & Contributions	93,431	0	0	0	93,431	0
Unrestricted Investment Earnings	1,956,040	1,609,405	124,427	115,390	2,080,467	1,724,795
Gain on Disposal Capital Assets	56,721	33,608	0	0	56,721	33,608
Total Revenues	36,568,333	\$33,358,814	\$3,496,504	\$3,073,236	\$40,064,837	\$36,432,051

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Expenses:						
General Government	\$5,674,627	\$5,892,835			\$5,674,627	\$5,892,835
Judicial	2,294,480	2,169,034	0	0	2,294,480	2,169,034
Public Safety	8,002,395	6,946,030	0	0	8,002,395	6,946,030
Physical Environment	298,935	281,247	0	0	298,935	281,247
Transportation	7,478,554	10,496,268	0	0	7,478,554	10,496,268
Economic Environment	1,285,506	1,037,891	0	0	1,285,506	1,037,891
Mental & Public Health	2,758,181	2,444,566	0	0	2,758,181	2,444,566
Culture & Recreation	1,632,021	1,901,704	0	0	1,632,021	1,901,704
Interest on Long Term Debt	166,747	120,892	0	0	166,747	120,892
Garbage & Solid Waste	0	0	2,952,445	2,755,837	2,952,445	2,755,837
Total Expenses	\$29,591,446	\$31,290,467	\$2,952,445	\$2,755,837	\$32,543,890	\$34,046,305
Excess (Deficiency) before Special Items and Transfers						
Special Item-Gain on Disposal Capital Assets	0	0		0	0	0
Transfers	0	0		0	0	0
Increase (decrease) to net assets						
	\$6,976,888	\$2,068,347	\$544,060	\$317,399	\$7,520,948	\$2,385,746
Net Assets as of January 1	\$50,093,018	\$48,024,671	\$5,305,555	\$4,988,156	\$55,398,573	\$53,012,827
Net Assets as of December 31	\$57,069,906	\$50,093,018	\$5,849,615	\$5,305,555	\$62,919,521	\$55,398,573

Some beginning balances from 2007 do not balance with the ending balance of 2006; see Notes to the Financial Statement, Note 19.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund, Airport and the County Road funds are the 3 major funds in 2007. Together these funds account for 71% of the total government assets and 70% of the total government fund balance. As of December 31, 2007, the county's government funds reported combined fund balances nearly \$27.1 million. Of this total amount, \$26.7 million is unreserved and available for spending within the designated funds.

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2007 was \$1.7 million. The net change in the County Road fund was a \$1.8 million. Governmental funds had an overall net change in fund balance of \$5.3 million for 2007. The positive fund balances are due to conservative spending and funds being set aside for unexpected expenses.

Enterprise Funds Net Assets Analysis

The net assets of the Solid Waste fund as of December 31, 2007 were \$5.8 million, with \$2.98 million is unrestricted funds. The internal service funds have net assets in the amount of \$8.6 million.

Enterprise Funds Revenue/Expenditure Analysis

The Solid Waste fund collected \$3.38 million in revenues and had an operating expense of \$2.9 million showing a net gain of \$432,361. The changes in net assets for 2007 after non-operating revenues and expenses is \$544,060.

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, 2007 with comparable totals for 2006 final budget.

General Fund Changes in Budget For the Year Ended December 31, 2007				
	2007 Original Budget	2007 Final Budget	Changes Favorable (Unfavorable)	2006 Final Budget
Revenues				
Taxes	8,120,700	8,127,735	7,035	7,722,003
Licenses & Permits	1,147,200	1,678,339	531,139	1,583,600
Intergovernmental	2,374,324	2,615,997	241,673	2,491,654
Charges for Services	2,010,280	2,027,780	17,500	1,909,911
Fines & Forfeits	1,441,900	1,441,900	0	1,446,246
Miscellaneous	1,064,674	1,103,962	39,288	942,498
Total Revenues	\$16,159,078	\$16,995,713	\$836,635	\$16,095,912
Expenditures				
General Governmental	5,710,832	6,144,848	434,016	5,582,833
Judicial	2,397,441	2,397,441	0	2,134,194
Security of Persons & Property	6,430,339	6,738,838	308,499	6,251,492
Physical Environment	95,662	100,662	5,000	99,675
Transportation	3,717	3,717	0	3,717
Economic Environment	973,992	1,208,821	234,829	892,203
Culture & Recreation	1,076,739	1,332,083	255,344	1,187,600
Debt Service	449,819	449,819	0	357,966
Capital Outlay	912,979	2,022,564	1,109,585	1,255,242
Total Expenditures	\$18,051,520	\$20,398,793	\$2,347,273	\$17,764,922
Excess (Deficit) Revenues over Expenditures	(1,892,442)	(3,403,080)	(1,510,638)	(1,669,010)
Other Financing Sources (Uses)	395,847	395,847	0	278,510
Sale of Fixed Assets	1,500	1,500	0	400
Transfers In	310,487	1,293,921	983,434	505,999
Transfers Out	(294,347)	(294,347)	0	(311,473)
Total Other Financing Sources (Uses)	\$413,487	\$1,396,921	983,434	473,436
Net Change in Fund Balance	(1,478,995)	(2,006,159)	(527,204)	(1,195,574)
Fund Balance, January 1	4,035,296	4,562,500	527,204	3,366,546
Fund Balance, December 31	\$2,556,341	\$2,556,341	0	\$2,170,972

Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget. The biggest supplemental budget increases were as follows:

Community Development Services - \$136,492 for computer hardware and software and \$235,129 for new positions and the costs associated with them and the cost of advertising for planning functions.

Facilities Maintenance - \$598,255 for operations and improvements.

County Fair - \$630,442 for land purchases and operations

General Fund Budget to Actual

The amended General Fund revenue budget was approximately \$16.9 million and total revenues received \$20.1 million, or 19% above budget. The specific changes to report are taxes, licensing & permits and miscellaneous revenues. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales and use tax collected higher taxes than the budgeted amount.

The General Fund budgeted expenses vs. actual came in at 12% under budget. The biggest unspent budget was Capital Outlay, due to anticipation of property purchase that didn't occur until January 2008.

General Fund Changes Budget vs. Actual				
	2007			2006
	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues				
Taxes	8,127,735	9,750,240	1,622,505	9,212,673
Licenses & Permits	1,678,339	2,091,382	413,043	1,807,461
Intergovernmental	2,615,997	2,481,261	(134,736)	3,096,941
Charges for Services	2,027,780	2,419,214	391,434	2,260,212
Fines & Forfeits	1,441,900	1,584,200	142,300	1,422,409
Miscellaneous	1,103,962	1,864,709	760,747	1,510,483
Total Revenues	\$16,995,713	\$20,191,006	\$3,195,292	\$19,310,179
Expenditures				
General Governmental	6,144,848	5,820,867	210,301	5,178,409
Judicial	2,397,441	2,187,140	323,981	2,055,863
Security of Persons & Property	6,738,838	6,339,222	399,616	5,979,331
Physical Environment	100,662	85,195	15,467	82,380
Transportation	3,717	3,717	-	3,717
Economic Environment	1,208,821	1,216,431	(7,610)	882,229
Culture & Recreation	1,332,083	1,430,387	(98,304)	1,127,493
Debt Service	449,819	334,506	115,313	357,964
Capital Outlay	2,022,564	867,558	1,155,006	1,088,785
Total Expenditures	\$20,398,793	\$18,285,023	\$2,113,770	\$16,756,171
Excess (Deficit) Revenues over Expenditures	\$(3,403,080)	\$1,905,982	\$5,309,062	\$2,554,008

General Fund Changes Budget vs. Actual Continued

Other Financing Sources (Uses)				
Proceeds Capital Leases	395,847	-	(395,847)	0
Sale of Fixed Assets	1,500	3,552	2,052	16,026
Transfers In	1,293,921	137,208	(1,156,713)	92,632
Transfers Out	(294,347)	(289,589)	4,758	(286,290)
Total Other Financing Sources (Uses)	\$1,396,921	\$(148,829)	\$(1,545,750)	\$(177,633)
Net Change in Fund Balance	\$(2,006,159)	\$1,757,153	\$3,763,312	\$2,376,375
Fund Balance, January 1	4,562,500	7,150,020	2,587,520	4,773,644
Fund Balance, December 31	\$2,556,341	\$8,907,173	\$6,350,832	\$7,150,020

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, 2007, amounts to over \$30 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. The major capital asset events during 2007 were Equipment & Machinery purchases. The 2007 ending balance for Equipment & Machinery is \$3,849,603.

Additional information on Kittitas County's capital assets can be found in Note 6 in the Notes to the Financial Statements.

Long-Term Debt

Kittitas County has a total outstanding bond debt as of December 31, 2007 of approximately \$1.5 million. Of this amount \$455,000 is for the RID-96-1 backed by an assessment to the property owners, the balance is for two revenue bonds for the County Fairgrounds.

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

Kittitas County has an assigned rating of "A" from the Standard & Poor's rating based on the Fair bond issued May 1, 2001 and affirmed "A" underlining rating effective November 5, 2008.

ECONOMIC FACTORS

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

The Board of County Commissioners has elected over the past several years to increase property taxes by zero percent plus new construction. The additional revenue from new construction has not covered the additional expenditures required in union contracts and supply costs. This policy decision has resulted in a small reduction in Kittitas County cash reserves and may need to be revised in the 2009 tax rate decision.

Kittitas County has experienced a growth in the Upper County with the development of the Suncadia resort. Suncadia is a 6,400 acre luxury all season mountain resort, adjoining the Cle Elum River corridor with 1,200 acres of pristine forest, adjacent to the 2.2 million acre Wenatchee National Forest. Housing will be a mix of single family homes, clustered chalet-type recreational homes, condominiums and townhouses for a maximum of 3,745 residential units. The Lodge at Suncadia, a full-service luxury condominium lodge hotel and conference center has 254 units, three golf courses and a retail village. It is anticipated to add as many as 3,000 full time residents to the population of Kittitas County. Increased revenue will be generated beginning with building materials, wages and finally with tax assessment. County services will need to expand to support the public as phases of the project are completed.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Kittitas County's finances for all those interested in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

KITITAS COUNTY, WASHINGTON

Statement of Net Assets

December 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 20,791,206	\$ 1,003,325	\$ 21,794,531
Investments	9,943,574	2,189,513	12,133,088
Receivables (net)	2,691,489	311,554	3,003,044
Internal Balances	(8,004)	8,004	-
Inventories	496,074	-	496,074
Due from other Governmental	2,938,518	30,093	2,968,612
Prepaid items	21,970	-	21,970
Customer deposits	456	-	456
Capital Assets (net of accumulated depreciation)			
Land	2,485,284	280,439	2,765,723
Buildings	9,120,708	809,140	9,929,848
Improvements	336,399	2,111,243	2,447,642
Equipment	3,522,065	327,538	3,849,603
Infrastructure	10,953,766	-	10,953,766
Construction in progress	143,507	-	143,507
Total Assets	\$ 63,437,013	\$ 7,070,849	\$ 70,507,861
LIABILITIES			
Accounts payable and accrued exp.	\$ 1,466,321	\$ 19,238	\$ 1,485,559
Unearned revenue	71,529		71,529
Other current liabilities	96,705		96,705
Liabilities payable from restricted assets	-		-
Non-Current Liabilities			
Special Assessment Debt with Governmental Commitments			
Due within one year	-		-
Due in more than one year	-		-
Other Long Term Debt			
Due within one year	561,223	75,000	636,223
Due in more than one year	4,171,327	1,126,997	5,298,324
Total Liabilities	\$ 6,367,105	\$ 1,221,235	\$ 7,588,341
NET ASSETS			
Invested in capital assets, net of related debt	\$ 23,785,894	\$ 2,403,358	\$ 26,189,251
Restricted for:			
Debt service	354,849		354,849
Capital projects	-		-
Other	-	462,625	462,625
Unrestricted	\$ 32,929,165	\$ 2,983,631	\$ 35,912,796
Total Net Assets	\$ 57,069,908	\$ 5,849,613	\$ 62,919,520

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

KITTITAS COUNTY, WASHINGTON

Statement of Activities

For the Year ended December 31, 2007

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Judicial	\$ 2,294,480	\$ 1,956,592	\$ 50,285	\$ -	\$ (287,603)	\$ -	\$ (287,603)
General Government	5,674,627	2,375,979	203,440	-	(3,095,208)	-	(3,095,208)
Public Safety	8,002,395	1,049,701	1,011,816	-	(5,940,878)	-	(5,940,878)
Physical Environment	288,935	98,197	49,869	-	(150,869)	-	(150,869)
Transportation	7,478,554	199,576	4,461,188	1,075,746	(1,742,044)	-	(1,742,044)
Economic Environment	1,285,506	3,017,496	174,729	-	1,906,719	-	1,906,719
Mental & Physical Health	2,758,181	265,286	1,905,529	-	(587,365)	-	(587,365)
Culture & Recreation	1,632,021	145,424	45,831	-	(1,440,766)	-	(1,440,766)
Interest on long-term debt	166,747	-	-	-	(166,747)	-	(166,747)
Total Governmental Activities	\$ 29,591,445	\$ 9,108,251	\$ 7,902,687	\$ 1,075,746	\$ (11,504,762)	\$ -	\$ (11,504,762)
Business-type Activities:							
Garbage & Solid Waste	\$ 2,952,445	\$ 3,372,077	\$ -	\$ -	\$ -	\$ 419,633	\$ 419,633
Total Business-Type Activities	\$ 2,952,445	\$ 3,372,077	\$ -	\$ -	\$ -	\$ 419,633	\$ 419,633
Total Primary Government	\$ 32,543,890	\$ 12,480,328	\$ 7,902,687	\$ 1,075,746	\$ (11,504,762)	\$ 419,633	\$ (11,085,129)
General Revenues:							
Property Taxes					\$ 7,982,493	\$ -	\$ 7,982,493
Sales Taxes					5,748,087	-	5,748,087
B&O Taxes					-	-	-
Other Taxes					2,644,877	-	2,644,877
Unrestricted Grants & Contributions					93,431	-	93,431
Unrestricted Investment Earnings					1,956,040	124,427	2,080,467
Gain on Disposition of Capital Assets					56,721	-	56,721
Special Item - Gain on Disposition of capital assets Transfers					-	-	-
Total General Revenues, Special Items & Transfers					\$ 18,481,650	\$ 124,427	\$ 18,606,077
Change in Net Assets					\$ 6,976,888	\$ 544,060	\$ 7,520,948
Net Assets as of January 1					\$ 50,093,018	\$ 5,305,555	\$ 55,398,573
Net Assets as of December 31					\$ 57,069,906	\$ 5,849,615	\$ 62,919,521

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Airport	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 8,601,228	\$ 30,056	\$ 3,563,107	\$ 5,348,878	\$ 17,543,270
Investments	-	-	4,836,411	2,614,625	7,451,036
Receivables (net)	1,993,861	214	343,789	259,073	2,596,957
Due from other funds	208,949	4,689	877,207	125,169	1,216,014
Due from Other Governmental	429,525	969,043	789,322	750,628	2,938,518
Prepaid items	21,970	-	-	-	21,970
Customer deposits	456	-	-	-	456
Total assets	\$ 11,256,010	\$ 1,004,002	\$ 10,409,836	\$ 9,098,374	\$ 31,768,222
LIABILITIES					
Accounts payable and accrued exp.	\$ 435,093	\$ 133,702	\$ 260,287	\$ 278,373	\$ 1,107,455
Payable to other governments	615	-	5,842	92,341	98,797
Due to other funds	113,550	439,719	399,368	194,615	1,147,251
Deferred revenue	1,787,102	-	149,366	175,504	2,111,972
Unearned revenue	2,268	25,212	-	44,049	71,529
Deposits payable	10,210	195	-	86,300	96,705
Other current liabilities	-	-	-	1,319	1,319
Total liabilities	\$ 2,348,837	\$ 598,828	\$ 814,863	\$ 872,501	\$ 4,635,029
FUND BALANCE					
Reserved for:					
Encumbrances, petty cash, inventory	\$ 8,125	\$ -	\$ 1,000	\$ 3,760	\$ 12,885
Debt service	-	-	-	354,849	354,849
Other	-	-	-	-	-
Unreserved, reported in					
General Fund	8,899,048	-	-	-	8,899,048
Special revenue funds	-	405,173	9,593,973	5,289,368	15,288,513
Capital project funds	-	-	-	2,577,898	2,577,898
Total fund balance	\$ 8,907,173	\$ 405,173	\$ 9,594,973	\$ 8,225,874	\$ 27,133,192
Total liabilities and fund balance	\$ 11,256,010	\$ 1,004,001	\$ 10,409,836	\$ 9,098,375	\$ 31,768,222

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	23,872,525
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	2,111,972
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(4,732,550)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.	8,684,768
Net assets of governmental activities	57,069,908

KITTITAS COUNTY, WASHINGTON

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

For the Year Ended December 31, 2007

	General Fund	Airport	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 4,312,136	\$ -	\$ 3,475,296	\$ 164,645	\$ 7,952,077
Sales	5,047,698	-	-	700,389	5,748,087
Other	390,406	-	47,850	1,327,116	1,765,372
Licenses & Permits	2,091,382	-	164	376,615	2,468,161
Intergovernmental	2,481,261	1,075,746	4,535,518	2,422,094	10,514,619
Charges for Services	2,419,214	3	139,407	1,036,112	3,593,736
Fines & Forfeitures	1,584,200	-	-	40,303	1,624,503
Investment Earnings	1,359,886	-	293,930	145,581	1,799,397
Miscellaneous Revenues	504,824	170,777	491,510	406,886	1,573,997
Total revenues	\$ 20,191,007	\$ 1,246,526	\$ 8,983,675	\$ 6,618,741	\$ 37,039,949
EXPENDITURES					
Current:					
Judicial	\$ 2,187,140	\$ -	\$ -	\$ 2,022	\$ 2,189,162
General Government	5,820,867	-	65,753	258,266	6,144,886
Public Safety	6,339,222	-	-	1,170,828	7,510,050
Physical Environ	85,195	-	-	209,387	294,582
Transportation	3,717	146,150	6,506,435	0	6,656,302
Health & Human Services	-	-	-	2,739,842	2,739,842
Economic Environment	1,216,431	-	-	73,443	1,289,874
Culture & Recreation	1,430,387	-	-	93,792	1,524,179
Debt Service:					
Principal	263,047	-	-	307,605	570,652
Interest/Other Expense	71,459	-	-	95,288	166,747
Capital Outlay:					
General government	390,659	-	-	-	390,659
Judicial	-	-	-	-	-
Public safety	445,155	-	-	18,603	463,758
Physical environment	-	-	-	-	-
Transportation	-	1,098,430	570,906	0	1,669,336
Health & Human services	-	-	-	21,196	21,196
Economic environment	-	-	-	-	-
Culture & recreation	31,744	-	-	-	31,744
Total expenditures	\$ 18,285,023	\$ 1,244,579	\$ 7,143,094	\$ 4,990,273	\$ 31,662,969
Excess (deficiency) of revenues over (under) expenditures	\$ 1,905,984	\$ 1,946	\$ 1,840,581	\$ 1,628,469	\$ 5,376,980

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

KITTITAS COUNTY, WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Airport	County Road	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 137,208	\$ -	\$ -	\$ 532,362	\$ 669,570
Transfers out	(289,569)		(27,968)	(379,980)	(697,537)
Debt Proceeds & capital Leases					
Gain on Disposition of capital assets	3,552	445	23,281	19,993	47,271
Total other financing sources (uses)	\$(148,829)	\$ 445	\$(4,687)	\$ 172,375	\$ 19,304
SPECIAL ITEMS					
Gain on Disposition of Capital Assets					
Net change in fund balances	1,757,155	2,391	1,835,894	1,800,844	5,396,284
Fund balances--beginning	7,150,020	402,782	7,759,078	6,425,029	21,736,909
Fund balances--ending	\$ 8,907,175	\$ 405,173	\$ 9,594,972	\$ 8,225,873	\$ 27,133,193
Net changes in fund balances for governmental funds					\$ 5,396,284

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	\$	2,576,693
Depreciation		(1,180,295)
Cost of Assets Sold		(435,571)
		960,827

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

Debt Retired	\$	570,651
		570,651

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

		90,312
		(125,378)

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.

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.

Change in net assets of governmental activities	\$	6,976,888
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The notes to the financial statements are an integral part of this statement.

KITTITAS COUNTY, WASHINGTON

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2007**

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 8,120,700	\$ 8,127,735	\$ 9,750,240	\$ 1,622,505
Licenses & Permits	1,147,200	1,678,339	2,091,382	413,043
Intergovernmental	2,374,324	2,615,997	2,481,261	(134,736)
Charges for Services	2,010,280	2,027,780	2,419,214	391,434
Fines & Forfeits	1,441,900	1,441,900	1,584,200	142,300
Miscellaneous	1,064,674	1,103,962	1,864,709	760,747
Total Revenues	\$ 16,159,078	\$ 16,995,713	\$ 20,191,005	\$ 3,195,292
Expenditures				
General Governmental	\$ 5,710,832	\$ 6,144,848	\$ 5,820,867	\$ 323,981
Judicial	2,397,441	2,397,441	2,187,140	210,301
Security of Persons and Property	6,430,339	6,738,838	6,339,222	399,616
Physical Environment	95,662	100,662	85,195	15,467
Transportation	3,717	3,717	3,717	-
Economic Environment	973,992	1,208,821	1,216,431	(7,610)
Mental & Physical Health	-	-	-	-
Culture & Recreation	1,076,739	1,332,083	1,430,387	(98,304)
Debt Service	449,819	449,819	334,506	115,313
Capital Outlay	912,979	2,022,564	867,558	1,155,006
Total Expenditures	\$ 18,051,520	\$ 20,398,793	\$ 18,285,023	\$ 2,113,770
Excess (Deficit) Revenues over Expenditures	\$ (1,892,442)	\$ (3,403,080)	\$ 1,905,982	\$ 5,309,062
Other Financing Sources (Uses)				
Proceeds Capital Leases	\$ 395,847	\$ 395,847	\$ -	\$ (395,847)
Sale of Fixed Assets	1,500	1,500	3,552	2,052
Transfers In	310,487	1,293,921	137,208	(1,156,713)
Transfers Out	(294,347)	(294,347)	(289,589)	4,758
Total Other Financing Sources (Uses)	\$ 413,487	\$ 1,396,921	\$ (148,829)	\$ (1,545,750)
Net Change in Fund Balance	\$ (1,478,955)	\$ (2,006,159)	\$ 1,757,153	\$ 3,763,312
Fund Balance, January 1	\$ 4,035,296	\$ 4,562,500	\$ 7,150,020	\$ 2,587,520
Fund Balance, December 31	\$ 2,556,341	\$ 2,556,341	\$ 8,907,173	\$ 6,350,832

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

KITTITAS COUNTY, WASHINGTON

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2007**

Airport

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-
Intergovernmental	868,750	1,164,284	1,075,746	(88,538)
Charges for Services	-	-	3	3
Miscellaneous	<u>157,317</u>	<u>162,477</u>	<u>170,777</u>	<u>8,300</u>
Total Revenues	\$ <u>1,026,067</u>	\$ <u>1,326,761</u>	\$ <u>1,246,526</u>	\$ <u>(80,235)</u>
Expenditures				
General Governmental	\$ -	\$ -	\$ -	\$ -
Transportation	236,300	168,060	135,527	32,533
Capital Outlay	<u>787,500</u>	<u>1,194,138</u>	<u>1,109,053</u>	<u>85,085</u>
Total Expenditures	\$ <u>1,023,800</u>	\$ <u>1,362,198</u>	\$ <u>1,244,579</u>	\$ <u>117,619</u>
Excess (Deficit) Revenues over Expenditures	\$ 2,267	\$ (35,437)	\$ 1,946	\$ 37,383
Other Financing Sources (Uses)				
Sale of Fixed Assets	\$ -	\$ -	\$ 445	\$ 445
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 445	\$ 445
Net Change in Fund Balance	\$ 2,267	\$ (35,437)	\$ 2,391	\$ 37,828
Fund Balance, January 1	\$ 296,000	\$ 419,785	\$ 402,782	\$ (17,003)
Fund Balance, December 31	\$ <u>298,267</u>	\$ <u>384,348</u>	\$ <u>405,173</u>	\$ <u>20,825</u>

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

KITTITAS COUNTY, WASHINGTON

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2007**

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,464,000	\$ 3,464,000	\$ 3,523,146	\$ 59,146
Licenses & Permits	200	200	164	(36)
Intergovernmental	8,163,277	8,163,277	4,535,518	(3,627,759)
Charges for Services	67,500	67,500	139,407	71,907
Miscellaneous	<u>312,000</u>	<u>312,000</u>	<u>785,440</u>	<u>473,440</u>
Total Revenues	\$ <u>12,006,977</u>	\$ <u>12,006,977</u>	\$ <u>8,983,675</u>	\$ <u>(3,023,302)</u>
Expenditures				
General Governmental	\$ 71,000	\$ 71,000	\$ 65,753	\$ 5,247
Transportation	5,281,000	5,281,000	6,506,435	(1,225,435)
Capital Outlay	<u>8,292,285</u>	<u>8,292,285</u>	<u>570,906</u>	<u>7,721,379</u>
Total Expenditures	\$ <u>13,644,285</u>	\$ <u>13,644,285</u>	\$ <u>7,143,094</u>	\$ <u>6,501,191</u>
Excess (Deficit) Revenues over Expenditures	\$ (1,637,308)	\$ (1,637,308)	\$ 1,840,581	\$ 3,477,889
Other Financing Sources (Uses)				
Sale of Fixed Assets	\$ 5,000	\$ 5,000	\$ 23,281	\$ 18,281
Transfers In	-	-	-	-
Transfers Out	<u>(168,000)</u>	<u>(168,000)</u>	<u>(27,968)</u>	<u>140,032</u>
Total Other Financing Sources (Uses)	\$ (163,000)	\$ (163,000)	\$ (4,687)	\$ 158,313
Net Change in Fund Balance	\$ (1,800,308)	\$ (1,800,308)	\$ 1,835,895	\$ 3,636,203
Fund Balance, January 1	\$ 6,045,446	\$ 6,045,446	\$ 7,759,078	\$ 1,713,632
Fund Balance, December 31	\$ <u>4,245,138</u>	\$ <u>4,245,138</u>	\$ <u>9,594,973</u>	\$ <u>5,349,835</u>

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

KITTITAS COUNTY, WASHINGTON

**Proprietary Funds Statement of Net Assets
December 31, 2007**

	Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
	<u>Solid Waste</u>	
ASSETS		
Current assets:		
Cash & cash equivalents	\$ 1,003,325	\$ 3,247,936.30
Investments	2,189,513	2,492,538.31
Receivables	311,554	94,532.08
Due From Funds	113,342	361,620.13
Inventories	-	496,074.00
Due From Other governments	30,093	-
Total Current Assets	<u>\$ 3,647,828</u>	<u>\$ 6,692,700.82</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 280,439	\$ 26,024.45
Buildings	1,129,080	441,334.71
Improvements	3,362,795	128,957.22
Equipment	950,535	6,151,527.11
Construction in progress	-	143,507.00
Less Depreciation	(2,194,489)	(4,202,156.09)
Total Capital Assets (net of accumulated depreciation)	<u>\$ 3,528,359</u>	<u>\$ 2,689,194.40</u>
Total assets	<u>\$ 7,176,187</u>	<u>\$ 9,381,895.22</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued exp.	\$ 19,238	\$ 258,750
Due to other funds	105,338	438,387
Due to other governments	-	-
Compensated absences	-	-
Bonds, notes, loans payable	75,000	-
Total Current Liabilities	<u>\$ 199,577</u>	<u>\$ 697,137</u>
Noncurrent liabilities:		
Compensated absences	\$ 76,996	\$ -
Bonds, notes, loans payable	1,050,001	-
Other noncurrent liabilities	-	-
Total Noncurrent Liabilities	<u>\$ 1,126,997</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 1,326,574</u>	<u>\$ 697,137</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 2,403,358	\$ 2,689,194
Restricted for Other	462,625	-
Unrestricted	2,983,630	5,995,574
Total net assets	<u>\$ 5,849,613</u>	<u>\$ 8,684,768</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	-
Net assets of business-type activities	<u>\$ 5,849,613</u>	

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

KITITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets For the Year Ended December 31, 2007

	Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
	Solid Waste	
OPERATING REVENUES		
Charges for Services:		
Garbage & Solid Waste	\$ 3,384,806	\$ -
Other services	-	1,504,926
Total operating revenues	\$ 3,384,806	\$ 1,504,926
OPERATING EXPENSES		
Maintenance & operations	\$ 2,567,010	\$ 1,130,304
Administrative & general	-	44,398
Depreciation	385,434	466,736
Total operating expenses	\$ 2,952,445	\$ 1,641,438
Operating income (loss)	\$ 432,361	\$ (136,512)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 124,427	\$ 156,644
Gain (loss) on Disposition of Capital Assets	12	9,450
Miscellaneous nonoperating revenues (expenses)	(12,740)	54,613
Total non-operating income (expense)	\$ 111,699	\$ 220,708
Income before contributions & transfers	\$ 544,060	\$ 84,196
Change in net assets	\$ 544,060	\$ 84,196
Net assets--beginning	5,305,553	8,600,572
Net assets--ending	\$ 5,849,613	\$ 8,684,768

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

KITTITAS COUNTY, WASHINGTON

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business - Type Activity	Governmental Activities
	Solid Waste	Internal Service funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$ 3,366,223	\$ 2,578,738
Cash payments to suppliers	(2,704,733)	(742,895)
Cash payment for operating expenses	<u>0</u>	<u>(15,103)</u>
Net cash provided (used) by operating activities	\$ 661,490	\$ 1,820,740
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Non-Oper. Rents and Charges	\$ 0	\$ 26,645
Non-Oper. Expenses	<u>0</u>	<u>0</u>
Net cash provided from noncapital activities	\$ 0	\$ 26,645
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from Sale of Capital Assets	\$ 12	\$ 9,450
Payments for Capital Acquisition	(299,366)	(229,301)
Payment on Long Term Debt	(75,000)	0
Residual Transfer In (Out)	<u>0</u>	<u>27,968</u>
Net cash provided (used in) capital financing activities	\$ (374,354)	\$ (191,883)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment interest	\$ 134,818	\$ 156,644
Purchase of Investment	<u>130,341</u>	<u>(109,332)</u>
Net cash flows from investing activities	\$ 265,159	\$ 47,312
Net increase (decr.) in cash and cash equivalent	\$ 552,295	\$ 1,702,813
Cash and cash equivalents at beginning of year	\$ 451,030	\$ 1,545,123
Cash and cash equivalents at end of year	\$ 1,003,325	\$ 3,247,936
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Net operating income (loss)	\$ 432,361	\$ (136,512)
<u>ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Depreciation expense	\$ 385,434	\$ 466,736
(Increase) decrease in accounts receivable	(44,764)	6,933
(Increase) decrease in due from other funds	12,884	1,014,122
(Increase) decrease in due from other governmental	13,297	0
increase (decrease) in Salaries payable	3,975	5,921
Increase (decrease) in vouchers payable	(102,861)	156,424
Increase (decrease) in due to other funds	(38,748)	353,094
Increase (decrease) in inventory	0	(45,978)
Increase (Decrease) in Taxes Payable	11	0
Increase (Decrease) in Due to Other Governments	<u>0</u>	<u>0</u>
Total Adjustments	\$ 229,129	\$ 1,957,252
Net cash provided by operating activities	\$ 661,490	\$ 1,820,740

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

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Assets
December 31, 2007

	Private Purpose Trust	Agency Funds	TOTAL
ASSETS			
Cash/Petty Cash	\$	\$ 12,528,829	\$ 12,528,829
Cash with Fiscal Agency		473,734	473,734
Investments	1,988	12,321,761	12,323,750
Due From Others		-	-
Taxes Receivable		1,059,815	1,059,815
Other Receivables	<u>7</u>	<u>-</u>	<u>7</u>
TOTAL ASSETS	<u>\$ 1,996</u>	<u>\$ 26,384,138</u>	<u>\$ 26,386,134</u>
LIABILITIES			
Warrants Payable	\$ -	\$ 3,716,159	\$ 3,716,159
Salary/Vouchers Payable		151,592	151,592
Custodial Accounts	-	21,456,572	21,456,572
Due To Other Funds	-	-	-
Other Current Notes Payable	-	-	-
Deferred Revenues	<u>-</u>	<u>1,059,815</u>	<u>1,059,815</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 26,384,138</u>	<u>\$ 26,384,138</u>
Net Assets			
Restricted for:			
Trust Fund	<u>\$ 1996</u>	<u>\$ 0</u>	<u>\$ 1996</u>
Total Net Assets	<u>\$ 1996</u>	<u>\$ 0</u>	<u>\$ 1996</u>

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

KITTITAS COUNTY, WASHINGTON

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

		Jerry William Library Trust
Additions		
Investment Earnings	\$	96
Miscellaneous Revenues		
Total Additions	\$	<u>96</u>
Deductions		
Culture & Recreation	\$	-
Total Deductions	\$	<u>-</u>
Net change in net assets		96
Fund balances--beginning		1,900
Fund balances--ending	\$	<u><u>1,996</u></u>

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

KITTITAS COUNTY, WASHINGTON
Notes to the Financial Statements
For the year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

D. BUDGETARY INFORMATION

1. Scope of Budget

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

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

2. Amending the Budget

The County Auditor is authorized to transfer budget amounts between object classes within departments, however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the County Commissioners.

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

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

E. ASSETS, LIABILITIES AND EQUITIES

1. **CASH AND EQUIVALENTS**

It is the County's policy to invest all temporary cash surplus. At December 31, 2007, the treasurer was holding \$33,564,783.10 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The County Treasurer reports the average compensating balances maintained during 2007 were approximately \$800,000.00.

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

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

2. TEMPORARY INVESTMENTS

See Investment Note 4.

3. RECEIVABLES

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

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

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

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. For the year ended December 31, 2007, Kittitas County did not have any advances between funds.

5. INVENTORIES

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

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

6. CAPITAL ASSETS

See Note Number 6.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are

defined by the county as assets with an initial, individual cost of more than \$5,000.00 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings & Improvements	45
Improvements other than Buildings	20-50
Machinery & Equipment	3-10
Roads & Railroad Crossings	20
Bridges	75

7. OTHER PROPERTY AND INVESTMENTS

See Deposits and Investments Note No 4.

8. COMPENSATED ABSENCES

The County records all accumulated unused vacation and sick leave. In proprietary Funds, the expenses are accrued when incurred and the liability is recorded in the fund. At this time the liability to the Proprietary Funds for unused vacation and sick leave is \$76,996.

For Governmental Funds, unused vacation, comp time and sick leave as of December 31, 2007 is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Total vacation and sick leave pay-off recorded during 2007 for all Governmental Funds was \$57,515. Vacation pay, which may be accumulated up to 30 days is payable upon resignation, retirement or death; sick leave may accumulate up to a maximum of 1056 - 1120 hours; twenty-five percent of outstanding sick leave is payable upon retirement, lay-off or death, depending on which bargaining unit the employee belongs. The following is a schedule of those bargaining units:

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

9. LONG-TERM DEBT

See Long-Term Debt and Leases Note No 10.

10. DEFERRED REVENUES

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

11. FUND RESERVES AND DESIGNATIONS

A. Governmental Fund Types

Reservations of Fund Balance

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

B. Designated Fund Balances and Restricted Net Assets

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

Currently, the General Fund has \$6,268,223 in the designated fund balance, these funds are set aside from the Law & Justice Sales tax and the Adult/Juvenile Sales tax; also included is \$50,000 for computer reserve.

The Special Revenue funds have designated fund balances with \$89,569 to County Road and Public Health \$151,315.

Solid Waste currently has \$462,625 in restricted net assets for the landfill closure, which is a requirement per WAC 173-304-467, and \$71,898.00 designated for Fixed Asset Replacement.

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

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

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

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

	Category 1	Carrying Amount	Market Value
US Government Sec	\$47,050,977.47	\$47,050,977.47	\$47,018,346.75
State Pool	\$10,970,642.97	\$10,970,642.97	\$10,970,642.97
Total Investments	\$58,021,620.44	\$58,021,620.44	\$57,988,989.72
Less Co. Residual	-\$33,564,783.10	-\$33,564,783.10	-\$33,564,783.10
Net Investments	\$24,456,837.34	\$24,456,837.34	\$24,424,206.62

NOTE 5 - PROPERTY TAXES

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

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

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

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

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

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

For 2006 for the 2007 tax County levied the following property taxes on an assessed value of \$3,936,776,085. The Road district property value assessed was \$2,781,960,011.

Fund	Levy	Amount
General fund	1.055765	\$4,156,310.40
Mental Health	.022429	88,297.95
Veterans Relief	.019051	74,999.52
Total General fund Levy	1.097245	\$4,319,607.87
Road Levy	1.223011	\$3,402,367.70
County Road Diverted	.030553	84,997.22
Total Road Levy	1.253564	\$3,487,364.92
GRAND TOTAL	2.350809	\$7,806,972.79

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

Government Activities	Beginning Balance	Increase	Decrease	Ending Balance
Assets not being depreciated				
Land	\$ 2,485,284	\$ 0	\$ 0	\$ 2,485,284
Construction in Progress	0	143,507	0	143,507
Total	\$ 2,485,284	\$ 143,507	\$ 0	\$ 2,628,791
Assets Being Depreciated				
Buildings & Improvement	\$15,289,384	138,359	\$ 0	15,427,743
Improvements	282,341	184,830	0	467,171
Equipment & Machinery	9,108,963	690,231	435,571	9,363,623
Infrastructure	\$11,478,631	1,669,336	0	13,147,967
Total	\$36,159,319	\$2,682,756	\$435,571	\$38,406,504
Grand Total	\$38,644,603	\$2,826,263	\$435,571	\$41,035,295

<u>Less accumulated depreciation for:</u>	Beginning Balance	Increase	Decrease	Ending Balance
Buildings & Improvements	\$5,899,626	\$ 407,410	0	\$ 6,307,036
Improvements	110,054	20,717	0	130,771
Equipment & Machinery	5,186,419	1,009,355	354,216	5,841,558
Infrastructure	1,704,672	489,530	0	2,194,202
Total	\$12,900,771	\$1,927,012	\$354,216	\$14,473,566
Governmental activities Capital Assets, net	\$25,743,832	\$ 899,251	\$ 81,355	\$26,561,729

Business Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Assets not being depreciated				
Land	\$ 280,439	\$ 0	\$ 0	\$ 280,439
Construction in Progress	343,210	0	343,210	0
Total	\$ 623,649	\$ 0	\$ 343,210	\$ 280,439
Assets Being Depreciated				
Buildings & Improvements	\$1,129,080	\$ 0	\$ 0	\$1,129,080
Improvements	2,993,954	368,840	0	3,362,794
Equipment & Machinery	676,799	278,908	5,172	950,535
Total	\$4,799,833	\$ 647,748	\$ 5,172	\$5,442,409
Grand Total	\$5,423,482	\$ 647,748	\$ 348,382	\$5,722,848

Less accumulated depreciation for:	Beginning Balance	Increase	Decrease	Ending Balance
Buildings & Improvements	\$ 271,242	\$ 48,698	\$ 0	\$ 319,940
Improvements	1,001,888	249,664	0	1,251,552
Equipment & Machinery	535,925	87,072	0	622,997
Total	\$ 1,809,055	\$385,434	\$ 0	\$2,194,489
Business Activities Capital Assets Net	\$3,614,427	\$262,314	\$348,382	\$3,528,359

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

Government Activities	
Function/Program	Amount
Government activities	199,876.83
Judicial Services	-87,846.87
Public Safety	330,662.27
Physical Environment	0
Transportation	1,013,920
Health and Human Service	16,191.96
Economic Environment	-5,238.41
Culture and Recreation	105,229.62
Total	\$1,572,795

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	\$385,434
Total	\$385,434

NOTE 7 - 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 Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement Systems (PERS) Plans 1, 2 & 3

Plan Description

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

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

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

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

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM Program.

Justices and judges who are newly elected or appointed to judicial service will: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Non vested	49,812
Total	250,838

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2007, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	6.13%**	6.13%	6.13%****
Employee	6.00%***	4.15%	*****

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3.
- ***Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4/15% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	8.63%	8.63%	8.63%**
Employer-Local Govt.*	6.13%	6.13%	6.13%**
Employee-State Agency	9.76%	7.88%	7.50%***
Employee-Local Govt.	12.26%	10.38%	7.50%***

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2007	\$ 31,638	\$ 452,501	\$89,329
2006	\$ 20,994	\$ 218,188	\$39,178
2005	\$ 14,263	\$ 129,820	\$20,803

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees, with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

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

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Non vested	3,603
Total	25,867

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with Chapter 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2007, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.35%**
Employee	0.00%	8.64%
State	n/a	3.45%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.80%.

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

	LEOFF Plan 1	LEOFF Plan 2
2007	\$ 0	\$ 79,231
2006	\$ 0	\$ 66,642
2005	\$ 0	\$ 50,938

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2005 legislature and became effective July 1, 2007. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2007, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2007 to September 30, 2007; and those full-time employees, hired on or after July 1, 2007 by a covered employer, that meet at least one of the PSERS eligibility criteria.

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

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

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

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

Plan 2 retirement benefits are vested after an employee completes five years of eligible service and attains the age of 65. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 69 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	2,073
Total	2,073

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2007, were as follows:

	PSERS PLAN 2
Employer*	8.55%
Employee	6.57%

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

Both the county and the employees made the required contributions. The county's required contributions for the year ended December 31, 2007 were as follows:

	PSERS PLAN 2
2007	\$45,612.45
2006	\$13,168.91

C. DEFERRED COMPENSATION PLAN

The County offers its employees 2 deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan is with Great West Life & Annuity Insurance Company and National Association of Counties. The plans, which are available to all eligible employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As of December 31, 2007, the County had 58 active participants with contributions totaling \$2,871,567.

NOTE 8 - RISK MANAGEMENT

A. General Liability & Property Insurance

Kittitas County is a member of the Washington Counties Risk Pool ("Pool"). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to form together into or join a pool or organization 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 on August 18, 1988 when several 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 related administrative services. Thirty counties have participated in the Pool, while twenty eight counties remain as present members.

The Pool allows members to jointly purchase property and excess third-party liability insurance, to establish a plan of self-insurance, and to provide and/or obtain related services such as risk management, etc. All Pool joint self-insurance third-party liability coverage's, including public officials' errors and omissions, and the property insurance programs are on an "occurrence" basis. The Pool provides the following forms of group purchased insurance coverage for its members: "following form" excess liability, and property that includes vehicles, mobile equipment, EDP equipment, and equipment breakdown, etc.

Members make an annual contribution to fund the Pool. The Pool acquires third-party liability reinsurance that is subject to a "per-occurrence" self-insured retention of the greater of \$100,000 or the member-selected deductible and "following form" excess insurances from unrelated underwriters. Based upon their individual deductible selections, members are responsible for the first \$10,000 to \$500,000 of each claim, while the Pool is responsible for the remaining self-insured retention up to \$100,000. Insurance carriers cover all losses above the (\$100,000 to \$500,000) self-insured retention to the maximum limits of each policy.

Since the Pool is a cooperative program, there is joint liability among the participating members. This contingent liability is established if a program's assets are insufficient to cover the program's liabilities. Deficits of the Pool are financed through reassessments of the responsible members. The Pool's reassessments receivable balance as of December 31, 2007 is \$260,770, **none of which Kittitas County remains responsible for.**

The Pool also acquires member-option property insurance from unrelated underwriters that is subject to a member-selected, "per-occurrence" deductible of between \$5,000 and \$50,000. Participating members are responsible for the entire deductible amount of each claim. Insurance carriers cover all losses over the member deductibles to the maximum limits of each policy.

Each new member pays the Pool an admittance fee. This amount covers the member's share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the Pool for a minimum of five years, and may terminate their memberships at the conclusion of any Pool fiscal year if the county timely files the required twelve months' notice. The Interlocal Governmental Agreement is renewed automatically each year after the initial 5-year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

The Pool is fully funded by its member participants. Claims are filed by members and handled by the Pool's claims staff. Reserves are established for both reported and unreported insured events and include estimates of the undiscounted future cash payments of losses and related claims adjustment expenses.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected from the member-designated directors and alternate directors at the annual meeting. Also at the annual meeting, the Pool's officers (president and secretary-treasurer) are elected from the executive committee members. The officers and the executive committee are responsible for conducting the business affairs of the Pool.

B. Workers Compensation

The County pays premiums to State of Washington Department of Labor and Industries based on hours worked for each employee. The County belongs to the Retrospective Rating program with Labor & Industries in which we joined in 1988. Each year the County selects a rate plan, showing the maximum refund/maximum premium the County is willing to risk based upon claims management. January 2007, the County had a credit account balance of \$53,780 and subsequently we received a refund for the year 2006 in the amount of \$20,007 leaving an accumulated credit balance of \$73,787.

C. Unemployment Compensation

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security \$9,127 in unemployment charges in 2007. The County also contracts with TALX Corporation to assist with the claims handling, and in 2007 we paid \$1,332.

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2007 and no short-term debt activities during 2007.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT

Revenue Bonds

Kittitas County has issued revenue bonds to finance the construction and renovation of the fairgrounds grandstands. The revenue bonds are being repaid by revenues generated from the fairgrounds. The county also has a county road RID which is an assessment debt. The federal arbitrage regulations apply to the Grandstand Renovation debt.

The revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Grandstand Construction	5.875%	\$128,009
Grandstand Renovation	4.25% - 5.10%	\$1,120,000
TOTAL		\$1,248,009

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

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2008	\$125,823	\$55,681
2009	131,165	52,178
2010	136,528	47,066
2011	141,911	41,448
2012	147,317	35,307
2013-2017	513,561	56,079
2018-2022	51,704	
TOTAL	\$1,248,009	\$287,759

Cummings/Berry Purchase Loan

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

Purpose	Interest Rate	Amount
Cummings/Berry Purchase	5.5%	\$914,327
TOTAL		\$914,327

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

Year Ending December 31	Principal	Interest
2008	\$51,319	\$39,519
2009	44,485	46,352
2010	46,994	43,843
2011	49,645	41,192
2012	721,884	25,989
TOTAL	\$914,327	\$196,895

Solid Waste Public Works Trust Fund Loan

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

Purpose	Interest Rate	Amount
Solid Waste Loan	5%	\$1,125,001
TOTAL		\$1,125,001

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

Year Ending December 31	Principal	Interest
2008	\$75,001	\$5,625
2009	\$75,000	\$5,250
2010	\$75,000	\$4,875
2011	\$75,000	\$4,500
2012	\$75,000	\$4,125
2013-2017	\$375,000	\$15,000
2018-2022	\$375,000	\$5,625
TOTAL	\$1,125,001	\$45,000

Special Assessment

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

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

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

The RID assessment debt currently outstanding

Purpose	Interest Rate	Amount
RID 96-1	6.44%	\$295,000
TOTAL		\$295,000

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

Year Ending December 31	Principal	Interest
2008	\$140,000	\$20,286
2009	140,000	11,270
2010	15,000	2,254
TOTAL	\$295,000	\$33,810

At December 31, 2007, Kittitas County has \$354,849 available in debt service funds to service the general bonded debt.

NOTE 11 – LEASES

Operating Leases

The county leases a copier under non-cancelable operating leases. Total cost for such leases was \$8,664 for the year ended December 31, 2007. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2008	\$8,664
2009	8,664
2010	2,166
2011	0
2012	0
2013-	0
Total	\$19,494

Capital Leases

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

Asset	Governmental Activities
Mail Machine	\$ 29,362
Sheriff Vehicles-2005 #3	14,930
Sheriff Vehicles – 2006 - #1	13,124
Sheriff Vehicles – 2006 - #2	48,201
Sheriff Vehicles – 2006 - #3	87,283
Sharp AR-M 2806 Digital Copier	6,226
DM 500 Mail Machine System	6,864
OCE-IM 5530 Copier-Treasurer	15,969
Sharp MX-5500N Copier-Pros	23,217
IM 4511 Document Feeder-Pros	13,050
Sharp ARM-455N Copier-Sheriff	26,361
Dish Machine Lease	2,699
Kyocera Mita-Fair	5,041
Konica Minolta-CDS	18,309
Kyocera KM5035-PH	7,866
Less Accumulated Depreciation	-0-
Total	\$318,500

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2007, are as follows:

Year Ending December 31	Governmental Activities
2008	\$180,373
2009	66,565
2010	37,450
2011	26,754
2012	7,357
2013	0
Total Minimum Lease Payments	\$318,500
Less: Interest	\$0
Present Value of Minimum Lease Payments	\$318,500

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/07	Additions	Reductions	Ending Balance 12/31/07	Due Within One Year
Governmental Activities					
Bonds Payable:					
Revenue Bonds	\$1,848,095	\$ 0	\$305,087	\$1,543,008	\$265,823
Assessment Bonds					
Capital Leases	\$ 461,079	\$ 0	\$142,579	\$318,500	\$180,373
Compensated Absences	\$1,831,336	\$182,894	\$ 57,515	\$1,956,715	\$63,708
Long Term Liabilities	\$ 957,378	\$ 0	\$ 43,051	\$ 914,327	\$51,319
Business-Type Activities					
Compensated Absences	\$ 62,687	\$14,309	\$ 0	\$ 76,996	\$ 00
Long-Term Liabilities	\$1,200,001	\$ 0	\$ 75,000	\$1,125,001	\$75,001

NOTE 13 – CONTINGENCIES AND LITIGATIONS

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

Kittitas County is named as the defendant in a few legal actions. Claims which have been classified as "reasonably possible" by the Prosecuting Attorney's office for 2007 are expected to be immaterial at this time.

Civil Actions Pending in which Kittitas County, its Officers and Agents are parties as of December 31, 2007.

Pending Litigation Where Money Damages are sought

1. Marilyn Allred - CLAIM:

Claim for Damages filed November 26, 2007 seeking \$2,582.48 for vehicle damages caused by county equipment. Claim was denied by Board of County Commissioners stating that amount sought was excessive. Claim is still pending giving the claimant an opportunity to get new estimates.

2. Ty Bass v. Kittitas County - CLAIM :

Claim for Damages filed August 27, 2007 seeking \$1,000,000.00 for unjust treatment by law enforcement entities within the county. Claimant is deceased.

3. Benjamin R. Spencer v. Kittitas County – Grant County Superior Court 08-2-00454-2:

Claim for Damages filed November 1, 2007 seeking \$150,000.00 for improper delivery of medications while incarcerated in Kittitas County Corrections. Summons and Complaint for Negligence served upon the county April 8, 2008.

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, 2007 were as follows:

		Due From						
Due To		General Fund	County Road	Airport	Non Major Government	Solid Waste	Internal service	TOTAL
	General Fund	30,877	0	0	82,673	0	0	113,550
	County Road	12,237	0	0	1,457	27,478	358,196	399,368
	Airport	262	438,783	0	20	0	653	439,718
	Non-Major Governmental	151,799	405	4,689	37,317	405	0	194,615
	Solid Waste	10,850	7,302	0	490	85,459	1,237	105,338
	Internal Service Funds	2,924	430,716	0	3,212	0	1,535	438,387
	TOTAL	208,949	877,206	4,689	125,169	113,342	361,621	1,690,976

B. Interfund Transfers

Interfund transfers during 2007 were as follows:

Transfer To	Transfer From			
	General fund	County Road	All Others	Total
General Fund	0	0	289,589	289,589
All Others	137,208	27,968	242,772	407,948
Total	137,208	27,968	532,361	697,537

NOTE 15 – RECEIVABLE BALANCES

A. Receivables

Receivables at December 31, 2007 were as follows:

	Accounts	Taxes	Total
Total Government	\$2,350,352	\$341,137	\$2,691,489
Total Business	\$311,554	0	\$ 311,554

NOTE 16 - JOINT VENTURES

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2007 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	\$ 31,802	\$39,155
City of Ellensburg Support	97,310	85,147
Tour Fees	<u>18,000</u>	<u>18,497</u>
Total Revenues	<u>\$147,112</u>	<u>\$142,799</u>

NOTE 17 – POST-EMPLOYMENT BENEFITS

In addition to the retirement described in the Pension note 7 above, the County provides certain medical insurance benefits for retired public safety employees. Substantially the entire County's LEOFF 1 employees may be come eligible for these benefits if they reach normal retirement age while working for the County. Kittitas County does not currently have any active LEOFF 1 employees employed. There are 9 retired LEOFF 1 employees who are eligible to receive these benefits. In 2007, expenditures of \$109,642.56 for medical premiums and billings were recognized for post employment health benefits. The program is funded "pay as you go".

NOTE 18 - CLOSURE AND POST CLOSURE CARE COSTS

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

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

As a result of the Department of Ecology Agreed Order, a Remedial Action Grant has been allocated to Kittitas County for landfill closure/cleanup. This grant funds 75% of the total landfill closures costs. Landfill Closure operations began in July 2000 with construction scheduled to be completed in accordance with the Agreed Order. In August 2000, the Board of County Commissioners adopted Resolution 99-81 reserving solid waste funds for the purpose of post-closure for Ryegrass Landfill. In January 2005, a CDL post Closure account was established with \$200,000 from the Ryegrass Closure Account. As of December 31, 2007, the CDL post Closure account had a balance of \$226,319.84 and the Ryegrass Closure account had a balance of \$236,304.83. In total, the Solid Waste fund was holding \$462,624.67 in funds designated for post closure. There are no "estimated total current cost (GASB 18, par 7) remaining".

NOTE 19 – OTHER DISCLOSURES

A. ACCOUNTING AND REPORTING CHANGES

1. Public Safety Sales and Use Tax

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

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

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

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

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

The Kittitas County Board of County Commissioners adopted Resolution No 2007-94, concerning a proposition to fund criminal justice service needs. If adopted, the proposition would implement a Citizens' Advisory Committee's recommendation to increase Kittitas County sales and use tax to fund escalating criminal justice services needs. The tax will be used to hire, train and equip additional law enforcement officers, additional county clerk, prosecuting attorney and associated administrative personnel, to fund a County-wide major criminal task force and enhance animal control. The tax will expire in seven years unless further authorized by public vote. Shall the sales and use tax be increased by three tenths of one percent to fund additional law enforcement and related criminal justice services and personnel for Kittitas County and the incorporated cities of Kittitas County? Yes No

The issue was passed Yes 6,533 and No 3,738. The Board of County Commissioners adopted Ordinance 2007-36 adding a new chapter to the Kittitas County Code. This tax will automatically expire on December 31, 2014, unless further authorized by public vote

2. PRIOR YEAR ADJUSTMENT TO CAPITALIZED ASSETS

The Capitalized Assets has a change in the beginning balances for specific categories due to a change in classification. The amount of the improvements has been decreased by \$3,856,042 and the amount of infrastructure was increased by \$3,856,042. The amount for Buildings and Improvement was overstated in 2006 by \$16,537; the 2007 beginning balance was reduced by this dollar amount.

3. PRIOR YEAR ADJUSTMENTS TO FUND BALANCE

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

Public Health had a prior year change in the amount of \$3,001.00
County Road had a prior year change in the amount of -\$53.00
Construction Performance bonds fund had a prior year change of -\$982.00
for a total of prior year changes in the amount of \$1,966.00

4. INFRASTRUCTURE REPORTING

Infrastructure assets are a subset of capital assets and are reported as part of the capital assets. Infrastructure assets are distinguished from other capital assets because normally:

- a. The assets can be maintained in a condition that will allow them to be used longer than most other capital assets, and
- b. The assets are stationary in nature

Examples of infrastructure are roads, bridges, culverts, etc. Kittitas County has been reporting its current infrastructure since 2003. The Governmental Standards Accounting Board, GASB, requires major infrastructure assets that have been acquired, significantly reconstructed or that received significant improvements in the fiscal years ending after June 30, 1980, be reported starting with the 2007 financial statements.

Kittitas County did not include the historical data in the financial statements for 2007. In 2008, we are anticipating purchasing software that will allow us to record this data. The following information was provided by the Department of Public Works for the current values of the infrastructure.

Road Fund Infrastructure / Values					
<u>ROAD SURFACE:</u>					
Class	Surface type	Length	Unit	Unit Cost	Total Value
#6, #7	ACP	12.42	Mile	\$ 800,000	\$ 9,936,000
	BST	66.336	Mile	\$ 750,000	\$ 49,752,000
#8	ACP	12.17	Mile	\$ 750,000	\$ 9,127,500
	BST	211.394	Mile	\$ 700,000	\$ 147,975,800
	Gravel	4.06	Mile	\$ 650,000	\$ 2,639,000
#9	ACP	8.962	Mile	\$ 700,000	\$ 6,273,400
	BST	179.779	Mile	\$ 650,000	\$ 116,856,350
	Gravel	63.63	Mile	\$ 600,000	\$ 38,178,000
#14	BST	0.47	Mile	\$ 900,000	\$ 423,000
#16	ACP	0.26	Mile	\$ 1,000,000	\$ 260,000
	BST	0.41	Mile	\$ 800,000	\$ 328,000
#17	ACP	0.93	Mile	\$ 1,000,000	\$ 930,000
	BST	1.801	Mile	\$ 800,000	\$ 1,440,800
#19	ACP	0.262	Mile	\$ 1,000,000	\$ 262,000
	BST	0.95	Mile	\$ 650,000	\$ 617,500
	Gravel	0.24	Mile	\$ 600,000	\$ 144,000
					\$ 385,143,350
<u>ROAD CULVERTS:</u>					
		Length	Unit	Unit Cost	Total Value
				\$	
Culverts		113,498	Foot	40	\$ 4,539,920
<u>ROAD GUARDRAIL:</u>					
		Length	Unit	Unit Cost	Total Value
				\$	
Guardrail		10,673	Foot	42	\$ 448,266
<u>ROAD BRIDGES:</u>					
		Each	Unit	Unit Cost	Total Value
Bridges	>20	123	Each	\$ 800,000	\$ 98,400,000
	<20	145	Each	\$ 500,000	\$ 72,500,000
					\$ 170,900,000
<u>ROAD RIGHT OF WAY:</u>					
		Each	Unit	Unit Cost	Total Value
				\$	
ROW		4,172	Acre	20,000	\$ 83,440,000
Grand Total					\$ 644,471,536

Federal Agency Name/Pass-Through Agency Name	Contract Dates	Federal Program Name	CFDA Number	Other ID Number	2007 Expenditures			Notes
					From Pass Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture - Pass through from Department of Health	1/1/07-9/30/07	WIC/USDA Farmers Market Administration	10.572	C14952	144		144	
	1/1/07-12/31/08	Special Supplemental Nutrition Program for Women, Infants and Children - WIC	10.557	C14952	82,736			
		Special Supplemental Nutrition Program for Women, Infants and Children - WIC/BF		C14952 Subtotal	1,317 84,053		84,053	
Food and Nutrition Services	10/1/07-9/30/08	Basic Food Nutrition Education Program	10.561	C14952	1,610		1,610	
U.S. Department of Agriculture	10/1/06-11/30/07	Cooperative Forestry Assistance	10.664			35,955	35,955	
U.S. Department of Agriculture - Pass through Office of the State Treasurer	1/1/07-12/30/07	Schools and Roads - Grants to States	10.665	N/A		872,325	872,325	
U.S. Department of Housing and Urban Development - Pass through State Community, Trade & Economic Development	1/1/07-12/31/07	Community Development Block Grant	14.228	07-64007-005	113,229			
	1/1/07-12/31/07	Community Development Block Grant Planning Grant		06-64006-044 Subtotal	24,000 137,229		137,229	
U.S. Department of Interior - Bureau of Land Management	5/28/07-5/22/08	Recreation Resource Management	15.225	HWP070018		16,140	16,140	
U.S. Department of Justice - Pass through Washington State Patrol	1/1/07-12/31/07	Domestic Cannabis Eradication/Suppression	16.000	WSP #C071131FED	3,435		3,435	
U.S. Department of Justice - Pass through Department of Social & Health Services	9/01/06-8/31/08	Juvenile Accountability Incentive Block Grants - JRA	16.523	0663-98328	9,705			
	9/1/07-8/31/08	Juvenile Accountability Incentive Block Grants - JRA		0663-98328-1 Subtotal	329 10,035		10,035	
	12/1/06-6/30/07 7/1/07-6/30/08	Restorative Justice TA Community Juvenile Justice Coalition	16.540	1-600-00506 1-100-01407 Subtotal	11,421 3,806 15,227		15,227	
U.S. Department of Justice - Pass through Department of Community, Trade and Economic Development	10/1/06-9/30/07 10/1/07-9/30/08	Stop Violence Against Women Formula Grant Program Stop Violence Against Women Formula Grant Program	16.588	F06-31103-074 F06-31103-022 Subtotal	10,108 3,611 13,719		13,719	
U.S. Department of Justice - Pass through Department of Community, Trade and Economic Development	7/01/06 - 6/30/07	Local Law Enforcement Block Grant	16.592	N/A	12,034		12,034	4
U.S. Department of Justice - Bureau of Justice Assistance	2007	State Criminal Alien Asst. Program	16.606	N/A		16,256	16,256	4
U.S. Department of Justice - Internet Based Program	2007	Bulletproof Vest Program	16.607	N/A		7,206	7,206	4-5
Department of Transportation, Federal Aviation Adm.	2007	Taxilane, PAPI Lights	20.106	DOT-FA07NIM-0083		1,048,424	1,048,424	

Federal Agency Name/Pass-Through Agency Name	Contract Dates	Federal Program Name	CFDA Number	Other ID Number	2007 Expenditures			Notes
					From Pass Through Awards	From Direct Awards	Total	
Federal Highway Administration - Pass through Department of Transportation		Highway Planning and Construction: - Bridge BHS- Naneum Road Bridge - Bridge BHS - Naneum Road Bridge - Bridge BHS - Bar 14 Road Bridge - Bridge BHS - West Fork Teanaway Road Bridge - STPH-Vantage Hwy safety Corridor - STPH-Kittitas Hwy/Vantage Hwy safety Corridor - STPH-Vantage Hwy Guardrail Replacement - FHWA-Salmon La Sac Emergency Repairs	20.205	BRS-19CJ(001)/LA5461 BRS-19CK(001)/LA5462 BROS-2019(023)/LA5811 BROS-19BG(001)/LA5768 STPH-19CN(002)/LA6178 STPH-19CN(002)/LA6178 STPH-19CN(002)/LA6178 DTFH70-07-E-00026/WA FS ERFO Subtotal	31,227 162 132,737 91,146 447,924 5,237 489,758 1,198,191	54,320 54,320	1,252,511	9 8 8 8
National Highway Traffic Safety Administration: Pass through Washington Traffic Safety, pass through to Kittitas Co. Community PH & Safety Network-Traffic Safety	8/15/06-9/30/08	State and Community Highway Safety :	20.600	N/A	9,405			4
Pass through Washington Traffic Safety Commission	10/1/06-9/30/07	- DUI Traffic Safety Emphasis Patrol - Corridor Traffic Safety Project		N/A	5,699			4
Pass through Washington Traffic Safety Commission	8/15/07-9/3/07	- Drive Hammered Get Nailed Emphasis Patrol		N/A	1,751			4
Pass through Washington Association of Sheriff and Police Chiefs	8/07-1/08	- FST-PBT Equipment Grant		N/A	962			4:5
Pass through Washington Association of Sheriff and Police Chiefs	2/06-10/06	- Trading Cards		N/A	374			4
Pass through Washington Association of Sheriff and Police Chiefs	1/1/06-10/1/06	- Lidar Equipment		N/A	3,000			4:5
Environmental Protection Agency Office of Ground Water and Drinking Water: Pass through Department of Health	1/1/07-12/31/08	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14952	3,250		3,250	
Secretary of State - Pass through General Services Administration	8/31/04-12/30/06	Help America Vote Act Requirements Payments	90.401	G2844	10,510		10,510	5
U.S. Department of Health and Human Services - Pass through Washington Department of Health	1/1/07-12/31/07 1/1/05-12/31/06	Immunization Grants Immunization Grant - Non Cash	93.268	C14952 N/A	13,647 58,494			3:6 3:4:6
U.S. Department of Health and Human Services - Pass through Department of Health	1/1/07-6/30/08 1/1/07-6/30/08 1/1/07-6/30/08 1/1/07-6/30/07 1/1/07-12/31/07	Obesity Prevention (Healthy Communities) Center for Disease Control and Prevention Shape up Tobacco Prevention and Control Program Public Health Emerg Preparedness & Response - Program E Center for Disease Control and Prevention	93.283	C14952 C14952 C14952 C14952 C14952 Subtotal	24,143 25,857 5,211 730 99,273 155,214			
Department of Health and Human Services - Pass through Administration for Children and Families	1/1/07-12/31/07 1/1/07-12/31/07	Child Support Enforcement Child Support Enforcement	93.563	N/A N/A	19,726 87,679			4 4
U.S. Department of Health and Human Services - Pass through Department of Health	1/1/07-6/30/08	Child Care and Development Block Grant	93.575	C14952	7,781			7,781
U.S. Department of Health and Human Services -	7/1/06-12/31/08	Medical Assistance Program - MAM Match	93.778	0563-75729	121,427			

Federal Agency Name/Pass-Through Agency Name	Contract Dates	Federal Program Name	CFDA Number	Other ID Number	2007 Expenditures			Notes
					From Pass Through Awards	From Direct Awards	Total	
	7/1/06-12/31/08 7/1/06-12/31/08	Medical Assistance Program - MAM Match Interpreters Medical Assistance Program - MAM Match Vaccine		0563-75729 0563-75729 Subtotal	4,018 17,500 142,945		142,945	
Department of Health and Human Services- Health Resources and Services Administration- Pass through from Department of Health	9/1/07-8/8/08	National Bioterrorism Hospital Preparedness Program	93,889	C14952	2,031		2,031	
U.S. Department of Health and Human Services- Pass- through CDC/ Pass-through Yakima Health District	7/1/07-6/30/08	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	93,919	KCHD 07-08	16,987		16,987	
Department of Social and Health Services- Pass through the Division of Alcohol and Substance Abuse	07/01/05-6/30/07 7/1/07-6/30/09	Block Grants for Prevention and Treatment of Substance Abuse - DASA Block Grants for Prevention and Treatment of Substance Abuse - DASA	93,959	0563-73248/8884-0 9505-0/0763-20318 Subtotal	46,483 29,037 75,520		75,520	
U.S. Department of Health and Human Services- Pass through Department of Health	1/1/07-12/31/07	Preventive Health and Health Services Block Grant - Local Support	93,991	C14952	2,842		2,842	
U.S. Department of Health and Human Services- Pass through Department of Health	1/1/07-12/31/07 1/1/07-12/31/07	Maternal and Child Health Service Block Grant Maternal and Child Health Federal Consolidated Program	93,994	C14952 C14952 Subtotal	34,365 10,330 44,695		44,695	
U.S. Department of Homeland Security - Pass-through from Washington State Military Department	10/1/04-2/28/07	State Domestic Preparedness Equipment Support Program - EMS	97,067	E06-028	49,163		49,163	5
					3,059,876	1,178,301	4,237,976	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 - NON CASH AWARDS

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

NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain other identification number.

NOTE 5 – EQUIPMENT AND SUPPLIES PURCHASED WITH FEDERAL DOLLARS

Federal dollars used to purchase equipment and supplies.

NOTE 6 – VACCINE FOR CHILDRENS PROGRAMS

Vaccine supplied by Federal Government for Vaccine for Children Program.

NOTE 7 – VACCINE FOR 317 PROGRAMS

Vaccine supplied by Federal Government for Vaccine for 317 Program.

NOTE 8 – PROJECT HAS BEEN COMPLETED OR EXPIRED

Project has been completed or expired.

NOTE 9 – PROJECT CARRIED OVER

Project carried over pending construction funding.



ABOUT THE STATE AUDITOR'S OFFICE

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

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

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

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

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

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Chief Policy Advisor
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