



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### Kittitas County

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017601





## Washington State Auditor's Office

September 29, 2016

Board of Commissioners  
Kittitas County  
Ellensburg, Washington

### **Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Summary Schedule Of Prior Audit Findings .....	6
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards .....	7
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance .....	10
Independent Auditor’s Report On Financial Statements .....	13
Financial Section.....	17
About The State Auditor’s Office.....	97

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Kittitas County January 1, 2015 through December 31, 2015

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

#### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

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

The County qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Kittitas County January 1, 2015 through December 31, 2015

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

<b>Audit Period:</b> January 1, 2014 through December 31, 2014	<b>Report Ref. No.:</b> 1015199	<b>Finding Ref. No.:</b> 2014-001
<b>Finding Caption:</b> Kittitas County's internal controls over financial statement preparation are inadequate to ensure accurate reporting.		
<b>Background:</b> We identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency: <ul style="list-style-type: none"> <li>• County personnel preparing the financial statements did not use the correct supporting documentation when calculating and reporting capital asset activity on the Government Wide Statement of Net Position.</li> <li>• Although the County independently reviewed the financial statements prepared for audit, the review was not effective or sufficiently detailed to ensure the financial statements were accurate. The individual responsible for reviewing the capital assets on the Statement of Net Position was not available to perform a final review of this activity prior to submission of the statements.</li> </ul>		
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The classification error was made because a final review on this item had not occurred, due to time constraints. We have taken steps to ensure that the review process is set up and followed through to eliminate errors in the future.</i>		

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

**Kittitas County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Kittitas County  
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we have reported to the management of the County in a separate letter dated September 19, 2016.

## **COMPLIANCE AND OTHER MATTERS**

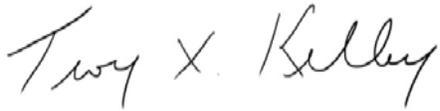
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the County in a separate letter dated September 19, 2016.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in black ink and is positioned above the printed name.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 19, 2016

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

**Kittitas County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Kittitas County  
Ellensburg, Washington

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

We have audited the compliance of Kittitas County, Kittitas County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

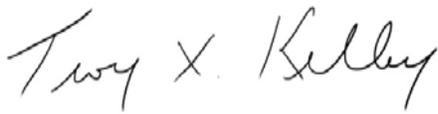
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 19, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Kittitas County** **January 1, 2015 through December 31, 2015**

Board of Commissioners  
Kittitas County  
Ellensburg, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 17.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 19, budgetary comparison information on pages 78 through 80, information on postemployment benefits other than pensions on page 81, infrastructure modified approach information on pages 82 through 86 and pension plan information on pages 87 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

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

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large initial 'T' and 'K'.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 19, 2016

## FINANCIAL SECTION

### Kittitas County January 1, 2015 through December 31, 2015

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

#### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –  
General Fund – 2015

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –  
County Fund – 2015

Notes to Budgetary Information Schedule – 2015

LEOFF I Retiree Medical Benefits – Schedule of Funding Progress – 2015

Information about Infrastructure Assets Reporting Using the Modified Approach – 2015

Schedule of Employer's Proportionate Share of the Net Pension Liability – PERS 1,  
PERS 2&3, PSERS, LEOFF 1, LEOFF 2 – 2015

Schedule of Employer Contributions – PERS 1, PERS 2&3, PSERS, LEOFF 1, LEOFF 2  
– 2015

#### SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

## **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, 2015, 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, 2015 by over \$128.4 million. Net Investment in capital assets (net of depreciation and related debt) account for 70% of this amount, with a value of \$89.5 million. Of the remaining Net Position, \$4.2 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.
- As of December 31, 2015 Kittitas County's government activities reported combined ending Net Position of \$120.1 million. Of that amount, \$85.5 million is Investment in Capital Assets.
- Fund Balance for the General Fund at December 31, 2015 was \$12.4 million.
- Fund Balance for the County Road Fund at December 31, 2015 was \$13.9 million.
- The County's total long term debt at December 31, 2015 was \$23.8 million. The County's remaining debt capacity for non-voted debt is at \$64.86 million. The Solid Waste Landfill Post-Closure liability costs are \$1.09 million.
- The General Fund's fund balance increased 17.5% over 2014, showing an increase of \$1,842,880. The amount of unrestricted funds is \$2.46 million. The restricted and assigned fund balances have increased due to increases in restricted revenue and budgeted beginning fund balance.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

## **Government-Wide Financial Statements**

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Kittitas County's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of Kittitas County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The government activities of the County include a full range of local government services provided to the public, such as law enforcement, jail and probation services, public health, road maintenance and construction, airport, and superior and district courts. Also included are property assessment and collections, elections, licensing and permits and county fair.

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

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

The Statement of Activities presents information showing how the County's net position changed during 2015. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2015, 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 2015.

## **Fund Financial Statements**

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

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

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

## **Government Funds**

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

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

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

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

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

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

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

## **Fiduciary Funds**

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

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

## **Notes to the Financial Statements**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

In accordance with GASB Statement 34<sup>2</sup>, Kittitas County is not required to restate prior periods for the purposes of providing comparative information.

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

## Statement of Net Position

The following is a summary of the Statement of Net Position as of December 31, 2015, with 2014 comparative balances.

### Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets:						
Current Assets	\$49,388,403	\$46,414,204	\$6,197,079	\$5,753,404	\$55,585,482	\$52,167,608
Capital Assets	94,054,683	86,227,425	4,515,596	4,613,094	98,570,279	90,840,519
Deferred outflow of Resources-Pension	1,286,035		73,506		1,359,541	
Total Assets	144,729,123	132,641,629	10,786,180	10,366,498	155,515,303	143,008,127
Liabilities						
Other liabilities	2,983,342	2,468,981	335,110	226,417	\$3,318,452	\$2,695,398
Long-term liabilities	21,639,284	12,573,401	2,197,616	1,950,542	23,836,900	14,523,944
Deferred Inflows of Resources-Pension	1,817,847		107,843		1,925,690	
Total Liabilities	26,440,474	15,042,382	2,640,569	2,176,960	\$29,081,042	\$17,219,342
Net Position						
Investment in Capital Assets	85,483,191	77,051,529	3,990,595	4,013,093	89,473,785	81,064,622
Non Spendable	81,746	30,544	0	0	81,746	30,544
Restricted	24,507,104	12,684,817	622,033	998,714	25,129,137	13,683,532
Committed	2,790,479	2,705,549	0	0	2,790,479	2,705,549
Assigned	6,655,284	19,763,977	0	0	6,655,284	19,763,977
Unassigned	603,090	5,362,831	3,640,827	3,177,731	4,243,917	8,540,563
<b>Total Net Position</b>	<b>\$120,120,894</b>	<b>\$117,599,247</b>	<b>\$8,253,455</b>	<b>\$8,189,538</b>	<b>\$128,374,348</b>	<b>\$125,788,785</b>

Net Position of the County's governmental activities was \$120.1 million. The County's unrestricted Net Position, the part of the Net Position that can be used to finance day-to-day operations \$603,090.

## Statement of Activities

For fiscal year ended December 31, 2015, the revenues of primary governmental activities totaled \$47.4 million. Property taxes are the largest revenue source at \$13.4 million, while Operating Grants are the second largest at \$11.4 million.

The expenses for governmental activities totaled \$37.6 million. Public Safety was the county's highest commitment at \$10.41 million; Transportation is the seconded highest expense for 2015 with \$9.28 million.

**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$8,281,163	\$8,506,119	\$5,158,913	\$4,772,810	\$13,440,076	\$13,278,929
Operating Grants	11,448,725	4,638,879	0	0	11,448,725	4,638,879
Capital Grants	0	123,482	0	0	0	123,482
General Revenues:						
Property Taxes	13,416,172	13,198,114	0	0	13,416,172	13,198,114
Sales Taxes	7,702,930	6,844,132	0	0	7,702,930	6,844,132
Other Taxes	4,482,628	4,367,118	0	0	4,482,628	4,367,118
Unrestricted Grants & Contributions	992,530	845,070	0	0	992,530	845,070
Unrestricted Investment Earnings	943,671	837,664	4,034	3,218	947,705	840,882
Proceeds on Disposition of Capital Assets	141,860	85,554	0	0	141,860	85,554
Transfers	0	-100,000	0	100,000	0	0
<b>Total Revenues</b>	<b>\$47,409,679</b>	<b>\$39,346,132</b>	<b>\$5,162,947</b>	<b>\$4,876,028</b>	<b>\$52,572,626</b>	<b>\$44,222,160</b>

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Expenses:</b>						
Judicial	\$2,872,052	\$2,780,081	0	0	\$2,872,052	\$2,780,081
General Government	8,330,564	9,294,818	0	0	8,330,564	9,294,818
Public Safety	10,424,863	10,412,970	0	0	10,424,863	10,412,970
Physical Environment	603,505	741,028	0	0	603,505	741,028
Transportation	9,281,243	9,215,814	0	0	9,281,243	9,215,814
Economic Environment	901,723	648,897	0	0	901,723	648,897
Mental & Public Health	2,730,715	2,391,916	0	0	2,730,715	2,391,916
Culture & Recreation	2,150,742	1,920,730	0	0	2,150,742	1,920,730
Interest on Long Term Debt	299,918	301,162	0	0	299,918	301,162
Garbage & Solid Waste	0	0	3,208,738	3,336,810	3,208,738	3,336,810
Community Development Services	0	0	1,450,352	1,467,169	1,450,352	1,467,169
<b>Total Expenses</b>	<b>\$37,595,324</b>	<b>\$37,707,415</b>	<b>\$4,659,090</b>	<b>\$4,803,979</b>	<b>\$42,254,414</b>	<b>\$42,511,395</b>
<b>Excess (Deficiency) before Special Items and Transfers</b>						
<b>Change in Net Position</b>	<b>9,814,355</b>	<b>1,638,716</b>	<b>503,857</b>	<b>72,048</b>	<b>10,318,211</b>	<b>1,710,764</b>
<b>Net Position as of January 1</b>	<b>117,599,247</b>	<b>116,011,873</b>	<b>8,189,538</b>	<b>8,118,490</b>	<b>125,788,785</b>	<b>124,130,362</b>
Prior Year Adjustments	(4,454)	(51,342)	0	(1,000)	(4,454)	(52,342)
<b>Changes in Accounting Principle - GASB 68 Pension</b>	<b>(7,288,253)</b>		<b>(439,941)</b>		<b>(7,728,194)</b>	
<b>Net Position as of December 31</b>	<b>\$120,120,894</b>	<b>\$117,599,247</b>	<b>\$8,253,455</b>	<b>\$8,189,538</b>	<b>\$128,374,348</b>	<b>\$125,788,785</b>

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

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds Balance Sheet Analysis**

The General Fund and County Road are the two major funds in 2015. Together these funds account for 74% of the total government assets and 72% of the total government fund balance. As of December 31, 2015, the county's government funds reported combined fund balances nearly \$36.49 million. Of this total amount, \$2.46 million is unassigned and available

for spending within each of the designated funds. There are five types of fund balance as described in Note 1-11 and the breakdown of those fund balance types are below

Fund Balance Type	Amount
Non Spendable	81,746
Restricted	24,507,104
Committed	2,790,479
Assigned	6,655,284
Unassigned	2,457,171

In the total Assets, the Cash and Investments have decreased from the previous year by \$2.57 million; and receivables have decreased by \$180,612 and the due from other Governmental increased by \$4.21 million. The net change in all assets is a 3.6% increase.

In the total Liabilities, the biggest increase is the Due to other funds/ Interfund Loans by \$601,471, and accounts payable by an increase of \$547,194. The net change in all liabilities is 18.8% increase.

Governmental Funds	2015	2014	Net Change
Total Assets	46,009,841	44,429,326	1,580,515
Total Liabilities	6,580,721	5,540,470	1,040,251
Total Fund Balance	36,491,784	35,725,869	765,915

### Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2015 was \$1,842,880. The net change in the County Road fund was a (\$1,798,036). Other Governmental Funds had an overall net change in fund balance of \$721,070 for 2015. The changes in fund balances are due to the completion of Transportation Construction Projects.

The overall changes in Governmental Revenues were 21% increase. The biggest change in the revenues occurred in Intergovernmental Revenues with a 58% increase; 2014 \$10 million compared to \$15.85 million in 2015; showing an increase of \$5.85 million.

The overall expenditures increased 21% from 2014. The biggest change in expenses was in Transportation-Capital which increased \$7.78 Million.

Governmental Funds	2015	2014	Net Change
Revenues	47,712,833	39,568,890	8,143,943
Expenditures	(46,948,166)	(38,955,025)	(7,993,141)
Other Financing Sources	1,248	(95,971)	97,219
Net Change in Fund Balance	765,915	517,894	248,021
Fund Balance Beginning	35,725,869	35,259,317	466,552
Prior Year Adjustments	0	(51,342)	51,342
Fund Balance Ending	36,491,784	35,725,869	765,915

### **Proprietary Funds Net Position Analysis**

The Net Position of the Solid Waste fund as of December 31, 2015 was \$7.69 million; with \$3.17 million in unrestricted funds. The Net Position of the Community Development Services fund as of December 31, 2015 was \$565,070. The internal service funds have net position in the amount of \$9.86 million.

### **Proprietary Funds Revenue/Expenditure Analysis**

The Solid Waste fund collected \$3.73 million in revenues and had an operating expense of \$3.29 million showing a net gain of \$441,338. The changes in net position for 2015 after non-operating revenues and expenses are \$529,663.

The Community Development Services fund collected \$1.42 million in revenues and had an operating expense of \$1.44 million showing a net loss of (\$13,100). The changes in net position for 2015 after non-operating and expense are (\$25,806).

### **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, 2015.

	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Taxes	12,360,000	12,360,000	-
Licenses & Permits	117,400	118,400	1,000
Intergovernmental	3,334,447	3,113,987	(220,460)
Charges for Services	1,870,239	2,727,514	857,275
Fines & Forfeits	1,612,610	1,612,610	-
Miscellaneous	1,470,706	1,489,881	19,175
<b>Total Revenues</b>	<b>20,765,402</b>	<b>21,422,392</b>	<b>656,990</b>
<b>Expenditures</b>			
General Governmental	7,576,914	7,759,710	182,796
Judicial	2,684,482	2,739,472	54,990
Security of Persons and Property	8,556,198	9,266,840	710,642
Physical Environment	101,500	101,500	-
Transportation	3,717	7,434	3,717
Economic Environment	300,245	310,245	10,000
Mental & Physical Health	143,972	210,075	66,103
Culture & Recreation	1,306,169	1,341,538	35,369
Debt Service	1,115,625	1,115,625	-
Capital Outlay	1,934,931	2,296,697	361,766
<b>Total Expenditures</b>	<b>23,723,753</b>	<b>25,149,136</b>	<b>1,425,383</b>
Excess (Deficit) Revenues over Expenditures	(2,958,351)	(3,726,744)	(768,393)
<b>Other Financing Sources (Uses)</b>			
Restitution	500	500	-
Other Loan Proceeds	1,440,000	1,440,000	-
Sale of Fixed Assets	7,000	7,000	-
Transfers In	275,000	715,594	440,594
Transfers Out	(420,049)	(463,080)	(43,031)
<b>Total Other Financing Sources (Uses)</b>	<b>1,302,451</b>	<b>1,700,014</b>	<b>397,563</b>
Net Change in Fund Balance	(1,655,900)	(2,026,730)	(370,830)
Fund Balance, January 1	9,654,989	10,025,819	370,830
<b>Fund Balance, December 31</b>	<b>7,999,089</b>	<b>7,999,089</b>	<b>-</b>

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

The biggest supplemental expenditure budget increases were as follows:

Security of Persons & Property – \$710,642 for grants awarded to the County.

Capital Outlay -- \$361,766 for the purchase of property.

### General Fund Budget to Actual

The amended General Fund revenue budget was approximately \$21.42 million and total revenues received \$23.3 million, or 8% above budget. The specific changes to report are taxes and charges for services. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes

and sales and use tax collected are slightly above the budgeted amount. Our changes in projections were a little under estimated when the budget was prepared. The charges for services increased due to reclassification of accounts, intergovernmental charges for services are now recorded as a charge for services.

The General Fund budgeted expenses vs. actual came in at 14% under budget. The biggest unspent budget was Security of Persons and Property, due to reduction in filled positions and contracted services.

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Taxes	12,360,000	13,719,090	1,359,090
Licenses & Permits	118,400	162,633	44,233
Intergovernmental	3,113,987	2,989,113	(124,874)
Charges for Services	2,727,514	3,237,648	510,134
Fines & Forfeits	1,612,610	1,414,912	(197,698)
Miscellaneous	1,489,881	1,757,297	267,416
<b>Total Revenues</b>	<b>21,422,392</b>	<b>23,280,693</b>	<b>1,858,301</b>
<b>Expenditures</b>			
General Governmental	7,759,710	6,880,559	879,151
Judicial	2,739,472	2,586,417	153,055
Security of Persons and Property	9,266,840	7,771,037	1,495,803
Physical Environment	101,500	84,218	17,282
Transportation	7,434	7,434	-
Economic Environment	310,245	266,785	43,460
Mental & Physical Health	210,075	205,179	4,896
Culture & Recreation	1,341,538	1,308,587	32,951
Debt Service	1,115,625	115,907	999,718
Capital Outlay	2,296,697	2,389,140	(92,443)
<b>Total Expenditures</b>	<b>25,149,136</b>	<b>21,615,262</b>	<b>3,533,874</b>
Excess (Deficit) Revenues over Expenditures	(3,726,744)	1,665,431	5,392,175
<b>Other Financing Sources (Uses)</b>			
Restitution	500	918	418
Other Loan Proceeds	1,440,000	-	(1,440,000)
Sale of Fixed Assets	7,000	156	(6,844)
Transfers In	715,594	649,502	(66,092)
Transfers Out	(463,080)	(473,127)	(10,047)
<b>Total Other Financing Sources (U</b>	<b>1,700,014</b>	<b>177,448</b>	<b>(1,522,566)</b>
Net Change in Fund Balance	(2,026,730)	1,842,880	3,869,610
Fund Balance, January 1	10,025,819	10,527,186	501,367
<b>Fund Balance, December 31</b>	<b>7,999,089</b>	<b>12,370,066</b>	<b>4,370,977</b>

## 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, 2015, amounts to over \$89.5

million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, infrastructure, and construction in progress on buildings and systems. Kittitas County has elected to use the modified approach to account for the infrastructure category of Gravel Roads, which eliminates the need to report depreciation expense. The biggest decrease occurred under Government Activities for construction in progress with the completion of Transportation projects being moved to Infrastructure in the amount of \$2.74 million.

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

### **Long-Term Debt**

Kittitas County has total outstanding liabilities as of December 31, 2015 of approximately \$23.8 million; of which Governmental was \$21,624,886 and Business type activities were \$2,198,156.

Additional information on Kittitas County's Long Term Debt can be found in Note 10 and Note 12 for Changes in Long-Term Liabilities in the Notes to the Financial Statements.

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

### **ECONOMIC FACTORS**

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

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

The sales tax revenues seem to be remaining stable. We are watching very carefully the revenues and all departments are watching and limiting travel and other expenses. With the help of all the departments, not spending their total budgets increased the fund balance of the General Fund. The 2014 ending fund balance for the General fund was \$10.52 million and the ending 2015 fund balance was \$12.37 million.

The Board of County Commissioners have stated during the budget process that new personnel will not be considered without specific funding for the positions, and they will not use existing fund balance to support operations. The number of positions in the county has increased in 2015 from 2014 by 8 positions, primarily in the Community Development Services Department and the newly established elected Coroner position.

## **REQUEST FOR INFORMATION**

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

**KITTITAS COUNTY, WASHINGTON**  
**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Cash & cash equivalents	\$ 21,206,071	\$ 1,182,158	\$ 22,388,229
Investments	17,789,726	2,249,418	20,039,144
Receivables (net)	2,929,551	283,692	3,213,243
Internal Balances	(1,614,084)	1,614,084	-
Inventories	456,281	-	456,281
Pension Assets	1,139,701	-	1,139,701
Due from other Governmental	7,416,591	71,021	7,487,612
Prepaid items	64,566	3,074	67,640
Cash restricted			
Cash-landfill closure & postclosure	-	171,599	171,599
Investments restricted for landfill closure & postcl	-	622,033	622,033
Capital Assets (net of accumulated depreciation)			
Land, and non-depreciable infrastructure	13,361,268	280,439	13,641,707
Intangible Assets	4,228,766	39,704	4,268,469
Buildings	23,281,685	631,784	23,913,469
Improvements	1,159,008	2,799,858	3,958,866
Equipment	3,965,250	763,811	4,729,062
Infrastructure	47,190,671	-	47,190,671
Construction in progress	868,035	-	868,035
<b>Total Assets</b>	<b>\$ 143,443,088</b>	<b>\$ 10,712,674</b>	<b>\$ 154,155,762</b>
Deferred outflow of Resources			
Deferred outflow of Resources - Pension	1,286,035	73,506	1,359,541
<b>COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>144,729,123</b>	<b>10,786,180</b>	<b>155,515,303</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Accounts payable and accrued exp.	\$ 2,493,432	\$ 227,267	\$ 2,720,699
Unearned revenue	468	107,843	108,311
Other current liabilities	489,442	-	489,442
Liabilities payable from restricted assets	-	-	-
Non-Current Liabilities:			
Other Long Term Debt			
Due within one year	619,927	195,314	815,241
Due in more than one year	21,004,959	2,002,302	23,007,261
Miscellaneous	14,398	-	14,398
<b>Total Liabilities</b>	<b>\$ 24,622,627</b>	<b>\$ 2,532,726</b>	<b>\$ 27,155,352</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows of Resources-Pensions	1,817,847	107,843	1,925,690
<b>COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>26,440,474</b>	<b>2,640,569</b>	<b>29,081,042</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 85,483,191	\$ 3,990,595	\$ 89,473,785
Fund Balance			
Non Spendable	81,746	-	81,746
Restricted	24,507,104	622,033	25,129,137
Committed	2,790,479	-	2,790,479
Assigned	6,655,284	-	6,655,284
Unassigned/Unrestricted	603,090	3,640,827	4,243,917
<b>Total Net Position</b>	<b>\$ 120,120,894</b>	<b>\$ 8,253,455</b>	<b>\$ 128,374,348</b>

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, 2015

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue & Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-type Activities	Governmental Activities	Total
<b>Governmental Activities:</b>							
Judicial	\$ 2,872,052	\$ 1,704,863	\$ 347,251	\$ -	\$ (819,938)	\$ -	\$ (819,938)
General Government	8,330,564	3,133,120	267,660	-	(4,929,784)	-	(4,929,784)
Public Safety	10,424,863	1,918,780	459,391	-	(8,046,692)	-	(8,046,692)
Physical Environment	603,505	196,317	348,494	-	(58,694)	-	(58,694)
Transportation	9,281,243	148,918	8,530,123	-	(602,202)	-	(602,202)
Economic Environment	901,723	791,400	73,862	-	(36,461)	-	(36,461)
Mental & Physical Health	2,730,715	183,888	1,421,944	-	(1,124,882)	-	(1,124,882)
Culture & Recreation	2,150,742	203,877	-	-	(1,946,865)	-	(1,946,865)
Interest on long-term debt	299,918	-	-	-	(299,918)	-	(299,918)
<b>Total Government Activities</b>	<b>\$ 37,595,324</b>	<b>\$ 8,281,163</b>	<b>\$ 11,448,725</b>	<b>\$ -</b>	<b>\$ (17,865,436)</b>	<b>\$ -</b>	<b>\$ (17,865,436)</b>
<b>Business-type Activities:</b>							
Garbage & Solid Waste	\$ 3,208,738	\$ 3,734,367	\$ -	\$ -	\$ 525,629	\$ -	\$ 525,629
Community Development Services	1,450,352	1,424,546	-	-	(25,806)	-	(25,806)
<b>Total Business-Type Activities</b>	<b>\$ 4,659,090</b>	<b>\$ 5,158,913</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 499,823</b>	<b>\$ -</b>	<b>\$ 499,823</b>
<b>Total Primary Government</b>	<b>\$ 42,254,414</b>	<b>\$ 13,440,076</b>	<b>\$ 11,448,725</b>	<b>\$ -</b>	<b>\$ (17,865,436)</b>	<b>\$ 499,823</b>	<b>\$ (17,365,614)</b>
<b>General Revenues:</b>							
Property Taxes				\$ 13,416,172	\$ -	\$ -	\$ 13,416,172
Sales Taxes				7,702,930	-	-	7,702,930
Other Taxes				4,482,628	-	-	4,482,628
Unrestricted Grants & Contributions				992,530	-	-	992,530
Unrestricted Investment Earnings				943,671	4,034	-	947,705
Proceeds on Disposition of Capital Assets				141,860	-	-	141,860
Transfers				-	-	-	-
<b>Total General Revenues, Special Items &amp; Transfers</b>				<b>\$ 27,679,791</b>	<b>\$ 4,034</b>	<b>\$ -</b>	<b>\$ 27,683,825</b>
<b>Change in Net Position</b>				<b>\$ 9,814,355</b>	<b>\$ 503,857</b>	<b>\$ -</b>	<b>\$ 10,318,211</b>
Net Position as of January 1				\$ 117,599,247	\$ 8,189,538	\$ -	\$ 125,788,785
Prior Year Adjustment				(4,454)	-	-	(4,454)
Changes in Accounting Principle - GASB 68 Pension				(7,288,253)	(439,941)	-	(7,728,194)
<b>Net Position as of December 31</b>				<b>\$ 120,120,894</b>	<b>\$ 8,253,454</b>	<b>\$ -</b>	<b>\$ 128,374,348</b>

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet  
Governmental Funds  
December 31, 2015

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & cash equivalents	\$ 14,333,319	\$ 615,020	\$ 5,227,975	\$ 20,176,314
Investments	-	9,709,494	5,381,284	15,090,778
Receivables (net)	2,444,172	279,301	205,496	2,928,970
Due from other funds	159,901	159,594	16,511	336,006
Due from Other Governmental	1,408,615	4,800,073	1,207,904	7,416,591
Prepaid items	40,863	5,021	15,298	61,181
<b>Total assets</b>	<u>\$ 18,386,871</u>	<u>\$ 15,568,502</u>	<u>\$ 12,054,468</u>	<u>\$ 46,009,841</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued exp.	\$ 503,798	\$ 1,111,289	\$ 644,800	\$ 2,259,887
Payable to other governments	907	540	92,505	93,951
Due to other funds	116,751	328,085	283,939	728,774
Interfund Loans Payable	3,022,597	-	-	3,022,597
Interest Payable	-	-	-	-
Unearned revenue	-	-	468	468
Deposits payable	7,206	7,896	459,941	475,044
<b>Total liabilities</b>	<u>3,651,259</u>	<u>1,447,810</u>	<u>1,481,653</u>	<u>6,580,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources	2,365,546	263,022	308,767	2,937,335
<b>COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
	6,016,805	1,710,832	1,790,420	9,518,057
<b>FUND BALANCES</b>				
Non Spendable	56,588	6,071	19,088	81,746
Restricted	3,104,523	13,851,600	7,550,981	24,507,104
Committed	1,099,527	-	1,690,952	2,790,479
Assigned	5,652,257	-	1,003,027	6,655,284
Unassigned	2,457,171	-	-	2,457,171
Total fund balances	<u>12,370,066</u>	<u>13,857,670</u>	<u>10,264,047</u>	<u>36,491,784</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 18,386,871</u>	<u>\$ 15,568,502</u>	<u>\$ 12,054,468</u>	<u>\$ 46,009,841</u>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	90,029,112
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,937,335
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(21,624,886)
Adjustment Related to Pensions -GASB 68	2,425,736
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position.	<u>9,861,813</u>
<b>Net Position of Governmental Activities</b>	<u><u>120,120,894</u></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 Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	8,321,743	3,776,126	1,423,961	13,521,830
Sales	5,373,261		2,329,669	7,702,930
Other	24,086	10,690	1,155,674	1,190,450
Licenses & Permits	162,633	24,414	687,890	874,937
Intergovernmental	2,989,113	10,593,783	2,263,809	15,846,705
Charges for Services	3,237,648	171,330	1,505,565	4,914,543
Fines & Forfeitures	1,414,912	-	24,572	1,439,484
Investment Earnings	899,232	18,419	11,254	928,905
Miscellaneous Revenues	858,066	13,987	420,997	1,293,050
Total revenues	<u>\$ 23,280,693</u>	<u>\$ 14,608,748</u>	<u>\$ 9,823,392</u>	<u>\$ 47,712,833</u>
<b>EXPENDITURES</b>				
Current:				
Judicial	2,586,417	-	227,655	2,814,072
General Government	6,880,559	180,814	868,212	7,929,585
Public Safety	7,771,037	-	2,427,533	10,198,571
Physical Environ	84,218	-	514,048	598,266
Transportation	7,434	6,973,687	82,478	7,063,599
Health & Human Services	205,179	-	2,523,613	2,728,791
Economic Environment	266,785	-	634,938	901,723
Culture & Recreation	1,308,456	-	562,458	1,870,915
Debt Service:				
Principal	100,890	-	609,672	710,562
Interest/Other Expense	15,147	-	284,771	299,918
Capital Outlay:				
General government	1,535,785	-	71,761	1,607,546
Judicial	-	-	-	-
Public safety	272,036	-	-	272,036
Physical environment	-	-	8,872	8,872
Transportation	-	9,293,790	58,076	9,351,866
Health & Human services	-	-	10,527	10,527
Economic environment	-	-	-	-
Culture & recreation	-	-	-	-
Total expenditures	<u>\$ 21,615,262</u>	<u>\$ 16,448,291</u>	<u>\$ 8,884,614</u>	<u>\$ 46,948,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,665,431</u>	<u>\$ (1,839,542)</u>	<u>\$ 938,778</u>	<u>\$ 764,667</u>

Continued on Next Page

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, 2015

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 649,502	\$ 41,507	\$ 1,268,905	\$ 1,959,913
Transfers out	(473,127)	-	(1,486,786)	(1,959,913)
Proceeds on Disposition of capital assets	1,074	-	174	1,248
Total other financing sources (uses)	\$ 177,448	\$ 41,507	\$ (217,707)	\$ 1,248
<b>SPECIAL ITEMS</b>				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	1,842,880	(1,798,036)	721,071	765,915
Fund balances--beginning	10,527,186	15,655,706	9,542,977	35,725,869
Prior Period Adjustments	-	-	-	-
Fund balances--ending	\$ 12,370,066	\$ 13,857,670	\$ 10,264,047	\$ 36,491,784
Net changes in fund balances for governmental funds				\$ 765,915

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	\$ 11,832,165
Depreciation	(2,406,316)
Reduction Construction in Progress	(2,721,285)
Addition of Asset from Construction in Progress	2,721,285
Cost of Assets Sold	(1,719,822)
Adjustments to Assets	140,738
	7,846,766

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

Debt Proceeds	\$ -
Debt Retired	710,562

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

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.	(225,652)
	(55,258)

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 Position of governmental activities	\$ 9,814,355
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The notes to the financial statements are an integral part of this statement.

KITTITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Net Position  
December 31, 2015

	Solid Waste	Community Development Services	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
<b>ASSETS</b>				
Current assets:				
Cash & cash equivalents	\$ 429,607	\$ 752,551	\$ 1,182,158	\$ 1,029,756
Investments	2,249,418	-	2,249,418	2,698,948
Receivables	283,692	-	283,692	582
Prepayment for Services	3,074	-	3,074	3,385
Due From Funds	-	100,415	100,415	309,389
Interfund Loan Receivables	1,525,945	-	1,525,945	1,496,652
Inventories	-	-	-	456,281
Due From Other governments	71,021	-	71,021	-
Total Current Assets	<u>\$ 4,562,756</u>	<u>\$ 852,966</u>	<u>\$ 5,415,722</u>	<u>\$ 5,994,994</u>
Noncurrent assets:				
Restricted Cash, Cash Equivalents and Investments:				
Cash restricted for landfill closure & postclosure	171,599	-	171,599	-
Investments restricted for landfill closure & postclosure	622,033	-	622,033	-
Total Restricted Assets	<u>793,633</u>	<u>-</u>	<u>793,633</u>	<u>-</u>
Capital assets:				
Land	280,439	-	280,439	97,707
Intangible Assets	39,704	-	39,704	-
Buildings	1,389,478	-	1,389,478	936,747
Improvements	4,538,949	-	4,538,949	221,046
Equipment	1,653,633	119,602	1,773,235	8,328,681
Construction in progress	-	-	-	78,891
Less Depreciation	<u>(3,475,532)</u>	<u>(30,677)</u>	<u>(3,506,209)</u>	<u>(5,637,501)</u>
Total Capital Assets	<u>\$ 4,426,670</u>	<u>\$ 88,926</u>	<u>\$ 4,515,596</u>	<u>\$ 4,025,571</u>
Total Noncurrent Assets	5,220,303	88,926	5,309,228	4,025,571
Deferred Outflow of Resources				
Deferred Outflow of Resources-Pension	30,798	42,708	73,506	-
<b>Total Assets and Deferred Outflows</b>	<u>\$ 9,813,857</u>	<u>\$ 984,600</u>	<u>\$ 10,798,456</u>	<u>\$ 10,020,565</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued exp.	\$ 200,146	\$ 30,229	\$ 230,375	\$ 134,177
Due to other funds	4,495	7,782	12,276	4,760
Due to other governments	(3,108)	-	(3,108)	5,417
Unearned Revenue	-	-	-	-
Landfill Closure Cost	117,559	-	117,559	-
Compensated absences	1,693	1,062	2,755	-
Bonds, notes, loans payable	75,000	-	75,000	-
Total Current Liabilities	<u>\$ 395,785</u>	<u>\$ 39,072</u>	<u>\$ 434,857</u>	<u>\$ 144,354</u>
Noncurrent liabilities:				
Compensated absences	\$ 100,297	\$ 87,475	\$ 187,772	\$ -
Bonds, notes, loans payable	450,001	-	450,001	-
Pension Obligations	166,085	230,323	396,408	-
Condo Reserves	-	-	-	14,398
Landfill Closure Cost	968,120	-	968,120	-
Total Noncurrent Liabilities	<u>\$ 1,684,504</u>	<u>\$ 317,798</u>	<u>\$ 2,002,302</u>	<u>\$ 14,398</u>
Deferred Inflow of Resources				
Deferred Inflow of Resources - Pensions	45,184	62,659	107,843	-
<b>Total Combined Liabilities and Deferred Inflows of Resources</b>	<u>\$ 2,125,473</u>	<u>\$ 419,529</u>	<u>\$ 2,545,002</u>	<u>\$ 158,752</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 3,901,669	\$ 88,926	\$ 3,990,595	\$ 4,025,571
Restricted Net Assets	622,033	-	622,033	-
Unrestricted	<u>3,164,682</u>	<u>476,145</u>	<u>3,640,827</u>	<u>5,836,242</u>
<b>Total Net Position</b>	<u>\$ 7,688,384</u>	<u>\$ 565,070</u>	<u>\$ 8,253,455</u>	<u>\$ 9,861,813</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	-	-	-
Net Position of business-type activities	\$ 7,688,384	\$ 565,070	\$ 8,253,455	\$ 9,861,813

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds  
 Statement of Revenues, Expenses and Changes in Fund Net Position  
 For the Year Ended December 31, 2015

	Solid Waste	Community Development Services	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities-- Internal Service funds
<b>OPERATING REVENUES</b>				
Charges for Services:				
Garbage & Solid Waste	\$ 3,734,367	\$ -	\$ 3,734,367	\$ -
Other services	-	1,424,547	1,424,547	2,548,475
Total operating revenues	<u>\$ 3,734,367</u>	<u>\$ 1,424,547</u>	<u>\$ 5,158,914</u>	<u>\$ 2,548,475</u>
<b>OPERATING EXPENSES</b>				
Operations and Cost of Sales	\$ 2,987,706	\$ 1,416,342	\$ 4,404,048	\$ 1,238,069
Administrative, General & Maintenance	-	-	-	76,254
Depreciation	305,323	21,305	326,628	617,508
Total operating expenses	<u>\$ 3,293,029</u>	<u>\$ 1,437,646</u>	<u>\$ 4,730,675</u>	<u>\$ 1,931,832</u>
Operating income (loss)	\$ 441,338	\$ (13,100)	\$ 428,238	\$ 616,643
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	\$ 4,034	\$ -	\$ 4,034	\$ 14,767
Debt Interest Expense	(2,750)	-	(2,750)	-
Gain (loss) on Disposition of Capital Assets	-	-	-	140,612
Landfill Closure Revenues (Cost)	48,052	-	48,052	-
Miscellaneous nonoperating revenues (expenses)	38,989	(12,706)	26,283	-
Total non-operating income (expense)	<u>\$ 88,325</u>	<u>\$ (12,706)</u>	<u>\$ 75,619</u>	<u>\$ 155,379</u>
Income before contributions & transfers	\$ 529,663	\$ (25,806)	\$ 503,857	\$ 772,022
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Change in net assets	\$ 529,663	\$ (25,806)	\$ 503,857	\$ 772,022
Net Position--beginning	7,343,045	846,493	8,189,538	9,094,246
Prior Year Adjustment	-	-	-	(4,454)
Changes in Accounting Principle - GASB 68 Pension	(184,324)	(255,617)	(439,941)	-
Net Position--ending	<u>\$ 7,688,384</u>	<u>\$ 565,070</u>	<u>\$ 8,253,455</u>	<u>\$ 9,861,814</u>

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended December 31, 2015

	Solid Waste	Community Development Services	TOTAL Business-type Activities-- Enterprise Funds	Governmental Activities  Internal Service funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 3,741,670	\$ 1,450,426	\$ 5,192,096	\$ 2,390,903
Cash payments to suppliers	(2,986,796)	(1,431,909)	(4,418,704)	(1,247,776)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 754,875</b>	<b>\$ 18,517</b>	<b>\$ 773,392</b>	<b>\$ 1,143,127</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfer from Other Funds	\$ -	\$ -	\$ -	\$ -
Cash Received (Paid) on loans from other funds	(1,475,945)	-	(1,475,945)	-
Non-Operating Rents and Charges	-	-	-	(393)
<b>Net cash provided from noncapital activities</b>	<b>\$ (1,475,945)</b>	<b>\$ -</b>	<b>\$ (1,475,945)</b>	<b>\$ (393)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Sale of Capital Assets	\$ -	\$ -	\$ -	\$ 140,612
Payments for Capital Acquisition	(168,382)	(60,747)	(229,130)	(598,001)
Payment on Long Term Debt	(75,000)	-	(75,000)	-
Debt Interest Expense	(2,750)	-	(2,750)	-
<b>Net cash provided (used in) capital financing activities</b>	<b>\$ (246,132)</b>	<b>\$ (60,747)</b>	<b>\$ (306,880)</b>	<b>\$ (457,389)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment Interest	\$ 4,034	\$ -	\$ 4,034	\$ 10,833
Interfund Loans Receivable	-	-	-	1,084,918
Prior Year Adjustment Cash in Bank	-	-	-	-
Proceeds Reserves Condominium	-	-	-	7,199
Purchase of Investment	(251,822)	-	(251,822)	(1,352,836)
<b>Net cash flows from investing activities</b>	<b>\$ (247,788)</b>	<b>\$ -</b>	<b>\$ (247,788)</b>	<b>\$ (249,886)</b>
<b>Net increase (decrease) in cash and cash equivalent</b>	<b>\$ (1,214,990)</b>	<b>\$ (42,230)</b>	<b>\$ (1,257,220)</b>	<b>\$ 435,458</b>
Cash and cash equivalents at beginning of year	\$ 1,816,106	\$ 794,781	\$ 2,610,887	\$ 594,624
<b>Cash and cash equivalents at end of year</b>	<b>\$ 601,115</b>	<b>\$ 752,551</b>	<b>\$ 1,353,666</b>	<b>\$ 1,030,082</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Net operating income (loss)	\$ 441,338	\$ (13,100)	\$ 428,238	\$ 616,643
<b>ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Depreciation expense	\$ 305,323	\$ 21,305	\$ 326,628	\$ 617,508
Pension Expense	(3,853)	(5,343)	(9,196)	-
(Increase) decrease in Accounts Receivable	14,773	57	14,831	5,367
(Increase) decrease in Due from other Funds	21,485	6,426	27,911	(165,691)
(Increase) decrease in Due from other Governmental	(28,955)	19,396	(9,559)	2,753
(Increase) decrease in Prepayment for Services	(2,874)	-	(2,874)	(1,165)
Increase (decrease) in Salaries payable	(562)	-	(562)	-
Increase (decrease) in Vouchers Payable	13,209	(8,617)	4,592	-
Increase (decrease) in Unearned Revenue	-	-	-	-
Increase (decrease) in Due to other Funds	(1,830)	(1,607)	(3,437)	(2,732)
Increase (decrease) in Inventory	-	-	-	9,315
Increase (decrease) in Payables	-	-	-	55,819
Increase (decrease) in Due to other Governments	-	-	-	5,310
Increase (decrease) in Taxes Payable	(3,181)	-	(3,181)	-
<b>Total Adjustments</b>	<b>\$ 313,537</b>	<b>\$ 31,617</b>	<b>\$ 345,154</b>	<b>\$ 526,484</b>
<b>Net cash provided by operating activities</b>	<b>\$ 754,875</b>	<b>\$ 18,517</b>	<b>\$ 773,392</b>	<b>\$ 1,143,127</b>

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

**KITTITAS COUNTY, WASHINGTON**

**Statement of Fiduciary Net Position  
December 31, 2015**

	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash/Petty Cash	\$ 5,185	\$ 10,848,174
Cash with Fiscal Agency	-	164,920
Investments	1,963	58,889,864
Taxes Receivable	-	2,312,348
Other Receivables	<u>0</u>	<u>(0)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,148</u></b>	<b><u>\$ 72,215,305</u></b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>		
<b>LIABILITIES</b>		
Warrants Payable	\$ -	\$ 3,254,257
Salary/Vouchers Payable	-	285,029
Custodial Accounts	<u>-</u>	<u>66,363,671</u>
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 69,902,958</b>
<b>DEFERRED INFLOWS of RESOURCES</b>		
Deferred Inflows of Resources - Taxes	<u>-</u>	<u>2,312,348</u>
<b>COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>72,215,305</b>
<b>NET POSITION</b>		
Held in Trust for Other Purposes	<u>\$ 7,148</u>	<u>\$ 0</u>
<b>Total Net Position</b>	<b><u>\$ 7,148</u></b>	<b><u>\$ 0</u></b>

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

**KITTITAS COUNTY, WASHINGTON**

**Statement of Change in Fiduciary Net Position  
Private Purpose Trust  
For the Year Ended December 31, 2015**

		<b>Private Purpose Trust</b>
<b>Additions</b>		
Investment Earnings	\$	3
Miscellaneous Revenues		-
Total Additions	\$	<u>3</u>
<b>Deductions</b>		
Culture & Recreation	\$	31
Total Deductions	\$	<u>31</u>
<b>Change in Net Position</b>		(28)
Net Position--beginning		<u>7,176</u>
Net Position--ending	\$	<u><u>7,148</u></u>

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

**KITTITAS COUNTY, WASHINGTON**  
**Notes to the Basic Financial Statements**  
**Dated as of and for the year Ended December 31, 2015**

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

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are 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 fund reported is County Road. In the Proprietary funds, Solid Waste is considered a major fund but we choose to report both Solid Waste and Community Development Services. 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.

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

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

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

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

The private-purpose trust 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.

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

## **D. BUDGETARY INFORMATION**

### **1. SCOPE OF BUDGET**

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

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

### **2. AMENDING THE BUDGET**

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

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

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

## **E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION**

### **1. CASH AND EQUIVALENTS**

It is the County's policy to invest all temporary cash surplus. The amounts are classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered.

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 & Assessment receivables consist of property taxes and related interest and penalties, see Property Taxes Note 5. Taxes and Assessment receivables are offset by deferred inflow of resources.

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.

### **5. INVENTORIES**

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

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

## 6. CAPITAL ASSETS

See Note Number 6.

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

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

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

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

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

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

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

## 7. OTHER PROPERTY AND INVESTMENTS

See Deposits and Investments Note No 4.

## 8. COMPENSATED ABSENCES

The County records all accumulated unused vacation, sick leave and compensatory time. For Governmental Funds, unused vacation, sick leave and compensatory time are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In Proprietary funds, the expenses are accrued when incurred and the liability is recorded in the fund.

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

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

**9. LONG-TERM DEBT**

See Long-Term Debt and Leases Note No 10.

**10. DEFERRED OUTFLOW/INFLOW OF RESOURCES**

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

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

**11. Pensions**

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

**12. FUND RESERVES AND DESIGNATIONS**

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

**A. Governmental Fund Types**

**Fund Balance types for Governmental Fund Types and reporting practice**

**Non-spendable Fund Balance:**

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

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

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

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

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

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

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

**Restricted Fund Balance:**

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

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

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

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

**Committed Fund Balance:**

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

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

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

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

**Assigned Fund Balance:**

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

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

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

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

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

**Unassigned Fund Balance (General Fund Only):**

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

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

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

**Fund Balance Actuals**

The following is the classifications for the Governmental funds fund balances as of December 31, 2015:

	General Fund	Road Fund	Other Funds	Total
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	40,863	5,021	15,298	61,182
Petty Cash	15,725	1,050	3,790	20,565
<b>Total Nonspendable</b>	<b>56,588</b>	<b>6,071</b>	<b>19,088</b>	<b>81,746</b>
<b>Restricted for:</b>				
Law & Justice	3,054,523	-	-	3,054,523
Paths Trails	-	124,120	-	124,120
Information Technology	50,000	-	-	50,000
Special Revenue	-	13,158,972	6,444,380	19,603,352
Construction Performance Bond	-	454,202	1,007	455,209
GO Refunding Bond	-	-	9,790	9,790
Refund Fund	-	-	232	232
206 CRID 96-1 Bond	-	-	316,110	316,110
CRID Guaranty Fund	-	-	7,090	7,090
Other Capital Projects	-	114,305	772,371	886,676
<b>Total Restricted</b>	<b>3,104,523</b>	<b>13,851,599</b>	<b>7,550,980</b>	<b>24,507,104</b>
<b>Committed to:</b>				
Vehicle Replacement	838,725	-	-	838,725
Special Revenue	-	-	1,672,784	1,672,784
County Capital Improvements	260,802	-	-	260,802
Rodeo Grounds Capital Improvements	-	-	18,168	18,168
<b>Total Committed</b>	<b>1,099,527</b>	<b>-</b>	<b>1,690,952</b>	<b>2,790,479</b>
<b>Assigned to:</b>				
Rainy Day	826,162	-	-	826,162
NY Budget	4,826,095	-	-	4,826,095
Special Revenue	-	-	1,003,027	1,003,027
Equipment Reserve	-	-	-	-
<b>Total Assigned</b>	<b>5,652,257</b>	<b>-</b>	<b>1,003,027</b>	<b>6,655,284</b>
<b>Unassigned</b>	<b>2,457,171</b>	<b>-</b>	<b>-</b>	<b>2,457,171</b>
<b>Total Fund Balance</b>	<b>12,370,066</b>	<b>13,857,670</b>	<b>10,264,047</b>	<b>36,491,784</b>

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

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

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

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

December 31, 2015 Total Fund Balance	\$36,491,784
Capital assets used in governmental activities are not financial resources and are not reported in the funds	90,029,112
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,937,335
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	-21,624,886
Pension Reporting – GASB 68	<u>2,425,736</u>
Internal service funds are used by management to change the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position	<u>9,861,813</u>
Net adjustment to increase total governmental funds to arrive at net position-governmental activities	<u>\$120,120,894</u>

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

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

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

December 31, 2015 Net Changes in Fund Balances for Governmental Funds	\$765,915
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlays	11,832,165
Depreciation	(2,406,316)
Reduction Construction in Progress	(2,721,285)
Addition of Asset from Construction in Progress	2,721,285
Cost of Assets Sold	(1,719,822)
Adjustments to Assets	<u>140,738</u>
	7,846,766

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

or reduce long-term liabilities in the statement of net position.

Debt Proceeds	-	
Debt Retired	<u>710,562</u>	710,562
Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds		(225,652)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(55,258)
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		772,022
Change in Net Position of governmental activities		<u>\$9,814,355</u>

### **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**

#### **A. DEPOSITS**

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

#### **B. INVESTMENTS**

It is the County's policy to invest all temporary cash surplus. At December 31, 2015, the treasurer was holding \$20,048,401.40 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. Investments are reported on the statements at fair value. The interest on these investments is credited to the General Fund.

As of December 31, 2015, the County had the following investments:

<b>Investment Maturities</b>	<b>Fair value of Investments</b>
State Investment Pool	\$69,051,456
U.S. Government Securities	35,005,730
<b>Total</b>	104,057,186
Less Co. Residual	(24,504,182)
Net Investments	\$79,553,003.69

#### **C. CREDIT RISK**

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

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

**1. Safety**

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

**2. Liquidity**

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

**3. Return on Investment**

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

**Investments by Fund**

<b>Fund</b>	<b>Total Investments</b>
County Road	\$9,709,493.88
Special Revenue-Non Major	4,641,390.82
Debt Service	323,134.78
Capital Projects	416,758.48
<b>Total Governmental Funds</b>	<b>15,090,777.96</b>
Proprietary Fund	2,871,450.76
Internal Service Funds	2,698,948.46
<b>Total Proprietary Funds</b>	<b>5,570,399.22</b>
Agency Funds	58,891,826.51
<b>TOTAL</b>	<b>\$79,553,003.69</b>

<b>Balance Sheet – Governmental Funds</b>				
	<b>General Fund</b>	<b>County Road</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Investments	\$ -	\$9,709,494	\$5,381,284	\$15,090,778

<b>Proprietary Funds Statement of Net position</b>		
	<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Assets</b>		
Investments	\$2,871,451	\$2,698,948

<b>Agency Funds Combining Balance Sheet</b>	
<b>Assets</b>	
Investments	\$58,891,827

## **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.

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

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

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

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

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

For 2014 for the 2015 tax County levied the following property taxes on an assessed value of \$5,782,294,144. The Road district property value assessed was \$4,123,047,160.

<b>Fund</b>	<b>Levy</b>	<b>Amount</b>
General fund	1.390351	\$8,039,418.45
Mental Health/Development Disabilities	.025949	150,042.67
Veterans Relief	.007785	45,015.16
Refund Levy	.001037	5,996.24
<b>Total General fund Levy</b>	<b>1.425122</b>	<b>\$8,240,472.52</b>
Road Levy	.0896227	\$3,695,186.19
County Road Diverted	.048509	200,004.89
<b>Total Road Levy</b>	<b>.944736</b>	<b>\$3,895,191.08</b>
Flood Control Regular Levy	.070054	405,072.83
<b>GRAND TOTAL</b>	<b>2.439912</b>	<b>\$12,540,736.43</b>

## **NOTE 6 – CAPITAL ASSETS**

### **A. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 is shown by asset type in the following table. The largest decrease occurred under Government Activities for construction in progress with the completion of the Kittitas Highway Project being moved to an asset in the amount of \$2,561,026. The largest increase occurred under Government

Activities Infrastructure for the completion of road projects in the amount of \$11,705,423.

(including Internal Service Funds) <b>GOVERNMENT ACTIVITIES</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Adjustments</b>	<b>Ending Balance</b>
<b>Assets not being depreciated</b>					
Land	3,794,118	293,760	-	-	4,087,878
Infrastructure - Gravel Roads*	4,034,910	-	39,545	-	3,995,365
Land - Easements & Right of Ways	5,278,025	-	-	-	5,278,025
Intangible Assets	1,617,524	119,879	5,288	-	1,732,114
Intangible Assets - Water Banks	1,055,624	1,441,027	-	-	2,496,651
Construction in Progress	3,282,464	306,855	2,721,285	-	868,035
<b>Total</b>	<b>19,062,665</b>	<b>2,161,522</b>	<b>2,766,118</b>	<b>-</b>	<b>18,458,069</b>
<b>Assets Being Depreciated</b>					
Buildings & Improvement	36,429,925	392,084	-	-	36,822,009
Improvements	2,476,262	28,145	-	-	2,504,407
Equipment	12,809,662	864,277	561,721	-	13,112,218
Infrastructure	145,258,668	11,705,423	1,663,719	140,738	155,441,110
<b>Total</b>	<b>196,974,517</b>	<b>12,989,929</b>	<b>2,225,440</b>	<b>140,738</b>	<b>207,879,744</b>
<b>Grand Total</b>	<b>216,037,182</b>	<b>15,151,451</b>	<b>4,991,558</b>	<b>140,738</b>	<b>226,337,814</b>
<b>Less accumulated depreciation for:</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>		<b>Ending Balance</b>
Buildings & Improvements	12,464,822	1,075,503	-	-	13,540,325
Improvements	1,167,984	177,416	-	-	1,345,400
Equipment & Machinery	8,910,786	797,903	561,721	-	9,146,968
Infrastructure	107,266,165	2,507,254	1,522,981	-	108,250,439
<b>Total</b>	<b>129,809,757</b>	<b>4,558,075</b>	<b>2,084,701</b>	<b>-</b>	<b>132,283,131</b>
<b>Total Government Activities, net</b>	<b>86,227,425</b>	<b>10,593,376</b>	<b>2,906,856</b>	<b>140,738</b>	<b>94,054,683</b>
<b>BUSINESS TYPE ACTIVITIES</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>		<b>Ending Balance</b>
<b>Assets not being depreciated</b>					
Land	280,439	-	-	-	280,439
Intangible Assets	39,704	-	-	-	39,704
Construction in Progress	-	-	-	-	-
<b>Total</b>	<b>320,142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320,142</b>
<b>Assets Being Depreciated</b>					
Buildings & Improvement	1,389,478	-	-	-	1,389,478
Improvements	4,537,967	982	-	-	4,538,949
Equipment	1,560,381	228,147	15,293	-	1,773,235
<b>Total</b>	<b>7,487,826</b>	<b>229,130</b>	<b>15,293</b>	<b>-</b>	<b>7,701,662</b>
<b>Grand Total</b>	<b>7,807,968</b>	<b>229,130</b>	<b>15,293</b>	<b>-</b>	<b>8,021,805</b>
<b>Less accumulated depreciation for:</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>		<b>Ending Balance</b>
Buildings & Improvements	705,679	52,015	-	-	757,694
Improvements	1,638,132	100,959	-	-	1,739,091
Equipment & Machinery	851,063	173,654	15,293	-	1,009,424
<b>Total</b>	<b>3,194,875</b>	<b>326,628</b>	<b>15,293</b>	<b>-</b>	<b>3,506,209</b>
<b>Business Activities Capital Assets, net</b>	<b>4,613,094</b>	<b>(97,498)</b>	<b>-</b>	<b>-</b>	<b>4,515,596</b>

## **B. ADJUSTMENTS**

An adjustment of \$140,738 was made to Infrastructure - paved roads adding the remaining book value on the Kittitas Highway project.

### **C. DEPRECIATION EXPENSE**

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

<b>Government Activities</b>	
Function/Program	Amount
Government activities	\$651,128
Judicial Services	18,301
Public Safety	146,122
Physical Environment	6,266
Transportation	3,441,679
Health and Human Service	11,159
Economic Environment	0
Culture and Recreation	283,419
<b>Total</b>	<b>\$4,558,074</b>

Depreciation expense was charged to the business activities as follows:

<b>Business Activities</b>	
	Amount
Solid Waste & Garbage	\$305,323
Community Development Services Public Safety	8,033
Community Development Services Economic Environment	13,271
<b>Total</b>	<b>\$326,627</b>

\*See Required Supplementary Information

### **NOTE 7 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$(10,110,397)
Pension assets	1,139,701
Deferred outflows of resources	1,359,541
Deferred inflows of resources	(1,925,690)
Pension expense/expenditures	(426,272)

#### **State Sponsored Pension Plans**

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## Public Employees' Retirement System (PERS)

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

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

### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The county actual contributions to the plan were \$566,744 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

\* For employees participating in JBM, the contribution rate was 15.30%

The county actual contributions to the plan were \$593,742 for the year ended December 31, 2015.

**Public Safety Employees’ Retirement System (PSERS)**

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member’s 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member’s age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between

the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The county actual contributions to the plan were \$78,916 for the year ended December 31, 2015.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

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

### Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The county actual contributions to the plan were \$130,605 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

### Sensitivity of NPL

The table below presents the county proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the county proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$7,060,563	\$5,799,218	\$4,714,577
PERS 2/3	12,379,707	4,233,751	(2,003,302)
PSERS 2	588,344	77,428	(286,010)
LEOFF 1	(73,542)	(114,954)	(150,250)
LEOFF 2	1,026,218	(1,024,747)	(2,568,177)

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the county reported a total pension liability of \$10,110,397 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$5,799,218
PERS 2/3	4,233,751
PSERS 2	77,428
LEOFF 1	(114,954)
LEOFF 2	(1,024,747)

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

	<b>Liability (or Asset)</b>
LEOFF 2 – employer's proportionate share	\$(1,024,747)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(677,568)
<b>TOTAL</b>	<b>\$(1,702,315)</b>

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

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	..109958%	..110864%	(.000906%)
PERS 2/3	.119162%	.118491%	.000671%
PSERS 2	.422484%	.424215%	(.001731%)
LEOFF 1	.009459%	.009538%	(.000079%)
LEOFF 2	.082865%	.099703%	(.016838%)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2015, the county recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$(170,894)
PERS 2/3	(98,225)
PSERS 2	12,891
LEOFF 1	(23,336)
LEOFF 2	(40,366)
<b>TOTAL</b>	<b>(319,930)</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2015, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ -
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 317,281
Contributions subsequent to the measurement date	\$ 308,087	\$ -
<b>TOTAL</b>	<b>\$ 308,087</b>	<b>\$ 317,281</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 450,049	\$ -
Net difference between projected and actual investment earnings on pension plan investments		\$ 1,130,211
Changes of assumptions	\$ 6,822	
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 27,941
Contributions subsequent to the measurement date	\$ 328,209	\$ (6,350)
<b>TOTAL</b>	<b>\$ 785,080</b>	<b>\$ 1,151,802</b>

<b>PSERS 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 72,541	
Net difference between projected and actual investment earnings on pension plan investments	\$ -	
Changes of assumptions	\$ 479	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 105	\$ 38,404
Contributions subsequent to the measurement date	\$ 79,053	
<b>TOTAL</b>	<b>\$ 152,178</b>	<b>\$ 38,404</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 19,406
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 19,406</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 89,734	\$ -
Net difference between projected and actual investment earnings on pension plan investments		\$ 310,493
Changes of assumptions	\$ 2,703	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 88,250
Contributions subsequent to the measurement date	\$ 61,050	
<b>TOTAL</b>	<b>\$ 153,487</b>	<b>\$ 398,743</b>

Deferred outflows of resources related to pensions resulting from the county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2016	(122,967)
2017	(122,967)
2018	(122,967)
2019	51,620
2020	-
Thereafter	-

<b>Year ended December 31:</b>	<b>PERS 2-3</b>
2016	(313,207)
2017	(313,207)
2018	(313,209)
2019	244,693
2020	-
Thereafter	-

<b>Year ended December 31:</b>	<b>PSERS 2</b>
2016	(3,139)
2017	(3,139)
2018	(3,143)
2019	19,769
2020	12,188
Thereafter	12,184

<b>Year ended December 31:</b>	<b>LEOFF 1</b>
2016	(7,530)
2017	(7,530)
2018	(7,530)
2019	3,185
2020	-
Thereafter	-

<b>Year ended December 31:</b>	<b>LEOFF 2</b>
2016	(120,572)
2017	(120,572)
2018	(120,573)
2019	54,442
2020	806
Thereafter	161

## **NOTE 8 - RISK MANAGEMENT**

### **A. GENERAL LIABILITY & PROPERTY INSURANCE**

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2015, Kittitas County selects a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2014-15, this “corridor” increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2014-15, Kittitas County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool's operations, program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

During 2014-15, the WCRP's assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool's net position decreased slightly from \$19.4 million to \$18.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2015 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

## **B. WORKERS COMPENSATION**

The County pays premiums to State of Washington Department of Labor and Industries based on hours worked for each employee. 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. On December 2015, the County has a credit account balance of \$131,995.

## **C. UNEMPLOYMENT COMPENSATION**

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security \$24,699 in unemployment charges in 2015. The County also contracts with TALX Corporation to assist with the claims handling, and in 2015 we paid \$1,791.

## **NOTE 9 – SHORT TERM DEBT**

Kittitas County had no outstanding short term debt as of December 31, 2015 and no short-term debt activities during 2015.

## **NOTE 10 - LONG-TERM DEBT**

### **A. LONG TERM DEBT – GOVERNMENTAL TYPE**

#### **LIMITED TAX G.O. & REFUNDING BONDS 2010**

During 2010, the County issued bonds in the amount of \$11,185,000. The Bonds are being issued for the purpose of construction of repairs and expansion of the County Jail, acquisition of a building for court facilities, remodel of a building on the County fairgrounds, refunding of an advanced basis the County's Limited

Tax General Obligation Bonds, 2001, paying the costs of issuance of the Bonds, and other legal purposes of the County. The federal arbitrage regulations apply to the 2010 GO & Refund Bonds debt.

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation and Refunding Bonds, 2010	20 years Dec 2010-2030	2%-3.75%	\$11,185,000	\$600,000

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2016	\$450,000	\$272,331
2017	455,000	263,331
2018	475,000	253,094
2019	485,000	234,094
2020	510,000	214,694
2021-2025	2,760,000	835,913
2026-2030	3,240,000	356,825
<b>TOTAL</b>	<b>\$8,375,000</b>	<b>\$2,430,282</b>

**B. LONG TERM LIABILITIES – BUSINESS TYPE**

**SOLID WASTE PUBLIC WORKS TRUST FUND LOAN**

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

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

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

Year Ending December 31	Principal	Interest
2016	\$75,000	\$2,625
2017	75,000	2,250
2018	75,000	1,875
2019	75,000	1,500
2020	75,000	1,125
2021-2022	150,000	1,125
<b>TOTAL</b>	<b>\$525,000</b>	<b>\$10,500</b>

**C. DEBT LIMITS**

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

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

The total tax property value was \$5,782,294,144 and the debt limits for the County as of December 31, 2015 was as follows:

<b>Purpose of Indebtedness</b>	<b>Remaining Capacity</b>
General Purposes – without a vote of the people	\$ 74,966,209
General Purposes – with a vote of the people	144,557,354

## **NOTE 11 – LEASES**

### **A. OPERATING LEASES**

The county leased two copiers under non-cancelable operating leases. Total cost for such leases was \$7,647 for the year ended December 31, 2015. The future minimum lease payments for these leases are as follows:

<b>Year Ending December 31</b>	<b>Amount</b>
2016	\$5,521
2017	4,680
2018	344
<b>Total</b>	<b>\$10,545</b>

### **B. CAPITAL LEASES**

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

The following table is a listing of the outstanding debt on the capital leases for 2015:

<b>Asset</b>	<b>Governmental Activities</b>
DM 525 Mail Machine System-UDC	-
Sharp MX-C401 Copier-UDC	-
Postbase 65-UDC	10,246
Sharp MX-3640N-UDC	7,645
Sharp MX-M623N-Treasurer	4,133
Sharp MX-C311(1) & Xerox W5655PT(2)-Prosecutors	-
Sharp MX-5111-Prosecutor	3,870
Canon IR-ADV C5250-Prosecutor	12,008
ViewScan II-Auditor	2,391
Mail Machine-Centormail 140-Auditor	6,104
Sharp MX-3100N(2) & MX-M453N(1)-Sheriff	-
Sharp MX-3100N-Sheriff	1,723
Sharp MX M453N (2) Copiers-Sheriff	5,376
Sharp MX-M453N-Sheriff	5,166
Sharp MX3140N (3) Copiers-Sheriff	42,872
Xerox W5655PT-Juvenile/Clerk/Sup Court	-
ViewScan II-Clerk	2,391
Canon IR 6265- Juvenile/Clerk/Sup Court	9,620
NetApp IT Server	73,057
OCE CM4521 Copier-Public Health	3,909
Canon C33330i-Assessor	5,983
<b>Total</b>	<b>\$196,492</b>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2015, are as follows:

Year Ending December 31	Governmental Activities
2016	\$103,937
2017	50,381
2018	22,128
2019	19,805
2020	2,185
Total Minimum Lease Payments	\$198,436
Less: Interest	(1,943)
<b>Present Value of Minimum Lease Payments</b>	<b>\$196,493</b>

## **NOTE 12 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2015, the following changes occurred in long-term liabilities: Five departments have upgraded their copiers for an increase in leases of \$94,559.53 and Upper District Court added a new postage machine for \$11,599.20. The amount reported for Capital Leases on the following chart and on the General Ledger includes sales tax.

Compensated absences are recorded using the actual leave balances accumulated for each employee. The liability for the governmental funds for 2015 is \$2,497,168. The due within one year amount is the average of the past three year payoff to separated employees. The average due within one year for Governmental Activities is \$67,692 and the Business type was estimated at \$2,755.02 due within one year. Total vacation, sick leave and compensatory time pay-off recorded during 2015 for all Governmental Funds was \$89,265. At this time, the liability to the Proprietary Funds for unused vacation, sick leave and compensatory time is \$190,527.

The pension liability is recorded based upon GASB 68 requirements, effective January 1, 2015. The adjustment amount is reflects the beginning balance for January 1, 2015, which was not reported in 2014.

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

	Beginning Balance 01/01/15	Additions	Adjustments	Reductions	Ending Balance 12/31/15	Due Within One Year
<b>Governmental Activities</b>						
Bonds Payable: Revenue/Assessment Bonds	\$8,975,000	-	-	\$600,000	\$8,375,000	\$450,000
Capital Leases	200,896	106,159	(1)	110,562	196,492	102,235
Compensated Absences	2,618,777	-	-	121,609	2,497,168	67,692
Other Post Employment Benefits	771,529	70,708	-	-	842,237	-
Pension Liabilities		3,144,828	6,569,161	-	9,713,989	-
<b>Total</b>	<b>\$12,566,202</b>	<b>\$3,321,695</b>	<b>6,569,160</b>	<b>\$832,171</b>	<b>\$21,624,886</b>	<b>\$ 619,927</b>
<b>Business-Type Activities</b>						
Compensated Absences	\$216,811	\$12,706	-	\$38,989	\$190,528	\$2,755
Pension Liabilities	0-	171,421	225,527	-	396,948	-
Long-Term Liabilities	600,001	-	-	75,000	525,001	75,000
Landfill Closure Cost	1,133,732	6,294	-	54,345	1,085,680	117,559
<b>Total</b>	<b>\$ 1,950,543</b>	<b>\$190,421</b>	<b>225,527</b>	<b>\$168,335</b>	<b>\$ 2,198,156</b>	<b>\$ 195,314</b>
<b>GRAND TOTAL</b>	<b>\$14,516,745</b>	<b>\$3,512,116</b>	<b>\$6,794,687</b>	<b>\$1,000,506</b>	<b>\$23,823,043</b>	<b>\$815,241</b>

## **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 2015 are expected to be immaterial at this time.

### **LAWSUITS PENDING IN WHICH KITTITAS COUNTY, ITS OFFICERS AND/OR AGENTS ARE PARTIES AND MONEY DAMAGES ARE SOUGHT AS OF DECEMBER 31, 2015**

1. Allen et al v. Kittitas County

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

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

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

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

Sky Allphin submitted a broad public records request in October of 2012 to the County. The County filed a complaint for declaratory judgment and injunctive relief to enjoin disclosure of confidential work product and to protect attorney-client privileged records. This case is currently on appeal. Risk Pool retained counsel is handling the case.

3. Stan Blazynski v. Marsha Weyand

Board of Tax Appeals Cause No. 14-063 (for 2014 case)

Board of Tax Appeals Cause No. 15-024 (for 2015 case)

Blazynski has filed an appeal for the 2014 and 2015 assessment of his property as valued by the Kittitas County Assessor's office. Per the appeal, appellant is claiming that the assessment is overvalued. Risk Pool coverage is denied because the matter deals with the potential for refund of taxes.

4. Anthony E. Grabicki, Trustee for Skyline Contractors, Inc. v. Kittitas County

United States District Court for the Eastern District Cause No. 2:15-CV-355-SAB

Plaintiffs filed summons and jury trial demand under 28 USC (referenced case 13-00487-FPC7 in United States Bankruptcy Court for the Eastern District of Washington of Spokane) claiming breach of contract worth \$1,380,050 for work performed by Skyline Contractors, Inc. The matter is being handled by outside counsel retained by the Kittitas County Commissioners.

5. CenturyLink et al v. Adams County et al

Grant County Superior Court Cause No. 15-2-00778-1

Summons and complaint for refund of property taxes filed against all Washington Counties and the Washington Department of Revenue for taxes assessed in the years 2013 and 2014. Plaintiff's claim that the valuations of the properties are excessive. Defense is being handled by the Attorney General of Washington via a Tender of Defense on behalf of Kittitas County. This is not handled by Risk Pool as it deals with the refund of property taxes.

6. Joseph A. Richmond

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

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

**CLAIMS FOR DAMAGES AGAINST KITTITAS COUNTY THROUGH DECEMBER 31, 2015**

1. Nancy and Jerald Pague:

Claim for Damages filed September 10, 2015 alleging that a county public works dump truck sprayed the claimant’s vehicle with debris. Claim was approved by the BOCC and paid upon the receipt of an executed release of all claims.

2. Michael and Chandra Zechmeister:

Claim for Damages filed August 12, 2015 alleging \$3,272.36 in damages after being allegedly struck by a county vehicle. The claim was referred to Risk Pool. No further action has been taken by Kittitas County as we are awaiting a response from the Claimants.

3. Mahannah Sadler:

Claim for Damages filed May 14, 2015 alleging damages of \$3,348,682.52 resulting from a motor vehicle/motorcycle accident that involved the claimant, her husband and a sheriff employee, while said employee was on duty. The claim was referred to Risk Pool. No further action has been taken by Kittitas County as we are awaiting a response from the Claimant.

**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, 2015 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

	Due From						Total
	General fund	County Road	Community Development Services	Equipment Rental & Revolving	All Others		
<b>Due To</b>							
General Fund	-	\$240	\$100,000	-	\$16,511		<b>\$116,751</b>
County Road	21,876	-	-	306,209	-		<b>\$328,085</b>
Solid Waste	4,495	-	-	-	-		<b>\$4,495</b>
Community Development Services	7,226	555	-	-	-		<b>\$7,782</b>
Equipment Rental & Revolving	2,617	2,086	-	-	-		<b>\$4,703</b>
All Others	123,688	156,712	415	3,124	-		<b>\$283,939</b>
<b>Total</b>	<b>\$159,901</b>	<b>\$159,594</b>	<b>\$100,415</b>	<b>\$309,332</b>	<b>\$16,511</b>		<b>\$745,753</b>

**B. INTERFUND TRANSFERS**

Interfund transfers during 2015 included contributions between funds. The balances were as follows:

		Transfer From		
Transfer To		General Fund	Non Major Government	TOTAL
	General Fund	-	\$649,502	<b>\$649,502</b>
	Road	-	41,507	<b>\$41,507</b>
	Non-Major Governmental	473,127	795,778	<b>\$1,268,905</b>
	<b>TOTAL</b>	<b>\$473,127</b>	<b>\$1,486,786</b>	<b>\$1,959,913</b>

**C. INTERFUND LOANS**

Interfund Loans between funds for 2015 were as follows:

		Loan From			
Loan To		Solid Waste	Equipment Rental & Revolving	Total	Loan Purpose
	General Fund	\$1,525,945	\$1,496,652	<b>\$3,022,597</b>	SW-WSDC-Energy Efficiency Grant \$725,945 SW-Armory Renovation \$800,000 ER&R-Trust Water Rights
	<b>Total</b>	<b>\$1,525,945</b>	<b>\$1,496,652</b>	<b>\$3,022,597</b>	

**NOTE 15 – RECEIVABLE AND PAYABLE BALANCES**

**A. RECEIVABLES**

Receivables at December 31, 2015 were as follows:

		Type								
		Accounts	Court	Employee	Interest	Recording Unbilled	Special Assessments	Rent	Taxes	Total
Funds	General	\$49,932	\$1,912,158	\$3,406	\$4,290	\$4,719	\$13,716	\$16,253	\$439,673	<b>\$2,444,147</b>
	Non Major Governmental	11,512	150,238	-	988	-	9,763	-	32,995	<b>205,496</b>
	Road	13,503	-	-	2,776	-	-	-	263,022	<b>279,301</b>
	Solid Waste	222,903	-	-	527	-	-	60,262	-	<b>283,692</b>
	Equipment Rental & Revolving	-	-	-	582	-	-	-	-	<b>582</b>
	<b>Total</b>	<b>\$297,850</b>	<b>\$2,062,395</b>	<b>\$3,406</b>	<b>\$9,164</b>	<b>\$4,719</b>	<b>\$23,479</b>	<b>\$76,515</b>	<b>\$735,690</b>	<b>\$3,213,218</b>

**B. PAYABLES**

Payables at December 31, 2015 were as follows:

		Type					Total
		Vouchers	Salaries	Retainage	Due to Other Governmental	Deposits	
<b>Funds</b>	<b>General</b>	\$485,760	\$17,282	\$756	\$907	\$8,846	<b>\$513,550</b>
	<b>Non Major Governmental</b>	638,835	5,966	-	92,505	462,591	<b>1,199,896</b>
	<b>Road</b>	707,377	222,417	181,495	540	7,896	<b>1,119,725</b>
	<b>Solid Waste</b>	193,545	6,602	-	(3,108)	-	<b>197,038</b>
	<b>Community Development Services</b>	28,070	2,159	-	-	-	<b>30,229</b>
	<b>Equipment Rental &amp; Revolving</b>	89,842	36,742	-	5,417	-	<b>132,001</b>
	<b>Unemployment</b>	7,593	-	-	-	-	<b>7,593</b>
	<b>Total</b>	<b>\$2,151,020</b>	<b>\$291,167</b>	<b>\$182,251</b>	<b>\$96,260</b>	<b>\$479,333</b>	<b>\$3,200,033</b>

**NOTE 16 - JOINT VENTURES**

**A. City of Ellensburg**

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2015 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	\$49,000	\$51,865
Tour Fees	5,500	2,970
Other	21,600	27,883
Total Revenues	76,100	82,718
City of Ellensburg Support	\$77,828	\$84,655

**B. Snoqualmie Pass Utility District**

The E. R. & R. Fund and the Snoqualmie Pass Utility District constructed a joint shop at Hyak. We each own 1/2 of the building and have joint responsibility for the small common entrance area. A condominium agreement was filed and an owner's association/board formed for legal purposes. The county will manage the reserves for future repairs and maintenance of the common parts of the building, grounds, etc. The current amount in reserve is \$14,397.92.

**C. Related Parties**

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

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

**A. PLAN DESCRIPTION**

In addition to the retirement described in the Pension note 7 above, the County provides certain medical insurance benefits for retired public safety employees. Substantially the entire County’s LEOFF 1 employees may become 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 7 retired LEOFF 1 employees who are eligible to receive these benefits.

**B. FUNDING POLICY**

In 2015, expenditures of \$54,894 for medical premiums and billings were recognized for post employment health benefits. The program is funded “pay as you go”.

**C. ANNUAL OPEB COST AND NET OPEB OBLIGATION**

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

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

The net OPEB obligation of \$842,237 is included as a noncurrent liability on the Statement of Net position.

Annual Required Contribution (ARC)	\$ 162,723
Net OPEB Obligation Interest	34,719
Net OPEB Obligation Amortization	(71,840)
Annual OPEB cost	\$ 125,602
Less: Contributions made	(54,894)
Increase in net OPEB obligation	\$ 70,708
Net OPEB Obligation beginning of year 2015	771,529
Net OPEB Obligation end of year 2015 (NOO)	\$842,237

The County’s annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through 2015 were as follows:

Fiscal Year Ended	Annual OBEB Cost	Percentage of Annual OBEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$204,692	33.0%	\$137,106
12/31/2009	193,917	32.0%	131,549
12/31/2010	187,723	41.1%	110,570
12/31/2011	185,991	36.1%	118,934
12/31/2012	158,320	41.3%	92,963
12/31/2013	153,848	39.3%	93,433
12/31/2014	136,958	36.5%	86,974
12/31/2015	125,602	43.7%	70,708
		TOTAL	\$842,237

## **D. FUNDING STATUS**

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$1,747,571 and the actuarial value of the assets was \$0 resulting in a UAAL of \$1,747,571. Historically, Kittitas County has used a pay-as-you-go approach to funding.

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

## **E. ACTUARIAL METHODS AND ASSUMPTIONS**

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The Actuarial Accrued Liability and Net OPB Obligation are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

## **NOTE 18 - CLOSURE AND POST CLOSURE CARE COSTS**

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

<b>Date</b>	<b>Change/Modification</b>
November 1993	Promulgation of new State Landfill Regulation WAC 173-351
December 1995	A new operations contractor was chosen in the bid process to operate each transfer Station and the balefill. A three year contract was signed.
February 1996	Major Flooding at the Ellensburg transfer station
March 1996	Leachate observed flowing from the southern tip of Ryegrass balefill
August 1996	Fire at balefill
December 1996	Record snowfall and snowload resulted in the collapse of the Ellensburg transfer station baler building
December 1996	A major fire broke out at Ryegrass balefill
January 1998	Flooding at Ellensburg transfer station
June 1998	Department of Ecology Air Quality Program issued an Order under RCW 70.94 requiring corrective action in operations of the balefill.
September & December 1998	Chloride levels in ground watering monitoring Well B-4 exceeded groundwater standards.
April 1998	Began discussion/negotiations on an Agreed order under the Model Toxics Control Act for closure of the landfill with the Department of Ecology.
April 1998	The Landfill is closed and not accepting any more garbage. The landfill has been covered and must be monitored for 30 years.

December 21, 2004	Resolution 2004-132 Established Reserve Fund 401-011 CDL Post Closure. This money is to be used for the closure and post closure care of the Limited Purpose Landfill which the County operates.
January 2005	CDL post Closure account was started with \$200,000

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

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

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

**A. RYEGRASS LANDFILL POST CLOSURE**

In 2014, the County estimated the liability for post-closure care cost for the Ryegrass landfill to be \$397,947. The 2015 actual costs for post-closure care was \$54,345 leaving a liability of \$343,601. As required by federal, state, and local regulations, cash in the amount of \$507,561 has been restricted for post-closure care. The tip fee for the post-closure cash reserve for 2015 was \$45,308.05 (29,231 tons of garbage at \$1.55 per ton), which will be placed into the reserve in 2016. A plan update was completed in 2012 for regulating compliance with Department of Ecology for monitoring. A plan for cost and air space analysis is to be updated in 2016.

<b>Rye Grass Closure Account</b>	<b>Recorded Liability</b>	<b>Actual Costs</b>	<b>Year</b>	<b>Cash Reserve</b>
12/31/08	\$662,080	\$(16,602)	2009	\$326,209
12/31/09	645,477	(51,108)	2010	326,209
12/31/10	594,369	(48,589)	2011	326,209
12/31/11	545,781	(46,157)	2012	326,209
12/31/12	499,623	(55,396)	2013	418,259
12/31/13	444,227	(46,280)	2014	462,856
12/31/14	397,947	(54,345)	2015	507,561
12/31/15	343,601			

**B. LIMITED LANDFILL POST CLOSURE**

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. Based upon the report from RW Beck, the estimated closure costs are \$908,847. The closure is estimated to be 2021 with post-closure activities to occur through 2041. The total cost of completing post-closure for the 20 year period is \$242,760 (2004 dollars). The total landfill capacity is 470,258 cubic yards. The total amount of capacity used through December 31, 2015 is 303,027 cubic yards.

The recorded liability for December 31, 2015 is calculated as follows:

Total Closure Cost	\$1,151,607.00	(\$908,847 + 242,760 post-closure)
X	<u>303,027.00</u>	Cumulative capacity used in 2014
	348,968,014,389.00	
÷	<u>470,258.00</u>	Total landfill capacity
	742077.78	Estimated liability for post-closure
-	<u>735,784.15</u>	2009 thru 2014 Total recorded liability
	\$6,293.63	2015 Total liability

As required by federal, state, and local regulations, cash in the amount of \$286,072 has been restricted for post-closure care. The tip fee of \$2.44 per ton for the post-closure cash reserve for 2015 was \$10,335.03, which will be placed into the reserve in 2016.

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

## **NOTE 19 – OTHER DISCLOSURES**

### **A. ACCOUNTING AND REPORTING CHANGES**

#### **1. CHANGES IN ACCOUNTING PRINCIPLE- GASB 68 AND PRIOR YEAR ADJUSTMENT TO STATEMENT OF ACTIVITIES**

The following list of funds had adjustments to the Statement of Activities. The adjustments will reflect differences in ending and beginning balances on the; Statement Activities.

Governmental Activities had a change in Accounting Principles the beginning balances as a requirement of GASB 68 in the amount of \$- 7,288,253 and

Equipment Rental Revolving fund had a change in prior year for reserve balance in the amount of \$-4,454

Solid Waste fund had a change in Change in Accounting Principles the beginning balances as a requirement of GASB 68 in the amount of \$-184,324; Community Development Services fund had a change in prior year for pension beginning balances in the amount of \$-255,617.

#### **2. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY**

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

County Road	
Transportation	\$39,554.85

#### **3. CHANGES IN ACCOUNTING PRINCIPLE AND PRIOR YEAR ERROR – Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position**

Solid Waste fund had a changes in Accounting Principle for GASB 68 Pension reporting with beginning balances in the amount of -184,234; Community Development Services fund had a change in prior year for pension beginning balances in the amount of \$-255,617

Equipment Rental Revolving fund had a change in prior year for reserve balance in the amount of \$-4,454.

#### **4. GASB 68 IMPLEMENTATION – Pension Reporting**

Effective the 2015 reporting period, we implemented the reporting requirements for GASB 68. Kittitas County contracts with the State of Washington, Department of Retirement systems for their pension plans. The contribution rates for employee and employer are set by the State. Under the GASB 68 measuring the net pension liability, deferred outflows of resources and deferred inflows of resource related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the State of Washington Department of Retirement systems.

### **B. SUBSEQUENT EVENTS**

#### **1. PROPERTY PURCHASE – SHADY ACRES MOBILE HOME PARK**

On April 19, 2016, the Board of County Commissioners adopted Resolution 2016-053, authorizing the Chairman of the Board to execute the Real Estate Purchase and Sale Agreement for the purchase of Shady Acres Mobile Home Park from Jerold and Diane Barton for the purchase price of \$1,450,000.

#### **2. FUND ACTIVITY**

##### **a. Admission Tax**

This is a newly created department as the Board of County Commissioners per Kittitas County Ordinance 2016-003, implemented a 5% tax. "Admissions charge," in addition to its usual and ordinary meaning includes but shall not be limited to a charge for participation in an event or activity; a charge made for season tickets or subscriptions, or a charge made for use of seats and tables, reserved or otherwise, and other similar accommodations; and a charge made for rental or use of equipment or facilities for purpose of recreation or amusement, and where the rental of the equipment or facilities is necessary to the enjoyment of the privilege for which a general admission is charged, the combined charges shall be considered as an admission charge. A donation for admittance shall also be deemed an admission charge. Admission charge includes any money paid within or without of Kittitas County for any of the kinds of admission charges defined herein so long as the facilities, entertainment, recreation or amusement privilege derived from such admission charge occurs in Kittitas County

##### **b. Water Mitigation**

We created a new proprietary fund called the Water Mitigation Department for the Yakima River Drainage Basin, which comprises the majority of Kittitas County, is fully-appropriated. There is no water available for new appropriations. Senior water rights are defined with priority dates prior to May 10, 1905. All later priority dates are junior and are at risk of curtailment during drought years, whether they are surface water or ground water uses.

Kittitas County is also currently under a compliance order from the Growth Management Hearings Board which requires the county, among other things, to employ measures to protect the quality and quantity of surface water and ground water resources.

The County has negotiated a settlement proposal with the appellants in the Growth Management Hearings Board case, including the Department of Ecology (Ecology). As part of the settlement, the county agrees to consider regulations which will require mitigation for new uses of ground water in Lower Kittitas County residing in the Yakima River Drainage Basin.

##### **c. Treasurer ULID #9 and RID #96-1 Reserve Fund**

On December 29, 2015, the Board of County Commissioners approved Resolution #2015-193 closing this fund, as it would be more efficient to deposit the money received from the program into the General Fund.

### **3. WATER BANK PURCHASES**

On February 25, 2016, the Board of County Commissioners agreed to purchase significantly more senior water rights to add to the County's fledgling water banking program. The deal, worth about \$2.7 million, includes an 1886 water right and a portion of an 1871 water right, both from Coleman Creek. The County expects to receive a total combined consumptive use amount of about 583 acre feet. The per acre foot selling price agreed to by the County and the sellers is \$4,632.45 per acre foot. The County currently owns about 106 consumptive acre feet of water.

**KITTITAS COUNTY, WASHINGTON**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2015**

**General Fund**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 12,360,000	\$ 12,360,000	\$ 13,719,090	\$ 1,359,090
Licenses & Permits	117,400	118,400	162,633	44,233
Intergovernmental	3,334,447	3,113,987	2,989,113	(124,874)
Charges for Services	1,870,239	2,727,514	3,237,648	510,134
Fines & Forfeits	1,612,610	1,612,610	1,414,912	(197,698)
Miscellaneous	1,470,706	1,489,881	1,757,297	267,416
Total Revenues	\$ <u>20,765,402</u>	\$ <u>21,422,392</u>	\$ <u>23,280,693</u>	\$ <u>1,858,301</u>
Expenditures				
General Governmental	\$ 7,576,914	\$ 7,759,710	\$ 6,880,559	\$ 879,151
Judicial	2,684,482	2,739,472	2,586,417	153,055
Security of Persons and Property	8,556,198	9,266,840	7,771,037	1,495,803
Physical Environment	101,500	101,500	84,218	17,282
Transportation	3,717	7,434	7,434	-
Economic Environment	300,245	310,245	266,785	43,460
Mental & Physical Health	143,972	210,075	205,179	4,896
Culture & Recreation	1,306,169	1,341,538	1,308,587	32,951
Debt Service	1,115,625	1,115,625	115,907	999,718
Capital Outlay	1,934,931	2,296,697	2,389,140	(92,443)
Total Expenditures	\$ <u>23,723,753</u>	\$ <u>25,149,136</u>	\$ <u>21,615,262</u>	\$ <u>3,533,874</u>
Excess (Deficit) Revenues over Expenditures	\$ (2,958,351)	\$ (3,726,744)	\$ 1,665,431	\$ 5,392,175
Other Financing Sources (Uses)				
Restitution	\$ 500	\$ 500	\$ 918	\$ 418
Other Loan Proceeds	1,440,000	1,440,000	-	(1,440,000)
Sale of Fixed Assets	7,000	7,000	156	(6,844)
Transfers In	275,000	715,594	649,502	(66,092)
Transfers Out	(420,049)	(463,080)	(473,127)	(10,047)
Total Other Financing Sources (Uses)	\$ 1,302,451	\$ 1,700,014	\$ 177,448	\$ (1,522,566)
Net Change in Fund Balance	\$ (1,655,900)	\$ (2,026,730)	\$ 1,842,880	\$ 3,869,610
Fund Balance, January 1	\$ 9,654,989	\$ 10,025,819	\$ 10,527,186	\$ 501,367
<b>Fund Balance, December 31</b>	<b>\$ <u>7,999,089</u></b>	<b>\$ <u>7,999,089</u></b>	<b>\$ <u>12,370,066</u></b>	<b>\$ <u>4,370,977</u></b>

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

## KITTITAS COUNTY, WASHINGTON

### Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual For the Year Ended December 31, 2015

#### County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 3,906,000	3,906,000	\$ 3,786,816	\$ (119,184)
Licenses & Permits	19,500	19,500	24,414	4,914
Intergovernmental	12,459,834	12,285,034	10,593,783	(1,691,251)
Charges for Services	41,750	216,550	171,330	(45,220)
Miscellaneous	19,500	19,500	32,406	12,906
Total Revenues	<u>\$ 16,446,584</u>	<u>\$ 16,446,584</u>	<u>\$ 14,608,748</u>	<u>\$ (1,837,836)</u>
<b>Expenditures</b>				
General Governmental	\$ 182,000	\$ 182,000	\$ 180,814	\$ 1,186
Transportation	9,371,376	9,371,376	6,973,687	2,397,689
Capital Outlay	13,566,564	13,566,564	9,293,790	4,272,774
Total Expenditures	<u>\$ 23,119,940</u>	<u>\$ 23,119,940</u>	<u>\$ 16,448,291</u>	<u>\$ 6,671,649</u>
Excess (Deficit) Revenues over Expenditures	\$ (6,673,356)	\$ (6,673,356)	\$ (1,839,542)	\$ 4,833,814
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -
Transfers In	144,000	144,000	41,507	(102,493)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 144,000</u>	<u>\$ 144,000</u>	<u>\$ 41,507</u>	<u>\$ (102,493)</u>
Net Change in Fund Balance	\$ (6,529,356)	\$ (6,529,356)	\$ (1,798,036)	\$ 4,731,320
Fund Balance, January 1	\$ 14,189,545	\$ 14,189,545	\$ 15,655,706	\$ 1,466,161
<b>Fund Balance, December 31</b>	<u><b>\$ 7,660,189</b></u>	<u><b>\$ 7,660,189</b></u>	<u><b>\$ 13,857,670</b></u>	<u><b>\$ 6,197,481</b></u>

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

**Kittitas County, Washington**  
**Required Supplemental Information**  
**Notes to Budgetary Comparison Schedule**  
**Year Ended December 31, 2015**

**A. Budgetary Basis**

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

**B. Material Violations**

There were no material violations of finance-related legal or contractual provisions in the general fund and special revenue funds. In addition, these fund's expenditures did not exceed legal appropriation for 2015.

**Kittitas County, Washington**  
**Required Supplemental Information**  
**LEOFF I Retiree Medical Benefits**  
**Schedule of Funding Progress**  
**Year Ended December 31, 2015**

<b>Fiscal Year Ended</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability Entry Age</b>	<b>Unfunded Actuarial Accrued Liabilities (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/08	\$ -	\$2,198,297	\$2,198,297	0%	-	-
12/31/09	\$ -	\$2,082,585	\$2,082,585	0%	-	-
12/31/10	\$ -	\$2,016,062	\$2,016,062	0%	-	-
12/31/11	\$ -	\$2,193,414	\$2,193,414	0%	-	-
12/31/12	\$ -	\$1,957,698	\$1,957,698	0%	-	-
12/31/13	\$ -	\$1,957,698	\$1,957,698	0%	-	-
12/31/14	\$ -	\$1,824,594	\$1,824,594	0%	-	-
12/31/15	\$ -	\$1,747,571	\$1,747,571	0%	-	-

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

# KITTITAS COUNTY

## Required Supplementary Information

### 2015 Annual Report

#### Information about Infrastructure Assets Reported Using the Modified Approach

#### **Asset Management System**

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

#### **Required Documentation**

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

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

#### **Condition Assessment Methods**

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

#### **Gravel Roads in Kittitas County**

Kittitas County owns and maintains over 67 miles of gravel roads, of which about 23 miles are standard gravel roads (non-primitive) and about 44 miles are primitive gravel roads. The standard gravel roads (non-primitive) are those roads that have an average of 101 or more annual daily vehicles and have road signs and warning signs placed along the roadway in accordance with the Manual on Uniform Traffic Control Devices. Primitive gravel roads have 100 or less annual daily vehicles and no design, signing, or maintenance standards are required other than the requirement that warning signs be placed that apply to primitive roads.

**Budgeted and Estimated Costs to Maintain Infrastructure**

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

<b>Table A</b>		
<b>Costs to Maintain Gravel Roads in Kittitas County</b>		
<i>Fiscal Year</i>	<i>Estimated Spending</i>	<i>Actual Spending</i>
2008	\$335,500	\$246,629
2009	\$372,000	\$218,576
2010	\$347,000	\$311,164
2011	\$225,000	\$158,237
2012	\$241,016	\$229,327
2013	\$363,466	\$281,487
2014	\$552,324	\$275,667
2015	\$457,378	\$299,906

**Condition Level Description**

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

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

### Established Condition Level

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

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

Detailed documentation of disclosed assessment levels is kept on file.

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

<b>Table D</b>							
<b>Condition Rating of Standard Gravel Roads (non-primitive) in Kittitas County</b>							
<b>Year</b>	<b>Total Miles</b>	<b>Gravel Road Condition Rating Scores as a Percentage</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>% Rated 3 +</b>
<b>2012</b>	22.69	.09mi 0.44%	0.26mi 1.15%	1.68mi 7.40%	15.03mi 66.24%	5.63mi 24.77%	<b>22.34mi 98.41%</b>
<b>2013</b>	23.16	0	0.05mi 0.22%	4.06mi 17.53%	16.06mi 69.34%	2.45mi 10.57%	<b>22.57mi 97.44%</b>
<b>2014</b>	22.52	0	.05 mi 0.22%	1.12mi 4.97%	7.91mi 35.12%	13.44mi 59.68%	<b>22.47mi 99.78%</b>
<b>2015</b>	20.63*	.05 mi 1 %	0	.07 mi 1%	3.85 mi 18%	16.54mi 80%	<b>20.46 mi 99%</b>

\* Chip Sealed Lambert Rd (1.57 miles), Liberty Rd. (0.25), W.F. Teanaway Rd (0.02), and remove Manitoba Street from Maintenance (.05).

**Table E**  
**Condition Rating of**  
**Primitive Gravel Roads in Kittitas County**

<b>Year</b>	<b>Total Miles</b>	<b>Primitive Gravel Road Condition Rating Scores as a Percentage</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>% Rated 3 +</b>
<b>2012</b>	44.13	2.87mi 6.50%	15.02mi 34.03%	8.82mi 19.99%	11.56mi 26.20%	5.86mi 13.28%	<b>26.24mi</b> <b>59.47%</b>
<b>2013</b>	42.76	1.81mi 4.25%	17.57mi 41.29%	13.29mi 31.22%	9.27mi 21.79%	0.62mi 1.45%	<b>23.18mi</b> <b>54.46%</b>
<b>2014</b>	43.40*	0.87mi 2.01%	13.5mi 31.25%	3.47mi 8.26%	12.42mi 28.75%	12.84mi 29.72%	<b>28.83mi</b> <b>66.74%</b>
<b>2015</b>	43.40	.87mi 2%	13.5mi 31%	1.49mi 3%	11.47mi 26%	16.07mi 38%	<b>29.03mi</b> <b>67%</b>

\* Added Bently Rd (0.54), and Fern Rd (0.10).

**Attachment A  
Gravel Road Condition Rating Form**

**Kittitas County  
Department of Public Works 9/20/2016  
Gravel Road Rating Worksheet**

Road Name: \_\_\_\_\_ Road No. \_\_\_\_\_

From: \_\_\_\_\_ to \_\_\_\_\_

ADT \_\_\_\_\_ FFC \_\_\_\_\_ Posted Speed Limit \_\_\_\_\_ Scorer \_\_\_\_\_

Check the following:

**CROWN**

**DRAINAGE**

**GRAVEL LAYER**

**SURFACE DEFORMATION**

**SURFACE DEFECTS**

**ROUTES :**

**US Mail Route ?**

**School Bus Route?**

**CONNECTOR**

**MAINTENANCE COSTS** \_\_\_\_\_

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

TOTAL PROJECT RATING \_\_\_\_\_ DATE \_\_\_\_\_

INFORMATION - State Sponsored Plans

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

	2015
<b>PERS 1</b>	
Total Net Pension Liability	\$ 5,230,930,000
Employer's proportion of the net pension liability (asset)	11.086400%
Employer's proportionate share of the net pension liability	\$ 5,799,218
TOTAL	\$ 5,799,218
Employer's covered employee payroll	\$ 421,076
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	7.26%
Plan fiduciary net position as a percentage of the total pension liability	59.10%
<b>PERS 2 &amp; 3</b>	
Total Net Pension Liability	\$ 3,573,057,000
Employer's proportion of the net pension liability (asset)	11.849100%
Employer's proportionate share of the net pension liability	\$ 4,233,751
TOTAL	\$ 4,233,751
Employer's covered employee payroll	\$ 10,519,395
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	248.47%
Plan fiduciary net position as a percentage of the total pension liability	89.20%
<b>PSERS 2</b>	
Total Net Pension Liability	\$ 18,252,000
Employer's proportion of the net pension liability (asset)	0.424215%
Employer's proportionate share of the net pension liability	\$ 77,428
TOTAL	\$ 77,428
Employer's covered employee payroll	\$ 1,242,054
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1604.14%
Plan fiduciary net position as a percentage of the total pension liability	90.92%
<b>LEOFF 1</b>	
Total Net Pension Liability	\$ (1,205,221,000)
Employer's proportion of the net pension liability (asset)	0.953800%
Employer's proportionate share of the net pension liability	\$ (114,954)
TOTAL	\$ (114,954)
Employer's covered employee payroll	\$ 0
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%
<b>LEOFF 2</b>	
Total Net Pension Liability	\$ (1,027,800,000)
Employer's proportion of the net pension liability (asset)	0.997030%
Employer's proportionate share of the net pension liability	\$ (1,024,747)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (58,166)
TOTAL	\$ (1,082,913)
Employer's covered employee payroll	\$ 2,894,005
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-267.24%
Plan fiduciary net position as a percentage of the total pension liability	111.67%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**KITTITAS COUNTY, WASHINGTON**  
 Schedule of Employer Contributions  
 Pension Plans; PERS 1, PERS 2 &3, PSERS 2, LEOFF 1, LEOFF 2  
 As of December 31, 2015

	<u>2015</u>
<b>PERS 1</b>	
Statutorily or contractually required contributions	\$ 566,744
Contributions in relation to the statutorily or contractually required contributions	\$ <u>(566,744)</u>
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 508,330
Contributions as a percentage of covered employee payroll	% 111.49%
<b>PERS 2 &amp; 3</b>	
Statutorily or contractually required contributions	\$ 593,742
Contributions in relation to the statutorily or contractually required contributions	\$ <u>(593,742)</u>
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 10,547,981
Contributions as a percentage of covered employee payroll	% 5.63%
<b>PSERS 2</b>	
Statutorily or contractually required contributions	\$ 78,916
Contributions in relation to the statutorily or contractually required contributions	\$ <u>(78,916)</u>
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 1,219,050
Contributions as a percentage of covered employee payroll	% 6.47%
<b>LEOFF 1</b>	
Statutorily or contractually required contributions	\$ 0
Contributions in relation to the statutorily or contractually required contributions	\$ <u>0</u>
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 0
Contributions as a percentage of covered employee payroll	% 0.00%
<b>LEOFF 2</b>	
Statutorily or contractually required contributions	\$ 130,605
Contributions in relation to the statutorily or contractually required contributions	\$ <u>(130,605)</u>
Contribution deficiency (excess)	\$ <u>0</u>
Covered employer payroll	\$ 2,586,232
Contributions as a percentage of covered employee payroll	% 5.05%

**Kititas County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Forest Service Schools and Roads Cluster</b>								
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NA	-	533,763	533,763	-	9,4
<b>Total Forest Service Schools and Roads Cluster:</b>				-	<b>533,763</b>	<b>533,763</b>	-	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via NOAA)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	PRISM#12-1358	39,065	-	39,065	-	8
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via NOAA)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	PRISM#13-1315P	236,521	-	236,521	-	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via NOAA)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	PRISM#13-1347	21,622	-	21,622	-	
<b>Total CFDA 11.438:</b>				<b>297,208</b>	-	<b>297,208</b>	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via CDBG Hopesource)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	15-62210-008	23,254	-	23,254	21,761	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Dept of Commerce Hopesource)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	14-65400-008	50,608	-	50,608	49,108	8
<b>Total CFDA 14.228:</b>				<b>73,862</b>	-	<b>73,862</b>	<b>70,868</b>	
Violence Against Women Office, Department Of Justice (via Department of Justice)	Violence Against Women Formula Grants	16.588	F14-31103-018	14,304	-	14,304	-	7
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2015-AP-BX-0623	-	6,177	6,177	-	7,8
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	NA	-	6,534	6,534	-	4,8

The accompanying notes are an integral part of this schedule.

Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	NA	-	3,071	3,071	-	4
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via Wa St Dept of Transportation)	Highway Planning and Construction	20.205	LA-7118	2,742,692	-	2,742,692	-	8
Federal Highway Administration (fhwa), Department Of Transportation (via Wa St Dept of Transportation)	Highway Planning and Construction	20.205	LA-8708	19,871	-	19,871	-	-
				<b>Total Highway Planning and Construction Cluster:</b>	-	<b>2,762,562</b>	-	-
<b>Highway Safety Cluster</b>								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Wa Traffic Safety Commission-HVE)	State and Community Highway Safety	20.600	NA	8,389	-	8,389	-	4,8,7
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Wa Traffic Safety Commission (HVE))	State and Community Highway Safety	20.600	na	1,557	-	1,557	-	4,7
				<b>Total Highway Safety Cluster:</b>	-	<b>9,946</b>	-	-
U.s. Election Assistance Commission (via Secretary of State)	Help America Vote Act Requirements Payments	90.401	G2844#4	1,824	-	1,824	-	-
Office Of The Secretary, Department Of Health And Human Services (via Dept of Health & Human Services Office of the Secretary)	Medical Reserve Corps Small Grant Program	93.008	MRC 14-2569	50	-	50	-	8
Office Of The Secretary, Department Of Health And Human Services (via Dept of Health & Human Services Office of the Secretary)	Medical Reserve Corps Small Grant Program	93.008	MRC 115-2569C	5,113	-	5,113	-	8
				<b>Total CFDA 93.008:</b>	-	<b>5,163</b>	-	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health & Human Services Centers for Disease Control and Prevention)	Public Health Emergency Preparedness	93.069	C-17114	50,522	-	50,522	-	7

The accompanying notes are an integral part of this schedule.

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health & Human Services Centers for Disease Control and Prevention)	Public Health Emergency Preparedness	93.069	C-17114	24,078	-	24,078	-	8,7
<b>Total CFDA 93.069:</b>				<b>74,600</b>	-	<b>74,600</b>	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Kittitas County Community Network)	Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	NA	806	-	806	-	4,7
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health & Human Services Centers for Disease Control and Prevention)	Immunization Cooperative Agreements	93.268	C-17114	9,016	-	9,016	-	5,6,7,8
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa St Dept of Health)	Immunization Cooperative Agreements	93.268	NA	57,398	-	57,398	-	5,4,3,8
<b>Total CFDA 93.268:</b>				<b>66,414</b>	-	<b>66,414</b>	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Kittitas County Community Network Coalition)	Drug-Free Communities Support Program Grants	93.276	na	2,672	-	2,672	-	4,7
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health & Human Services Center for Disease Control and Prevention)	National State Based Tobacco Control Programs	93.305	NA	1,087	-	1,087	-	4,7
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health & Human Serv Centers for Disease Control and Prevention)	Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524	2013-121221	5,325	-	5,325	-	8

Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health and Human Services Centers for Medicare & Medicaid Services)	93.525	NA	15,975	-	15,975	-	4,877
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health & Human Services Centers for Medicare & Medicaid Services)	93.525	NA	6,169	-	6,169	-	4,7
<b>Total CFDA 93.525:</b>			<b>22,143</b>	<b>-</b>	<b>22,143</b>	<b>-</b>	
Administration For Children And Families, Department Of Health And Human Services (via DSHS)	93.563	2110-80579	13,253	-	13,253	-	7,8
Administration For Children And Families, Department Of Health And Human Services (via DSHS)	93.563	2110-80577	93,625	-	93,625	-	7,8
<b>Total CFDA 93.563:</b>			<b>106,878</b>	<b>-</b>	<b>106,878</b>	<b>-</b>	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health and Human Services Centers for Disease Control and Prevention)	93.757	NA	14,996	-	14,996	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health & Human Services Center for Disease Control and Prevention)	93.758	NA	7,272	-	7,272	950	4
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health and Human Services Centers for Medicare and Medicaid Services)	93.774	NA	118	-	118	-	4
<b>Medicaid Cluster</b>							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health & Human Services Centers for Medicare and Medicaid Services)	93.778	NA	3,463	-	3,463	-	4,8

Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health & Human Services Centers for Medicare and Medicaid Services)	93.778	1163-35250	21,871	-	21,871	-	8	
Medical Assistance Program								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health and Human Services Centers for Medicare and Medicaid Services)	93.778	K763	4,825	-	4,825	-		
Medical Assistance Program								
<b>Total Medicaid Cluster:</b>							<b>30,159</b>	<b>30,159</b>
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept of Health & Human Services Substance Abuse & Mental Health Services Admin)	93.959	1563-43842	13,121	-	13,121	-		
Block Grants for Prevention and Treatment of Substance Abuse								
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept of Health & Human Services Substance Abuse & Mental Health Services Admin)	93.959	1163-27314	21,141	-	21,141	21,141	8	
Block Grants for Prevention and Treatment of Substance Abuse								
<b>Total CFDA 93.959:</b>							<b>34,262</b>	<b>21,141</b>
Health Resources And Services Administration, Department Of Health And Human Services (via Dept of Health & Human Services Health Resources & Services Admin)	93.994	C17114	49,143	-	49,143	14,073	7	
Maternal and Child Health Services Block Grant to the States								
Department Of Homeland Security (via Wa St Recreation Boating Safety Program)	97.012	NA	15,327	-	15,327	-	4,8,7	
Boating Safety Financial Assistance								
Department Of Homeland Security (via St of Wa Military Dept-Emerg Mgmt)	97.036	D15-232	14,335	-	14,335	-	10,12,8	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)								
Department Of Homeland Security (via St of Wa Military Dept (FEMA))	97.036	D11-012	64,318	-	64,318	-	10,12,8	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)								
<b>Total CFDA 97.036:</b>							<b>78,653</b>	<b>78,653</b>

Department Of Homeland Security (via WA St Military Dept & US Dept of Homeland Security)	Emergency Management Performance Grants	97.042	E15-092	8,124	-	8,124	-	8
Department Of Homeland Security (via Department Military)	Pre-Disaster Mitigation	97.047	E15-243	135,425	-	135,425	-	
Department Of Homeland Security (via WA ST Military Dept & US Dept of Homeland Security)	Homeland Security Grant Program	97.067	E13-149	32,176	-	32,176	-	8,7
Department Of Homeland Security (via Wa St Military Dept and US Dept of Homeland Security)	Homeland Security Grant Program	97.067	E14-150	48,487	-	48,487	-	8,7
Department Of Homeland Security (via Wa St Military Dept & US Dept of Homeland Security)	Homeland Security Grant Program	97.067	E15-106	49,773	-	49,773	-	8,7
<b>Total CFDA 97.067:</b>				<b>130,436</b>	<b>-</b>	<b>130,436</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>3,948,711</b>	<b>549,545</b>	<b>4,498,254</b>	<b>107,032</b>	

The accompanying notes are an integral part of this schedule.

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

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

Note 3 – Noncash Awards - Vaccinations

The amount of \$57,398 reported on the schedule is the value of vaccine received by the county during current year and priced as prescribed by Washington State Department of Health.

Note 4 – Not Available (N/A)

The county was unable to obtain other identification number.

Note 5 – Vaccine for Children's Programs

Vaccine supplied by Federal Government for vaccine for children program

Note 6 – Vaccine for 317 Programs

Vaccine supplied by Federal Government for vaccine for 317 programs.

Note 7 – Indirect Cost Rate

County: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 11.25 percent.

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 29.00 percent

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

Note 8 – Project has been completed or expired

Project has been completed or expired.

Note 9 – In-Lieu of Taxes/Unrestricted Funds

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

Note 10 – Grant Project Shared

This grant is shared between county funds.

Note 11 –Project Carryover

Large project carryover: Project pending environmental review and permits.

Note 12-Fema Disaster Assistance

Disaster assistance is usually classified by FEMA as either a “small” or “large” project. Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding for projects. As with other federal awards, grantees should report the disaster-related costs in the year they are incurred.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>