Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Kittitas County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1004301

Issue Date
September 27, 2010

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 27, 2010

Board of Commissioners
Kittitas County
Ellensburg, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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January 1, 2009 through December 31, 2009

Federal Summary

Kittitas County
January 1, 2009 through December 31, 2009

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

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

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction (Recovery Act)
97.036	Public Assistance Grants

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

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

Schedule of Federal Audit Findings and Questioned Costs

Kittitas County
January 1, 2009 through December 31, 2009

1. Kittitas County's internal controls are inadequate to ensure compliance with federal Disaster Grant requirements.

CFDA Number and Title:	97.036 Disaster Assistance Grants – Public Assistance
Federal Grantor Name:	U.S. Department of Homeland Security
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Military Department, Emergency Management Division
Pass-through Award/Contract Number:	1825 and 1817
Questioned Cost Amount:	$ 0

Background

In 2009 the County spent $1,293,128 in U.S. Department of Homeland Security money to assist in recovery from flooding and a snowstorm

Recipients of federal grants are prohibited from contracting with or making subawards to parties that are suspended or debarred from doing business with the federal government. Federal regulations require grant recipients to ensure vendors receiving more than $25,000 in federal funds and all subrecipients are not suspended or debarred from doing business with the federal government.

If a contractor or subrecipient certifies in writing to the grantee that its organization has not been suspended or debarred, the grantee may rely on that certification. The grantee also may check for suspended or debarred parties by reviewing the federal Excluded Parties List issued by the U.S. General Services Administration or by including a clause in its contract with the subrecipient. Grantees should meet this requirement prior to paying the vendor or subrecipient.

Description of Condition

The County paid three vendors a total of $140,258 for work related to flood recovery without ensuring the vendors were not suspended or debarred from receiving federal grant funds.

Cause of Condition

Some of the work, which was done on an emergency basis, did not follow the County's standard procedures. County staff managing the work was unaware of the requirement to ensure vendors were not suspended or debarred from doing business with the federal government.

Effect of Condition and Questioned Costs

Without adequate internal controls over suspension and debarment, the County cannot ensure vendors are not suspended or debarred from participating in federal programs. Further, any amounts paid to a suspended or debarred party are subject to repayment to the federal government. We were able to determine the vendors had not been suspended nor debarred; therefore, we are not questioning any costs.

Recommendation

We recommend the County establish procedures to ensure compliance with the suspension and debarment requirement.

County's Response

Kittitas County recognizes the error in not verifying the debarment of vendors. The County Audit Committee, consisting of the county auditor, county treasurer, county commissioner and budget & finance manager, will be presenting recommendations to the Board of County Commissioners to improve internal controls for the verification of suspension and debarment of vendors. The proposed recommended controls from the audit committee will be:

1. *At the time any contract is presented to the Board of County Commissioners for approval, a copy of the suspension and debarment verification is attached.*

2. *At the time of requesting a new vendor, a link will appear on the electronic request, for the department to verify the vendor is not on the suspension and debarment list.*

3. *At the time of payment, a copy of the suspension & debarment verification is attached to the voucher requesting payment.*

Auditor's Remarks

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

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

> The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or

(b) Collecting a certification from that person if allowed by this rule; or

(c) Adding a clause or condition to the covered transaction with that person.

Status of Prior Audit Findings

Kittitas County
January 1, 2009 through December 31, 2009

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

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

Report No. 1002719, dated September 8, 2009

Background

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

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

Status

During the current audit, we noted the County made improvements over its financial statement review process and corrected many of the past issues. However, we again noted errors in reporting landfill liabilities. The issues identified were less significant and were brought to management's attention.

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

Kittitas County
January 1, 2009 through December 31, 2009

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 13, 2010.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

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

However, we noted certain matters that we will report to the management of the County in a separate letter dated September 23, 2010.

COMPLIANCE AND OTHER MATTERS

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

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 13, 2010

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

Kittitas County
January 1, 2009 through December 31, 2009

Board of Commissioners
Kittitas County
Ellensburg, Washington

COMPLIANCE

We have audited the compliance of Kittitas County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1.

INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. 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.

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 13, 2010

Independent Auditor's Report on Financial Statements

Kittitas County
January 1, 2009 through December 31, 2009

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed on page 14. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 15 through 26, budgetary comparison on pages 71 through 73, infrastructure modified approach on pages 74 through 76 and information on LEOFF 1 Retiree Medical Benefits on page 77 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting

Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 13, 2010

Financial Section

Kittitas County

January 1, 2009 through December 31, 2009

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REQUIRED SUPPLEMENTAL INFORMATION

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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, 2009, 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, 2009 by over $112.6 million. Net Assets invested in capital assets (net of depreciation and related debt) account for 66% of this amount, with a value of $74.6 million. Of the remaining net assets, $35.3 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.

- As of December 31, 2009 Kittitas County's government activities reported combined ending net assets of $106.0 million. Of that amount, $70.2 million is invested in capital assets and $386,989 are restricted funds.

- Fund Balance for the General Fund at December 31, 2009 was $4.2 million.

- Fund Balance for the County Road Fund at December 31, 2009 was $13.1 million.

- The County's total long term debt at December 31, 2009 was $6.36 million, with a remaining capacity for non-voted debt at $87.0 million. The Solid Waste Landfill Post-Closure costs are $1.09 million and other debt is $5.27 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

The statement of activities presents information showing how the County’s net assets changed during 2009. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2009, 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 2009.

Fund Financial Statements

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

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

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

Government Funds

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

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

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

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

Proprietary Funds

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

Proprietary fund statements follow the government fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply to the accrual basis of accounting. In comparing the Proprietary Fund

Statement of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, you will notice that the total assets agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" and "due to other funds" from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Fiduciary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Assets

The following is a summary of the Statement of Net Assets as of December 31, 2009, with 2008 comparative balances.

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Assets:						
Current Assets	$39,653,765	$38,547,934	$3,502,192	$3,918,871	$43,155,957	$42,466,804
Capital Assets	72,397,006	71,432,611	5,399,439	4,000,648	77,796,445	75,433,259
Total Assets	$112,050,771	$109,980,545	$8,901,631	$7,919,518	$120,952,402	$117,900,063
Liabilities						
Other liabilities	$1,802,605	$1,719,531	$ 132,853	$ 202,904	$1,935,458	$1,922,435
Long-term liabilities	4,205,625	4,315,732	2,158,847	1,791,742	6,364,472	6,107,473
Total Liabilities	$6,008,229	$6,035,263	$2,291,700	$1,994,646	$8,299,930	$8,029,909
Net Assets						
Investment in Capital Assets	$70,270,795	$69,023,731	$4,424,438	$2,950,647	$ 74,695,233	$71,974,377
Reserved	386,989	411,247	650,224	567,198	1,037,213	978,445
Unreserved	35,384,757	34,510,304	1,535,270	2,407,028	36,920,028	36,917,332
Total Net Asset	**$106,042,542**	**$103,945,281**	**$6,609,932**	**$5,924,873**	**$112,652,474**	**$109,870,154**

Net Assets of the County's governmental funds were $106.0 million. The County's unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations $35.3 million.

Statement of Activities

For fiscal year ended December 31, 2009, the revenues from primary governmental funds totaled $36.1 million. Property taxes are the largest revenue source at $10.2 million, while Charges for Services are the second largest at $7.3 million.

The expenses for governmental activities totaled $34.4 million. Transportation was the county's highest commitment at $9.91 million; Public Safety is the seconded highest expense for 2009 with $8.93 million. The expenses for Transportation are contributed to the cost of road repair work due to the flood that occurred in January 2009, and construction costs.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues: Program Revenues:						
Charges for Services	$7,359,430	$7,944,069	$3,742,678	$3,092,840	$11,102,107	$11,036,909
Operating Grants	7,101,502	6,205,663	0	0	7,101,502	6,205,663
Capital Grants	194,577	221,471	0	0	194,577	221,471
General Revenues:						
Property Taxes	10,226,923	9,236,181	0	0	10,226,923	9,236,181
Sales Taxes	5,668,214	5,925,867	0	0	5,668,214	5,925,867
Other Taxes	2,980,409	2,669,530	0	0	2,980,409	2,669,530
Unrestricted Grants & Contributions	1,904,157	1,948,248	0	0	1,904,157	1,948,248
Unrestricted Investment Earnings	562,900	1,293,203	-37,769	139,237	525,130	1,432,440
Gain on Disposal Capital Assets	125,088	63,546	0	0	125,088	63,546
Total Revenues	**$36,123,200**	**$35,507,778**	**$3,704,909**	**$3,232,077**	**$39,828,109**	**$38,739,855**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Expenses:						
General Government	$7,078,536	$7,166,678	0	0	$7,078,536	$7,166,678
Judicial	2,709,469	2,018,756	0	0	2,709,469	2,018,756
Public Safety	8,939,260	8,556,265	0	0	8,939,260	8,556,265
Physical Environment	383,168	337,835	0	0	383,168	337,835
Transportation	9,912,608	6,040,349	0	0	9,912,608	6,040,349
Economic Environment	1,426,630	1,334,167	0	0	1,426,630	1,334,167
Mental & Public Health	2,368,058	3,036,772	0	0	2,368,058	3,036,772
Culture & Recreation	1,512,119	1,590,420	0	0	1,512,119	1,590,420
Interest on Long Term Debt	111,567	143,195	0	0	111,567	143,195
Garbage & Solid Waste	0	0	2,651,161	3,256,544	2,651,161	3,256,544
Total Expenses	**$34,441,414**	**$30,224,437**	**$2,651,161**	**$3,256,544**	**$37,092,575**	**$33,480,981**
Excess (Deficiency) before Special Items and Transfers						
Special Item-Gain on Disposal Capital Assets	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Increase (decrease) to net assets	**$1,681,786**	**$5,283,342**	**$1,053,748**	**$-24,468**	**$ 2,735,534**	**$ 5,258,874**
Net Assets as of January 1	**$103,945,281**	**$57,069,908**	**$5,924,873**	**$5,849,614**	**$109,870,154**	**$62,919,522**
Prior Year Adjustments	415,474	41,592,032	-368,689	99,727	46,785	41,691,759
Net Assets as of December 31	**$106,042,542**	**$103,945,281**	**$6,609,932**	**$5,924,873**	**$112,652,473**	**$109,870,154**

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund and the County Road funds are the 2 major funds in 2009. Together these funds account for 66% of the total government assets and 65% of the total government fund balance. As of December 31, 2009, the county's government funds reported combined fund balances nearly $28.0 million. Of this total amount, $27.5 million is unreserved and available for spending within the designated funds.

In the total Assets, the Cash and Investments are down from the previous year by $1.02 million, and receivables have increased by $1.01 million and the due from other Governmental increased by $1.12 million. The net change in all assets is 2.7% increase.

In the total Liabilities, the biggest increase is the deferred revenue which is the offset of property taxes and court receivables, by $1.07 million. The net change in all liabilities is 22.4% increase.

Governmental Fund	2009	2008	Net Change
Total Assets	33,782,891	32,888,602	894,289
Total Liabilities	5,779,580	4,720,655	1,058,925
Total Fund Balance	28,003,311	28,167,947	-164,636

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2009 was $-3.86 million. The net change in the County Road fund was a $2.60 million. Governmental funds had an overall net change in fund balance of $1.01 million for 2009. The changes in fund balances are due to reduced revenues and using fund balances to cover expenses.

The overall changes in Governmental Revenues were .38% increase. The biggest decreases in the revenues occurred Investment Interest a 63% decrease; 2009 $446,458 compared to $1,190,986 in 2008 showing a reduction of $744,528; and a decrease in sales and retail taxes; 4% decrease; 2009 $5,668,214; compared to 2008 $5,925,867, showing a reduction of $257,653. There is a significant increase in intergovernmental revenues 13.3% increase; 2009 $11,615,603; compared to 2008 $10,069,784, showing an increase of $1,545,819. This increase is primarily the Federal Emergency Management Agency (FEMA) grant, due to the January 2009 Flood.

The overall expenditures increased 4.8%; the biggest expense was in capital in purchasing the new Sheriff Administration Building from the General Fund reserve in the amount of $1.9 million.

Governmental Funds	2009	2008	Net Change
Revenues	35,706,124	35,568,183	137,941
Expenditures	36,022,860	34,355,843	1,667,017
Other Financing Sources	74,200	-166,316	240,516
Net Change in Fund Balance	-242,537	1,046,024	-1,288,561
Fund Balance Beginning	28,245,848	27,110,655	1,135,193
Prior Year Adjustments	77,901	11,269	66,632
Fund Balance Ending	28,003,312	28,167,947	-164,635

Enterprise Funds Net Assets Analysis

The net assets of the Solid Waste fund as of December 31, 2009 were $6.6 million; with $1.53 million in unrestricted funds. The internal service funds have net assets in the amount of $8.9 million.

Enterprise Funds Revenue/Expenditure Analysis

The Solid Waste fund collected $3.74 million in revenues and had an operating expense of $2.65 million showing a net gain of $1.09 million. The changes in net assets for 2009 after non-operating revenues and expenses are $1.05 million.

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, 2009.

GENERAL FUND	2009 Original Budget	2009 Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	9,504,000	9,589,000	85,000
Licenses & Permits	1,029,400	348,400	-681,000
Intergovernmental	2,355,102	3,108,180	753,078
Charges for Services	1,844,125	1,983,650	139,525
Fines & Forfeits	1,634,900	1,684,382	49,482
Miscellaneous	1,067,678	1,146,307	78,629
Total Revenues	**17,435,205**	**17,859,919**	**424,714**
Expenditures			
General Governmental	6,447,282	6,795,128	(347,846)
Judicial	2,639,601	2,709,571	(69,970)
Security of Persons and Property	7,194,072	8,044,175	(850,103)
Physical Environment	126,000	122,200	3,800
Transportation	3,717	3,717	-
Economic Environment	948,612	1,270,094	(321,482)
Mental & Physical Health	-	-	-
Culture & Recreation	1,233,902	1,239,327	(5,425)
Debt Service	100,838	146,338	(45,500)
Capital Outlay	659,927	2,841,848	(2,181,921)
Total Expenditures	**19,353,951**	**23,172,398**	**(3,818,447)**
Excess (Deficit) Revenues over Expenditures	**(1,918,746)**	**(5,312,479)**	**(3,393,733)**
Other Financing Sources (Uses)			
Proceeds Capital Leases	-	-	-
Restitution	500	500	-
Sale of Fixed Assets	-	55,000	(55,000)
Transfers In	631,090	641,090	(10,000)
Transfers Out	(294,347)	(519,347)	225,000
Total Other Financing Sources (Uses)	**337,243**	**177,243**	**160,000**
Net Change in Fund Balance	(1,581,503)	(5,135,236)	3,553,733
Fund Balance, January 1	5,945,249	8,774,232	(2,828,983)
Fund Balance, December 31	**4,363,746**	**3,638,996**	**724,750**

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. In March 2009, when it appeared the ending fund balance for 2008 and the revenues collected to date were not coming in as projected. The Board of County Commissioners met with the management team and everyone pitched in and cut their budgets based upon the revenue shortfall. The building permits budget was reduced by $681,000.

The biggest expenditure supplemental budget increases were as follows:

> General Government - $347,846 for salary increase due to union settlements and grants awarded to the County.
> Security of Persons & Property – $850,103 for salary increase due to union settlements and new positions and the costs associated with them and the cost of advertising for security.
> Capital Outlay- $2,181,921 for new Sheriff Administrative building and other capital and facility improvements

General Fund Budget to Actual

The amended General Fund revenue budget was approximately $17.8 and total revenues received $17.7 million, or 1% below budget. The specific changes to report are taxes and licensing & permits. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales and use tax collected are lower than the budgeted amount. Our property taxes did not come in as expected. The permits were approximately 59% above the final budget but under the original budget. Our changes in projections were a little under estimated when we reduced the budget.

The General Fund budgeted expenses vs. actual came in at 8% under budget. The biggest unspent budget was Economic Environment; Planning and Building Activities, due to reduction in employees and contracted services.

GENERAL FUND	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	9,589,000	9,257,930	(331,070)
Licenses & Permits	348,400	844,591	496,191
Intergovernmental	3,108,180	3,161,862	53,682
Charges for Services	1,983,650	1,940,023	(43,627)
Fines & Forfeits	1,684,382	1,691,278	6,896
Miscellaneous	1,146,307	813,343	(332,964)
Total Revenues	**17,859,919**	**17,709,027**	**(150,892)**
Expenditures			
General Governmental	6,795,128	6,372,296	422,832
Judicial	2,709,571	2,620,996	88,575
Security of Persons and Property	8,044,175	7,396,543	647,632
Physical Environment	122,200	111,777	10,423
Transportation	3,717	3,717	-
Economic Environment	1,270,094	987,275	282,819
Mental & Physical Health	-	-	-
Culture & Recreation	1,239,327	1,129,907	109,420
Debt Service	146,338	155,837	(9,499)
Capital Outlay	2,841,848	2,649,033	192,815
Total Expenditures	**23,172,398**	**21,427,381**	**1,745,017**

GENERAL FUND	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (Deficit) Revenues over Expenditures	(5,312,479)	(3,718,354)	1,594,125
Other Financing Sources (Uses)			
Restitution	500	424	(76)
Sale of Fixed Assets	55,000	58,218	3,218
Transfers In	641,090	100,812	(540,278)
Transfers Out	(519,347)	(306,674)	212,673
Total Other Financing Sources (Uses)	**177,243**	**(147,220)**	**(324,463)**
Net Change in Fund Balance	**(5,135,236)**	**(3,865,574)**	**1,269,662**
Fund Balance, January 1	8,774,232	8,074,309	(699,923)
Fund Balance, December 31	**3,638,996**	**4,208,735**	**569,739**

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, 2009, amounts to over $77.7 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, infrastructure, and construction in progress on buildings and systems. Kittitas County has elected to use the modified approach to account for the infrastructure account; Gravel Roads, which eliminates the need to report depreciation expense. The major capital asset events during 2009 were increases Infrastructure. The 2009 ending balance for Infrastructure is $49.5 million.

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

Long-Term Debt

Kittitas County has a total outstanding bond debt as of December 31, 2009 of approximately $940,000. Of this amount $65,000 is for the RID-96-1 backed by an assessment to the property owners, the balance $875,000 is for a revenue bond for the County Fairgrounds.

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

Kittitas County has an assigned rating of "AA-/Stable" from the Standard & Poor's after a review and report issued on November 10, 2008. The prior rating from Standards & Poor's was affirmed an "A" underlining rating.

ECONOMIC FACTORS

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

The Board of County Commissioners has elected over the past several years to increase property taxes by zero percent plus new construction. The additional revenue from new construction has not covered the additional expenditures required in union contracts and supply costs. This policy decision has resulted in a reduction in Kittitas County cash reserves and may need to be revisited in the 2011 tax rate decision.

Kittitas County has experienced a downfall in the construction business because of the state of the economy. The downturn in building permits has affected the revenue collections; not only in the issuing of permits, but the recording of documents, and Real Estate Excise Tax. The sales tax revenues have also decreased. We started noticing the revenue trends going down in late summer of 2008; the Board of County Commissioners during the 2009 budget process reduced the estimated amounts back to about 2005-2006 levels for permits and sales tax. In February 2009, the permits fell off again, so the Board of County Commissioners met and reduced the permit revenues and did drastic budget cuts. We are watching very carefully the revenues and all departments are watching and limiting travel and other expenses. The first quarter of 2010, the revenues projections seem to be stable.

Home sales rose strongly in the first quarter of 2010 according to the *Real Review Data Report; March 2010.* Between January and March 2009, the number of homes sold countywide was 40; but in the same period this year, home sales totaled 47. The dollar value of these sales jumped 35.1% between the first quarter of 2009 and 2010, from $21.0 million to $28.4 million, respectively.

The May 22, 2010 Ellensburg *Daily Record*, reported there are several new construction projects occurring in the county. There are scheduled to be 3 wind projects; Vantage Wind, Kittitas Valley Wind Power and Desert Claim Wind Power for a combined total of $780 million to $850 million, with about 560 construction workers. The Washington State Horse Park; 112 acres at the west end of Cle Elum which will include portable stalls, three large competition arenas with warm-up areas, customized footing material, RV parking with hook-ups and a dump station, restrooms and offices. Phase 1 cost is $3.5 million scheduled to be completed in August 2010. Other major projects scheduled are road projects, county, cities and state. There are a number of other projects on hold waiting for financing.

As indicated in the Notes to the Financial Statements, Note 19 (B), the County is looking at obtaining financing to bond several projects totaling $10.4 Million.

REQUEST FOR INFORMATION

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

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

KITTITAS COUNTY, WASHINGTON

Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	$ 19,530,548	$ 610,648	$ 20,141,197
Investments	11,932,917	2,099,776	14,032,693
Receivables (net)	4,072,023	184,562	4,256,585
Internal Balances	(3,319)	3,319	-
Inventories	500,310	-	500,310
Due from other Governmental	3,609,506	33,974	3,643,481
Prepaid items	10,599	1,676	12,275
Customer deposits	1,181	-	1,181
Cash restricted for landfill closure & postclosure	-	568,236	568,236
Capital Assets (net of accumulated depreciation)			
Land	3,052,210	280,439	3,332,648
Buildings	12,911,080	922,197	13,833,276
Improvements	1,222,504	3,517,705	4,740,209
Equipment	3,867,472	679,099	4,546,570
Infrastructure	49,551,925	-	49,551,925
Construction in progress	1,791,816	-	1,791,816
Total Assets	$ 112,050,771	$ 8,901,631	$ 120,952,402
LIABILITIES			
Accounts payable and accrued exp.	$ 1,499,987	$ 132,853	$ 1,632,840
Unearned revenue	135,264	-	135,264
Other current liabilities	167,354	-	167,354
Liabilities payable from restricted assets	-	-	-
Non-Current Liabilities:			
Special Assessment Debt with Governmental Commitments			
Due within one year	65,000	-	65,000
Due in more than one year	-	-	-
Other Long Term Debt			
Due within one year	275,523	75,000	350,523
Due in more than one year	3,865,102	2,083,847	5,948,949
Total Liabilities	$ 6,008,230	$ 2,291,700	$ 8,299,930
NET ASSETS			
Invested in capital assets, net of related debt	$ 70,270,795	$ 4,424,438	$ 74,695,233
Restricted for:			
Debt service	386,989	-	386,989
Capital projects	-	-	-
Other	-	650,224	650,224
Unrestricted	$ 35,384,757	$ 1,535,270	$ 36,920,028
Total Net Assets	$ 106,042,542	$ 6,609,932	$ 112,652,474

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, 2009

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants & Contributions**	**Capital Grants & Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental Activities:							
Judicial	$ 2,709,469	$ 2,183,925	$ 61,100	$ -	$ (464,444)	$ -	$ (464,444)
General Government	7,078,536	1,797,420	354,832	-	(4,926,284)	-	(4,926,284)
Public Safety	8,939,260	1,364,870	613,588	194,577	(6,766,224)	-	(6,766,224)
Physical Environment	383,168	7,219	172,700	-	(203,250)	-	(203,250)
Transportation	9,912,608	195,684	4,003,691	-	(5,713,232)	-	(5,713,232)
Economic Environment	1,426,630	1,487,841	119,894	-	181,106	-	181,106
Mental & Physical Health	2,368,058	177,541	1,735,541	-	(454,976)	-	(454,976)
Culture & Recreation	1,512,119	144,929	40,156	-	(1,327,034)	-	(1,327,034)
Interest on long-term debt	111,567	-	-	-	(111,567)	-	(111,567)
Total Government Activities	$ 34,441,414	$ 7,359,430	$ 7,101,502	$ 194,577	$ (19,785,905)	$ -	$ (19,785,905)
Business-type Activities:							
Garbage & Solid Waste	$ 2,651,161	$ 3,742,678	$ -	$ -	$ -	$ 1,091,517	$ 1,091,517
Total Business-Type Activities	$ 2,651,161	$ 3,742,678	$ -	$ -	$ -	$ 1,091,517	$ 1,091,517
Total Primary Government	$ 37,092,575	$ 11,102,107	$ 7,101,502	$ 194,577	$ (19,785,905)	$ 1,091,517	$ (18,694,388)
General Revenues:							
Property Taxes					$ 10,226,923	$ -	$ 10,226,923
Sales Taxes					5,668,214	-	5,668,214
Other Taxes					2,980,409	-	2,980,409
Unrestricted Grants & Contributions					1,904,157	-	1,904,157
Unrestricted Investment Earnings					562,900	(37,769)	525,130
Proceeds on Disposition of Captial Assets					125,088	-	125,088
Special Item - Gain on Disposition of capital assets					-	-	-
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					**$ 21,467,691**	**$ (37,769)**	**$ 21,429,922**
Change in Net Assets					**$ 1,681,786**	**$ 1,053,748**	**$ 2,735,534**
Net Assets as of January 1					$ 103,945,281	$ 5,924,873	$ 109,870,154
Prior year adjustment					415,474	(368,689)	46,785
Net Assets as of December 31					$ 106,042,542	$ 6,609,932	$ 112,652,473

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2009

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	$ 4,220,955	$ 5,812,714	$ 7,045,824	$ 17,079,493
Investments	-	5,177,253	3,687,742	8,864,994
Receivables (net)	2,767,743	829,748	452,231	4,049,722
Due from other funds	84,790	42,112	42,927	169,829
Due from Other Governmental	214,892	2,838,062	556,553	3,609,506
Prepaid items	3,780	224	4,160	8,165
Customer deposits	1,181	-	-	1,181
Total assets	$ 7,293,340	$ 14,700,113	$ 11,789,437	$ 33,782,891
LIABILITIES				
Accounts payable and accrued exp.	$ 330,709	$ 505,978	$ 365,689	$ 1,202,376
Payable to other governments	232	5,869	93,026	99,128
Due to other funds	80,835	293,817	70,085	444,737
Deferred revenue	2,654,588	708,360	367,773	3,730,721
Unearned revenue	702	-	134,562	135,264
Deposits payable	17,539	-	149,814	167,354
Other current liabilities	-	-	-	-
Total liabilities	$ 3,084,605	$ 1,514,025	$ 1,180,949	$ 5,779,580
FUND BALANCE				
Reserved for:				
Encumbrances, petty cash, inventory	$ 19,806	$ 1,224	$ 5,681	$ 26,711
Debt service	-	-	386,989	386,989
Other	-	-	-	-
Unreserved, reported in				-
General Fund	4,188,929	-	-	4,188,929
Special revenue funds	-	13,184,864	7,540,311	20,725,175
Capital project funds	-	-	2,675,507	2,675,507
Total fund balance	$ 4,208,735	$ 13,186,088	$ 10,608,488	$ 28,003,311
Total liabilities and fund balance	$ 7,293,340	$ 14,700,113	$ 11,789,437	$ 33,782,891

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	69,515,482
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	3,730,721
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(4,205,625)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the state of net assets.	8,998,653
Net assets of governmental activities	106,042,541

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, 2009

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 4,914,153	$ 4,218,470	$ 212,151	$ 9,344,773
Sales	3,883,293	-	1,784,922	5,668,214
Other	460,485	21,111	871,400	1,352,996
Licenses & Permits	844,591	65	196,554	1,041,210
Intergovernmental	3,161,862	6,008,508	2,445,233	11,615,603
Charges for Services	1,940,023	161,059	1,244,140	3,345,222
Fines & Forfeitures	1,691,278	-	29,608	1,720,886
Investment Earnings	260,453	146,665	39,340	446,458
Miscellaneous Revenues	552,889	5,032	612,841	1,170,761
Total revenues	$ 17,709,027	$ 10,560,909	$ 7,436,187	$ 35,706,124
EXPENDITURES				
Current:				
Judicial	$ 2,620,996	$ -	$ 63,093	$ 2,684,089
General Government	6,372,296	283,255	741,049	7,396,600
Public Safety	7,396,543	-	2,155,853	9,552,396
Physical Environ	111,777	-	265,660	377,438
Transportation	3,717	5,825,161	343,074	6,171,952
Health & Human Services	-	-	2,324,058	2,324,058
Economic Environment	987,275	-	409,928	1,397,203
Culture & Recreation	1,129,907	-	107,698	1,237,605
Debt Service:				-
Principal	107,751	-	323,183	430,934
Interest/Other Expense	48,087	-	63,480	111,567
Capital Outlay:				
General government	1,938,349	-	-	1,938,349
Judicial	-	-	-	-
Public safety	684,447	-	50,695	735,142
Physical environment	-	-	-	-
Transportation	-	1,840,943	(214,477)	1,626,466
Health & Human services	-	-	12,826	12,826
Economic environment	-	-	-	-
Culture & recreation	26,237	-	-	26,237
Total expenditures	$ 21,427,382	$ 7,949,359	$ 6,646,120	$ 36,022,860
Excess (deficiency) of revenues over (under) expenditures	$ (3,718,355)	$ 2,611,551	$ 790,068	$ (316,736)

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, 2009

	General Fund	County Road	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 100,812	$ -	$ 468,146	$ 568,958
Transfers out	(306,674)	(4,860)	(262,284)	(573,818)
Debt Proceeds & capital Leases	-	-	-	-
Gain on Disposition of capital assets	58,642	(33)	20,451	79,060
Total other financing sources (uses)	$ (147,220)	$ (4,893)	$ 226,313	$ 74,200
SPECIAL ITEMS				
Gain on Disposition of Capital Assets	-	-	-	-
Net change in fund balances	(3,865,574)	2,606,657	1,016,380	(242,537)
Fund balances--beginning	8,039,930	10,579,431	9,548,587	28,167,948
Prior Period Adjustments	34,379	-	43,521	77,901
Fund balances--ending	$ 4,208,735	$ 13,186,089	$ 10,608,488	$ 28,003,312

Net changes in fund balances for governmental funds		$ (242,537)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlays	$ 4,339,020	
Depreciation	(3,570,971)	
Changes in Construction in Progress	793,083	
Cost of Assets Sold	(1,041,545)	519,586
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.		
Debt Retired	$ 430,934	430,934
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		1,076,588
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.		(172,562)
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.		69,778
Change in net assets of governmental activities		$ 1,681,786

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Net Assets
December 31, 2009

		Business-type Activities-- Enterprise Funds		Governmental Activities- Internal Service funds
		Solid Waste		
ASSETS				
Current assets:				
Cash & cash equivalents	$	610,648	$	2,451,055
Investments		2,099,776		3,067,923
Receivables		184,562		22,301
Prepayment for Services		1,676		2,434
Due From Funds		102,828		273,884
Inventories		-		500,310
Due From Other governments		33,974		-
Total Current Assets	$	3,033,464	$	6,317,907
Noncurrent assets:				
Cash restricted for landfill closure & postclosure		568,236		-
Total Non-Current Assets	$	568,236	$	-
Capital assets:				
Land	$	280,439	$	26,024
Buildings		1,357,200		421,664
Improvements		4,513,052		128,957
Equipment		1,202,822		6,544,004
Construction in progress		-		231,570
Less Depreciation		(1,954,074)		(4,470,696)
Total Capital Assets (net of accumulated depreciation)	$	5,399,439	$	2,881,524
Total assets	$	9,001,139	$	9,199,431
LIABILITIES				
Current liabilities:				
Accounts payable and accrued exp.	$	132,853	$	198,001
Due to other funds		99,508		2,296
Due to other governments		-		481
Compensated absences		-		-
Bonds, notes, loans payable		75,000		-
Total Current Liabilities	$	307,361	$	200,778
Noncurrent liabilities:				
Compensated absences	$	85,462	$	-
Bonds, notes, loans payable		900,001		-
Landfill Closure Cost		1,098,384		-
Total Noncurrent Liabilities	$	2,083,847	$	-
Total Liabilities	$	2,391,208	$	200,778
NET ASSETS				
Invested in capital assets, net of related debt	$	4,424,438	$	2,881,524
Restricted for Other		650,224		-
Unrestricted		1,535,270		6,117,130
Total net assets	$	6,609,932	$	8,998,654
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:		-		
Net assets of business-type activities	$	6,609,932	$	8,998,654

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2009

		Business-type Activities-- Enterprise Funds		Governmental Activities- Internal Service funds
		Solid Waste		
OPERATING REVENUES				
Charges for Services:				
Garbage & Solid Waste	$	3,748,487	$	-
Other services		-		1,677,544
Total operating revenues	$	3,748,487	$	1,677,544
OPERATING EXPENSES				
Maintenance & operations	$	2,354,235	$	1,221,517
Administrative & general		-		74,588
Depreciation		296,926		490,635
Total operating expenses	$	2,651,161	$	1,786,740
Operating income (loss)	$	1,097,326	$	(109,196)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	$	(37,769)	$	116,442
Gain (loss) on Disposition of Capital Assets		(8)		46,028
Miscellaneous nonoperating revenues (expenses)		(5,801)		11,644
Total non-operating income (expense)	$	(43,579)	$	174,114
Income before contributions & transfers	$	1,053,747	$	64,918
Transfers In		-		4,860
Change in net assets	$	1,053,747	$	69,778
Net assets--beginning		5,924,873	-	8,928,876
Prior Period Adjustment		109,636		-
Increase/Decrease Retained Earnings		(478,324)		-
Net assets--ending	$	6,609,932	$	8,998,654

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, 2009

	Business - Type Activity	Governmental Activities
	Solid Waste	**Internal Service funds**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 3,744,820	$ 1,747,595
Cash payments to suppliers	(2,475,924)	(1,435,152)
Cash payment for operating expenses	0	0
Net cash provided (used) by operating activities	**$ 1,268,896**	**$ 312,443**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Non-Oper. Rents and Charges	$ 0	$ 11,643
Non-Oper. Expenses	0	0
Net cash provided from noncapital activities	**$ 0**	**$ 11,643**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Sale of Capital Assets	$ (8)	$ 17,700
Payments for Capital Acquisition	(1,586,081)	(421,276)
Payment on Long Term Debt	(75,000)	0
Residual Transfer In (Out)	0	4,860
Net cash provided (used in) capital financing activities	**$ (1,661,089)**	**$ (398,716)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Interest	$ 14,319	$ 94,141
Purchase of Investment	536,881	(1,152,884)
Net cash flows from investing activities	$ 551,199	$ (1,058,743)
Net increase (decr.) in cash and cash equivalent	$ 159,006	$ (1,133,373)
Cash and cash equivalents at beginning of year	$ 1,019,878	$ 3,584,428
Cash and cash equivalents at end of year	$ **1,178,884**	**$ 2,451,055**

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, 2009

	Business - Type Activity	Governmental Activities
	Solid Waste	Internal Service funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net operating income (loss)	$ 1,071,907	$ (109,196)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation expense	$ 296,926	$ 490,635
(Increase) decrease in accounts receivable	(43,246)	0
(Increase) decrease in due from other funds	(8,210)	70,051
(Increase) decrease in due from other governmental	47,789	0
(Increase) decrease in Prepayment for Services	(1,301)	(2,434)
Increase (decrease) in Salaries payable	301	7,203
Increase (decrease) in vouchers payable	(70,515)	84,252
Increase (decrease) in due to other funds	(8,316)	(231,442)
Increase (decrease) in landfill closure & postclosure	(16,602)	0
Increase (decrease) in inventory	0	(25)
Increase (decrease) in Accounts Payable	0	3,398
Increase (decrease) in Due to other Governments	0	2
Increase (decrease) in Taxes Payable	163	0
Total Adjustments	**$ 196,989**	**$ 421,639**
Net cash provided by operating activities	**$ 1,268,896**	**$ 312,443**

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

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Assets
December 31, 2009

		Private Purpose Trust		Agency Funds
ASSETS				
Cash/Petty Cash	$	90	$	11,849,067
Cash with Fiscal Agency		-		547,286
Investments		1,942		11,045,096
Taxes Receivable		-		3,701,464
Other Receivables		1		-
TOTAL ASSETS	$	2,033	$	27,142,913
LIABILITIES				
Warrants Payable	$	-	$	3,237,052
Salary/Vouchers Payable		-		113,346
Custodial Accounts		-		20,058,805
Other Current Notes Payable		-		32,245
Deferred Revenues		-		3,701,464
TOTAL LIABILITIES	$	-	$	27,142,913
Net Assets				
Restricted for:				
Trust Fund	$	2,033	$	0
Total Net Assets	$	2,033	$	0

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

KITTITAS COUNTY, WASHINGTON

Statement of Change in Fuduciary Net Assets
Private Purpose Trust
For the Year Ended December 31, 2009

		Jerry William Library Trust
Additions		
Investment Earnings	$	14
Miscellaneous Revenues		-
Total Additions	$	14
Deductions		
Culture & Recreation	$	10
Total Deductions	$	10
Net change in net assets		4
Fund balances--beginning		2,029
Fund balances--ending	$	2,033

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

D. BUDGETARY INFORMATION

1. SCOPE OF BUDGET

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

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

2. AMENDING THE BUDGET

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

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

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

E. ASSETS, LIABILITIES AND EQUITIES

1. CASH AND EQUIVALENTS

It is the County's policy to invest all temporary cash surplus. At December 31, 2009, the treasurer was holding $32,211,983.60 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The County Treasurer reports the average compensating balances maintained during 2009 were approximately $3,610,000.

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

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

2. TEMPORARY INVESTMENTS

See Investment Note 4.

3. RECEIVABLES

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

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

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

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. For the year ended December 31, 2009, Kittitas County did not have any advances between funds.

5. INVENTORIES

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

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

6. CAPITAL ASSETS

See Note Number 6.

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

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

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

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

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

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

Assets	Years
Buildings & Improvements	5-60
Improvements other than Buildings	5-50
Machinery & Equipment	3-20
Roads & Railroad Crossings	20
Bridges	50

7. OTHER PROPERTY AND INVESTMENTS

See Deposits and Investments Note No 4.

8. COMPENSATED ABSENCES

The County records all accumulated unused vacation and sick leave. In proprietary Funds, the expenses are accrued when incurred and the liability is recorded in the fund. At this time the liability to the Proprietary Funds for unused vacation and sick leave is $85,462.

For Governmental Funds, unused vacation, comp time and sick leave as of December 31, 2009 is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Total vacation and sick leave pay-off recorded during 2009 for all Governmental Funds was $20,549. Vacation pay, which may be accumulated up to 30 days is payable upon resignation, retirement or death; sick leave may accumulate up to a maximum of 1056 - 1120 hours; twenty-five percent of outstanding sick leave is payable upon retirement, lay-off or death, depending on which bargaining unit the employee belongs. The following is a schedule of those bargaining units:

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

9. LONG-TERM DEBT

See Long-Term Debt and Leases Note No 10.

10. DEFERRED REVENUES

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

11. FUND RESERVES AND DESIGNATIONS

A. Governmental Fund Types

Reservations of Fund Balance

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

B. Designated Fund Balances and Restricted Net Assets

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

Currently, the General Fund has $4,232,982.22 in the designated fund balance; these funds are set aside from the Law & Justice Sales tax and the Adult/Juvenile Sales tax. The General Fund also has in reserved fund balance $16,025 in petty cash and $3,780.48 in prepaid services.

For the Special Revenue Funds, County Road has in reserved fund balance $1,000 in petty cash, $224.40 in prepaid services, and $92,417.04 in funds set aside for paths and trails. Public Health has in reserved fund balance $910.00 in petty cash. Public Health also has in designated fund balance $156,915.60 for equipment and $1,720.83 in prepaid services. Misdemeanant Probation has in reserved fund balance $50 in petty cash. The Drug fund has in reserved fund balance $3,000 in petty cash. Airport has a reserve for prepaid services in the amount of $2,439.36

Solid Waste currently has in reserved fund balance $1,800 in petty cash, $1,675.70 in prepaid services, $568,236 in cash restricted for landfill closure and post closure ($326,209 for the Ryegrass landfill and $242,027 for the Limited purpose landfill), and $81,998 for equipment reserve.

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

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

	Category 1	Carrying Amount	Market Value
US Government Sec	$19,823,419.04	$19,823,419.04	$19,229,946.99
State Pool	37,469,257.67	37,469,257.67	37,469,257.67
Total Investments	57,292,676.71	57,292,676.71	56,699,204.66
Less Co. Residual	-18,869,737.11	-18,869,737.11	-18,869,737.11
Net Investments	$38,422,939.60	$38,422,939.60	$33,829,467.55

NOTE 5 - PROPERTY TAXES

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

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

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

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

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

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

For 2008 for the 2009 tax County levied the following property taxes on an assessed value of $6,128,464,393. The Road district property value assessed was $4,273,617,206.

Fund	Levy	Amount
General fund	.854796	$5,238,586.85
Mental Health	.024992	153,162.58
Veterans Relief	.012237	74,994.02
Total General fund Levy	**0.892025**	**$5,466,743.45**
Road Levy	1.083042	$4,628,506.93
County Road Diverted	.019889	84,997.97
Total Road Levy	**1.102931**	**$4,713,504.90**
GRAND TOTAL	**1.994956**	**$10,180,248.35**

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 is shown by asset type in the following table. The biggest increases occurred under Government Activities when the county purchased a building for the Sheriff Administrative offices which shows under building & improvements in the amount of $1,916,997 and updated infrastructure of the county roads, bridges and right-of-ways. The increases in construction in progress include $137,669 in costs for the jail repair project and $1,108,832 for road infrastructure.

The increases in Business Activity in Solid Waste include addition of the compost facility.

GOVERNMENT ACTIVITES	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	3,072,209	-	20,000	-	3,052,209
Construction in Progress	998,733	1,246,501	453,418	-	1,791,816
Total	**4,070,942**	**1,246,501**	**473,418**	**-**	**4,844,025**
Assets Being Depreciated					
Buildings & Improvement	15,681,339	2,134,888	83,679	3,727,084	21,459,632
Improvements	1,510,544	5,009	-	128,957	1,644,510
Equipment	10,406,082	805,314	467,348	212,152	10,956,200
Infrastructure	150,287,726	1,626,466	470,518	(3,856,042)	147,587,632
Total	**177,885,691**	**4,571,676**	**1,021,545**	**212,152**	**181,647,974**
Grand Total	**181,956,633**	**5,818,177**	**1,494,963**	**212,152**	**186,491,999**
Less accumulated depreciation for:	**Beginning Balance**	**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Buildings & Improvements	6,832,127	585,762	42,969	1,173,633	8,548,552
Improvements	162,397	147,962	-	111,647	422,006
Equipment & Machinery	6,358,637	1,276,743	418,506	(128,145)	7,088,728
Infrastructure	97,170,861	2,618,003	468,318	(1,284,839)	98,035,707
Total	**110,524,022**	**4,628,469**	**929,794**	**(127,704)**	**114,094,993**
Governmental activities Capital Assets, net	**71,432,611**	**1,189,707**	**565,170**	**339,856**	**72,397,006**

BUSINESS TYPE ACTIVITIES	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	280,439	-	-	-	280,439
Construction in Progress	126,433	-	126,433	-	-
Total	**406,872**	-	126,433	-	**280,439**
Assets Being Depreciated					
Buildings & Improvement	1,142,364	214,836	-	-	1,357,200
Improvements	3,411,158	992,258	-	109,636	4,513,052
Equipment	697,402	505,420	-	-	1,202,822
Total	**5,250,925**	**1,712,514**	**-**	- 109,636	**7,073,074**
Grand Total	**5,657,796**	**1,712,514**	**126,433**	**- 109,636**	**7,353,513**
Less accumulated depreciation for:	**Beginning Balance**	**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Buildings & Improvements	379,542	55,462	-	-	435,003
Improvements	842,894	152,452	-		995,346
Equipment & Machinery	434,712	89,012	-		523,724
Total	**1,657,148**	**296,926**	**-**	**-**	**1,954,074**
Governmental activities Capital Assets, net	**4,000,648**	**1,415,588**	**126,433**	**109,636**	**5,399,439**

Adjustments

The Governmental Activities shows in the adjustment column $212,152 as an increase. This was a prior year adjustment as an equipment disposal was recorded twice. This amount is adding the value back into equipment. The
$-127,704 is the related depreciation to the above equipment. The other entries in the adjustment column are a reclassification of an asset. The asset was recorded as infrastructure and it should have been reported as Buildings & Improvements and Improvements and the related depreciation on those assets.

The Business Type Activities includes an adjustment of $109,636. This amount was for the compost facility costs in 2008 that were not reported, with no depreciation attached to this cost.

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

Government Activities	
Function/Program	Amount
Government activities	$ 388,932
Judicial Services	8,824
Public Safety	563,837
Physical Environment	0
Transportation	2,465,572
Health and Human Service	-22,341
Economic Environment	28,790
Culture and Recreation	137,356
Total	**$ 3,570,970**

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	$296,926
Total	**$296,926**

NOTE 7 - PENSION PLANS

A. WASHINGTON STATE RETIREMENT PLANS

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

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

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

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

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

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

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

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

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

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

Judicial Benefit Multiplier

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

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

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

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to but not yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Non-vested	56,456
Total	**262,057**

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

Members Not Participating in JBM:

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

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Gov.*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%***
Employee-Local Gov.	12.26%	9.75%	7.50%***

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	$30,385	$573,233	$91,835
2008	$37,123	$609,539	$110,000
2007	$31,638	$452,501	$89,329

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

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

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

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

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

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to but not yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-vested	3,927
Total	**26,965**

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

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

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

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

	LEOFF Plan 1	LEOFF Plan 2
2009	$0	$110,309
2008	$0	$94,143
2007	$0	$79,231

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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

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

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

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

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

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

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	1
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	3,981
Total	**3,982**

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2009, were as follows:

	PSERS Plan 2
Employer*	7.85%
Employee	6.55%

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

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

	PSERS Plan 2
2009	$61,330
2008	$52,974
2007	$45,612

B. DEFERRED COMPENSATION PLAN

The County offers its employees 3 deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are with Great West Life & Annuity Insurance Company, Nationwide Retirement Solutions and the DRS Deferred Compensation Program. The plans, which are available to all eligible employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As of December 31, 2009, the County had 58 active participants and Fire District #2 had 14 active participants in the Great West and Nationwide Retirement plans with contributions totaling $2,567,064. The County had 4 active participants in the DRS Deferred Compensation Program with contributions totaling $66,917.

NOTE 8 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

Kittitas County was one of the twenty-eight members of the Washington Counties Risk Pool ("Pool") during 2009. Other members included: Adams, Benton, Chelan, Clallam and Clark, Columbia, Cowlitz, Douglas and Franklin, Garfield, Grays Harbor, Island and Jefferson, Kitsap, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Klickitat and Whitman Counties were former Pool members, but terminated their memberships effective October 2002 and 2003 respectively.

The Pool was formed August 18, 1988 when several Washington counties signed an Interlocal (Cooperative) Agreement. It was established to provide its member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The Pool operates under Washington's "pooling" laws, more specifically Chapters 48.62 RCW and 82.60 WAC and implemented via Chapter 39.34 RCW. It is overseen by the State Risk Manager and is subject to fiscal audits performed annually by the State Auditor.

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

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

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

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

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

The following constitute the highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2008 through September 2009):

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

- *Interest Income* slipped to just $0.22 million (-65%) due to the nearly non-existent interest rates associated with the national and worldwide recession.

- *Total Assets* grew by $4.64 million (15%) to more than $35.71 million. Specifically, current assets increased $4.69 million (16%) while non-current assets decreased $0.05 million (-4%).

- 966 cases were added to the Risk Pool's claims-related database during the year which raised the to-date (Oct. 1988 – Sep. 2009) total of third-party liability claims and lawsuits submitted by WCRP member counties to 16,470. Only 492 cases remained classified as "open" at year's end. Independent actuarial estimates suggest another 553 claims may be filed for covered occurrences from all years-to-date through September 2009.

- *Net Assets* (also referred to as *Members' Equity*) increased nearly $1.38 million to more than $8.16 million at September 30, 2009. $6.35 million is classified as 'Restricted' to satisfy the Section D provisions of the WCRP Underwriting Policy that were enhanced by the Board of Directors in March 2007. Another $1.06 million is invested in *Capital Assets* (net of debt). The remaining $0.76 million is listed as 'Non-Restricted' and is available. The WCRP Board of Directors is the authority to decide if, how much, and when distributions of any (Non-Restricted) *Net Assets* are to be made.

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

Over half of the Pool's 9-person staff handles and/or manages the several hundred liability cases filed upon and submitted by the Pool's member counties each year. These claims professionals have more than eighty years combined claims-handling experience. The Pool's "open" file count remains fairly constant between 400 and 500 cases. Other staffers provide various member services including conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverages and marketing, with some simply supporting the organization's administrative needs.

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

Property insurance, with composite limits of $500 million for normal ("All Other Perils") coverage and $250 million for catastrophe coverage and participant deductibles between $5,000 and $50,000, was added to the Pool coverage lines a few years ago as an individual county option. Coverage is for structures, vehicles, mobile equipment, EDP equipment, and equipment breakdown, etc. Participants are responsible for their claims' deductibles. The commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. Twenty-six counties purchased this program during 2009.

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

The Washington Counties Risk Pool is a cooperative program, so there is joint liability amongst its participating members. Contingent liabilities are established when assets are not sufficient to cover liabilities. Pool member counties are required to timely submit their 3rd-party liability claims which are handled by the Pool's staff. This includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year's membership. **The Pool's reassessments receivable balance at December 31, 2009 remains at ZERO.**

B. WORKERS COMPENSATION

The County pays premiums to State of Washington Department of Labor and Industries based on hours worked for each employee. The County belongs to the Retrospective Rating program with Labor & Industries in which we joined in 1988. Each year the County selects a rate plan, showing the maximum refund/maximum premium the County is willing to risk based upon claims management. January 2009, the County had a credit account balance of $32,197 and subsequently we received a refund for the year 2008 in the amount of $18,785 leaving an accumulated credit balance of $50,982.

C. UNEMPLOYMENT COMPENSATON

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security $129,526 in unemployment charges in 2009. The County also contracts with TALX Corporation to assist with the claims handling, and in 2009 we paid $1,681.

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2009 and no short-term debt activities during 2009.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT

1. REVENUE BONDS

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

The revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Grandstand Renovation	4.25% - 5.10%	$875,000
TOTAL		**$875,000**

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

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2010	$130,000	$40,250
2011	135,000	35,015
2012	140,000	29,280
2013	150,000	23,030
2014	155,000	16,000
2015-2019	165,000	8,415
TOTAL	**$875,000**	**$151,990**

2. CUMMINGS/BERRY PURCHASE LOAN

The Cummings/Berry loan to purchase property at 411 N. Ruby, Ellensburg, WA has a maturity date of September, 2012. The contract includes a balloon payment of $688,028.34 in September, 2012. The amount of the loan currently outstanding is:

Purpose	Interest Rate	Amount
Cummings/Berry Purchase	5.5%	$819,139
TOTAL		**$819,139**

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

Year Ending December 31	Principal	Interest
2010	$46,959	$43,878
2011	49,608	41,229
2012	722,572	26,015
TOTAL	**$819,139**	**$111,122**

3. SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

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

Purpose	Interest Rate	Amount
Solid Waste Loan	5%	$975,000
TOTAL		**$975,000**

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

Year Ending December 31	Principal	Interest
2010	$75,000	$4,875
2011	75,000	4,500
2012	75,000	4,125
2013	75,000	3,750
2014	75,000	3,375
2015-2019	375,000	11,250
2020-2022	225,000	2,250
TOTAL	**$975,000**	**$34,125**

4. SPECIAL ASSESSMENT

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

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

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

The RID assessment debt currently outstanding

Purpose	Interest Rate	Amount
RID 96-1	6.44%	$65,000
TOTAL		**$65,000**

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

Year Ending December 31	Principal	Interest
2010	$65,000	$3,933
TOTAL	**$65,000**	**$3,933**

At December 31, 2009, Kittitas County has $386,989.42 available in debt service funds to service the general bonded debt.

4. DEBT LIMITS

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

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

The total tax property value was $6,128,464,393 and the debt limits for the County as of December 31, 2009 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	$87,047,868
General Purposes – with a vote of the people	$153,211,610

NOTE 11 – LEASES

A. OPERATING LEASES

The county leases a copier under non-cancelable operating leases. Total cost for such leases was $15,921 for the year ended December 31, 2009. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2010	$9,423
2011	7,257
2012	7,257
2013	605
2014-	0
Total	**$24,542**

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 2009.

Asset	Governmental Activities
Mail Machine	$16,066
OCE CM4521 Copier-PH	17,406
Sharp AR-M 280U Digital Copier	1,698
DM 500 Mail Machine System	1,872
OCE-IM 5530 Copier-Treasurer	7,259
Sharp MX-5500N Copier-Pros	12,073
IM 4511 Doc Feeder-Pros	7,650
IM4511-Prosecutor Support Div.	2,703
Sharp ARM-455N Copier-Sheriff	11,647
Dish Machine Lease	540
Kyocera Mita-Fair	169
Konica Minolta-CDS	9,858
Ricoh 760D Scanner	5,852
Kyocera Mita-Sheriff	3,624
Total	**$98,417**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2009, are as follows:

Year Ending December 31	Governmental Activities
2010	$47,045
2011	33,339
2012	13,647
2013	4,267
2014	119
Total Minimum Lease Payments	$98,417
Less: Interest	0
Present Value of Minimum Lease Payments	**$98,417**

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2009, the following changes occurred in long-term liabilities: The payoff amount for the 2006 Sheriff Vehicle – Lease #2 was $1.00 higher than the ending balance as of December 31, 2008. The Kyocera Mita Copier was transferred from Community Development Services to the Sheriff's office in 2009. The Public Health Department bought a new copier – OCE CM4521 and had the old copier - Kyocera Mita KM5035 balance paid off by the new leasing company. The old copier (Kyocera Mita KM5035) was then surplused. The total amount redeemed for Capital Leases equals lease payments made during the year not including sales tax. The amount reported for Capital Leases on the General Ledger includes sales tax. Effective January 2008, the County's Other Post Employment Benefit (OPEB) liability was required to be reported per GASB 45 (See Note 17). The landfill closure cost liability has been reported for Business-Type Activities (See Note 18).

	Beginning Balance 01/01/09	Additions	Adjustments	Reductions	Ending Balance 12/31/09	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	$1,259,630	$0	$0	$319,630	$940,000	$195,000
Capital Leases	148,818	32,183	-9,727	72,857	98,417	47,045
Compensated Absences	1,906,851	193,112	0	20,549	2,079,414	51,519
Long Term Liabilities	863,326	0	0	44,187	819,139	46,959
Other Post Employment Benefits	137,106	131,549	0	0	268,655	0
Total	**$4,315,731**	**$356,844**	**$-9,727**	**$457,223**	**$4,205,625**	**$340,523**
Business-Type Activities						
Compensated Absences	$ 79,661	$5,801	$0	$0	$85,462	$0
Long-Term Liabilities	1,050,000	0	0	75,000	975,000	75,000
Landfill Closure Cost	**662,080**	**452,906**	**0**	**16,602**	**1,098,384**	**0**
Total	**$1,791,741**	**$458,707**	**$0**	**$19,602**	**$2,158,846**	**$75,000**
GRAND TOTAL	**$6,107,472**	**$815,551**	**$-9,727**	**$548,825**	**$6,364,471**	**$415,523**

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 2009 are expected to be immaterial at this time.

Civil Actions Pending in which Kittitas County, its Officers and Agents are parties as of December 31, 2009.

County Contingent Liability Litigation Cases

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

2. Sierra Holdings, et al. v. Kittitas County: Plaintiffs allege that the County's denial of a rezone application will cause Plaintiffs to incur substantial financial damages. Although this is a petition under the Land Use Petition Act, the Plaintiffs alleged violations of their substantive and procedural

due process rights and violations of 42 USC § 1983 and chapter 64.40 RCW. The matter has been referred to the Washington Counties Risk Pool. The parties stipulated that this action would be treated the same as whatever happened with Manna Funding. We have not heard from the applicant if they want to move forward.

3. Cameron, Gleason Properties, LLC, Fremmerlid & Taylor, et al v. Kittitas County – Consolidated under 08-2-00161-2 (Cameron): Plaintiffs allege that County's denial of their (all four petitioners) Lot Performance Based Cluster Plat will cause Plaintiffs to incur substantial financial damages. Although this is a petition under the Land Use Petition Act, the Plaintiffs alleged violations of their substantive and procedural due process rights and violations of 42 USC § 1983 and chapter 64.40 RCW. The matter has been referred to the Washington Counties Risk Pool. The County was successful and the developer appealed to the Court of Appeals. This case is currently with the Court of Appeals under cause number 275922, also handled by the Washington Counties Risk Pool. It is stayed pending a subsequent development application.

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

5. Chuck Ferrell v. Kittitas County Community Development Services (09-2-00460-1): Plaintiff alleges that the Kittitas County Community Development Department failed to properly handle a public disclosure request made by attorney Jean Jorgensen on behalf of his client Chuck Ferrell. The matter has been referred to the Washington Counties Risk Pool. Settlement negotiations are ongoing.

6. Darryl Piercy v. Kittitas County: Mark McClain, Alan Crankovich and Mark Jewell (09-2-038484-4; Yakima County): Plaintiff alleges wrongful termination by Kittitas County in ending Mr. Piercy's employment with the County. This matter has been referred to the Washington Counties Risk Pool.

7. Dickson & Dawn v. Kittitas County (09-2-04684-0): Land use Petition and Complaint for Damages where Plaintiffs allege damages by unnecessary delay caused by the County's unlawful actions as stated in LUPA incurring recoverable damages that include, at a minimum, loss of use, increased construction costs and lost profits. This matter is being handled by Chief Civil Deputy A. Neil Caulkins with the Kittitas County Prosecutor's Office.

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

9. Giselle Niblock v. Kittitas County and Deanna Panattoni, Kittitas County Treasurer (CV-09-3085-EFS); Lawsuit filed in U.S. District Court, Eastern District of Washington, September 2, 2009, as action for declaratory and injunctive relief and money damages under 42 U.S.C. ss 1983 and 1988, U.S. and Washington State Constitutions, and RCW 84.64.080 (excess proceeds from real property foreclosure sale). Plaintiff's attorney alleged failure to pay excess proceeds to attorney instead of record owner as required by RCW 84.64.080, where record owner did not sign Treasurer's request for

excess proceeds. Treasurer's office continued attempts to locate Plaintiff and obtain Plaintiff's signature in order to pay the excess proceeds, or to have Plaintiff's attorney obtain Plaintiff's signature. The matter was referred to the Washington Counties Risk Pool. Plaintiff died, Plaintiff's attorney moved to withdraw from case, and the matter is pending anticipated court dismissal on or about May 17, 2010.

Civil Claims Pending

10. Megan Blaisdell
Claimant states that she was hit by a Sheriff's employee (in her vehicle) while waiting for a pedestrian to cross the street. Claimant sought monetary damages for car repairs, medications, therapy and pain and suffering. Claim was submitted to risk pool. The claim was still open on December 31, 2009, with $6,066.59 having been paid for vehicle damages, but the claim for personal injuries remained unresolved as of that date. A total of $8,048.20 was paid through February 14, 2010, including amounts paid for vehicle damages plus the remaining claims for personal injuries. As of December 31, 2009 the case was still open pending resolution of the personal injuries, but as of February 14, 2010 the matter was closed.

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, 2009 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

		Due From					
		General Fund	County Road	Non Major Government	Solid Waste	Internal service	**TOTAL**
Due To	General Fund	$38,547	$19,842	$10,503	$8,180	$3,763	**$80,835**
	County Road	4,186	22,006	0	30	267,595	**$293,817**
	Non-Major Governmental	37,431	0	32,418	0	236	**$70,085**
	Solid Waste	4,626	264	0	94,618	0	**$99,508**
	Internal Service Funds	0	0	6	0	2,290	**$2,296**
	TOTAL	**$84,790**	**$42,112**	**$42,927**	**$102,828**	**$273,884**	**$546,541**

B. Interfund Transfers

Interfund transfers during 2009 included contributions between funds. The balances were as follows:

		Transfer From			
Transfer To		General fund	County Road	All Others	Total
	General Fund	$ -	$ -	$306,674	**$306,674**
	All Others	100,812	4,860	161,472	**267,144**
	Total	**$100,812**	**$ 4,860**	**$468,146**	**$573,818**

NOTE 15 – RECEIVABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2009 were as follows:

	Accounts	Taxes	Total
Total Government	$2,600,481	$1,471,542	$4,072,023
Total Business	$ 184,562	0	$ 184,562

On December 1, 2009, the Board of County Commissioners signed on interlocal agreement for a short term loan of funds from Kittitas County to the Kittitas County Television Reception Improvement District for the amount of $40,000.00 to be paid in full with interest by December 15, 2011. The actual amount borrowed was $37,395.17. The interest rate is .30% (Thirty One Hundredths of a percent). The amount is included in the Total Government accounts column above.

NOTE 16 - JOINT VENTURES

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2009 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	$ 45,850	$45,820
City of Ellensburg Support	71,713	30,391
Tour Fees	17,000	13,286
Other	8,750	20,892
Total Revenues	$143,313	$110,389

NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. PLAN DESCRIPTION

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

B. FUNDING POLICY

In 2009, expenditures of $62,368.19 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 $268,655 is included as a noncurrent liability on the Statement of Net Assets.

Annual Required Contribution (ARC)	$ 193,917
Interest on net OPEB obligation	0
Annual OPEB cost	$ 193,917
Less: Contributions made	(62,368)
Increase in net OPEB obligation	$ 131,549
Net OPEB Obligation beginning of year 2009	137,106
Net OPEB Obligation end of year 2009 (NOO)	$268,655

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 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
		TOTAL	268,655

D. FUNDING STATUS

As of December 31, 2009, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $2,082,585 and the actuarial value of the assets was $0 resulting in a UAAL of $2,082,585 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 two years are presented.

E. ACTUARIAL METHODS AND ASSUMPTIONS

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.22 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the September 30, 2006 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 18 - CLOSURE AND POST CLOSURE CARE COSTS

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

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

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

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

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

In 2008 the County estimated the liability for post-closure care cost for the Ryegrass landfill to be $662,080. The 2009 actual costs for post-closure care was $16,602 leaving a liability of $645,478. As required by federal, state, and local regulations, cash in the amount of $326,209 has been restricted for post-closure care. A contracted professional estimate for the Ryegrass post-closure care costs will be completed in 2010.

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. The estimated liability for post closure cost was determined to be $452,906. As required by federal, state, and local regulations, cash in the amount of $242,027 has been restricted for post –closure care.

The future liability estimates 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. NEW FUND – Forfeited Drug Proceeds

The Board of County Commissioners adopted Resolution 2009-01, to establish the Forfeited Drug Proceeds Fund as per R.C.W 69-50-0505 (10), which requires “that forfeited property and net proceeds not required to be paid to the state treasurer be retained by the seizing law enforcement agency exclusively for the expansion and improvement of controlled substances related to law enforcement activity.” And, that “money retained under this section may not be used to supplant preexisting funding sources.”

2. PRIOR PERIOD ADJUSTMENT TO CAPITALIZED ASSETS

The Capitalized Assets had prior period adjustments, reflected in the adjustment column. As stated in Note 6, the Governmental Activities shows in the adjustment column $212,152 as an increase. This was a prior year adjustment as an equipment disposal was recorded twice. This amount is adding the value back into equipment. The $-127,704 is the related depreciation to the above equipment. The other entries in the adjustment column are a reclassification of an asset. The asset was recorded as infrastructure and it should have been reported as Buildings & Improvements and Improvements and the related depreciation on those assets. The total prior period adjustment was $339,856.

The Business Type Activities includes an adjustment of $109,636. This amount was for the compost facility costs in 2008 that were not reported, with no depreciation attached to this cost.

3. PRIOR YEAR ADJUSTMENTS TO FUND BALANCE

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

General Fund had a change in prior year receivables in the amount of $34,379

EIS Trust had an increase in Reserves in the amount of $51,458

Public Health increase in Reserves in the amount of $50.00

Construction Performance decrease in Reserves in the amount $-7,987

Drug Enforcement prior year adjustment in the amount of $-20,787

Forfeited Drug Proceeds increase in prior year in the amount of $20,787

for a total of prior year changes in the amount of $77,900

4. PRIOR YEAR ADJUSTMENT TO NET ASSETS – GOVERNMENTAL ACTIVITIES

The Net Assets had prior year adjustments to the Governmental Activities based upon the above Note 19 A-2, Capitalized Assets in the amount of $339,856.. In addition there was prior year adjustment of $2,282.63, and the adjustments to fund balance as indicated in Note 19 A-3 in the amount of $77,900.77. The total net asset prior year adjustment is $415,474.14.

5. PRIOR YEAR ADJUSTMENT TO NET ASSETS – BUSINESS TYPE

Kittitas County needed to report the liability of the Solid Waste Landfill Closure. As indicated in Note 18, the landfill was closed in April 1998. The following prior year adjustment of ($478,324) was made to net assets:

Proprietary Fund	
Prior Year Landfill Liability	$662,080
Current Year Landfill Liability	($1,098,383)
Current Year Landfill Closure Expense	($16,602)
Prior Year Landfill Closure Expense	($25,419)
Total Adjustment to Net Assets	($478,324)

The Net Assets were also adjusted as prior year based upon the changes in the Capital Assets as discussed in Note 19 A-2, in the amount of $109,636 is adjusted as a prior year. This amount was for the compost facility and should have been recorded as Construction in Progress in 2008; therefore there is no depreciation for 2008.

The total net prior year adjustment is $368,688.

6. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY

Kittitas County's budget policy is to show in the actual budget any asset that is over $5,000. The Washington State Auditor requires all government entities to use the Budgeting, Accounting and Reporting System (BARS). Because of this requirement there are several items that are actually treated as a capital items but are not capitalized, i.e.; see Note 1- E(6). The following amounts were adjusted for reporting purposes from capital to operating expenses totaling $223,405.81.

General Fund	
General Government – Auditor	5,153.26
General Government – Treasurer	5,396.43
General Government – Information Services	12,158.37
Culture & Recreation – Fair	-23,901.04
Airport	
Transportation	376.46

County Road	
Transportation	214,477.49
Auditor Centennial Document Preservation	
General Government	9,744.84

7. Fairgrounds bond payment

The 1991 Revenue Bond for the Kittitas County Fairgrounds, in the amount of $350,000.00 with an interest rate of 5.875% had a maturity date of October 29, 2031. In September 2009, Kittitas County paid this revenue bond off with a final principal payment of $79,629.87. We have been making additional principal payments each year to achieve the payoff of this debt.

B. SUBSEQUENT EVENTS

The Board of County Commissioners are looking at obtaining financing to bond several projects. Those projects are:

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

The Jail Repairs & Maintenance Project started on May 25, 2010. The funding sources are anticipated to be REET (Real Estate Excise Tax), Hotel Motel Tax, 1/10th sales tax and current budgeted. The bonding project is expected to start in June 2010.

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2009

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 9,504,000	$ 9,589,000	$ 9,257,930	$ (331,070)
Licenses & Permits	1,029,400	348,400	844,591	496,191
Intergovernmental	2,355,102	3,108,180	3,161,862	53,682
Charges for Services	1,844,125	1,983,650	1,940,023	(43,627)
Fines & Forfeits	1,634,900	1,684,382	1,691,278	6,896
Miscellaneous	1,067,678	1,146,307	813,343	(332,964)
Total Revenues	$ 17,435,205	$ 17,859,919	$ 17,709,027	$ (150,892)
Expenditures				
General Governmental	$ 6,447,282	$ 6,795,128	$ 6,372,296	$ 422,832
Judicial	2,639,601	2,709,571	2,620,996	88,575
Security of Persons and Property	7,194,072	8,044,175	7,396,543	647,632
Physical Environment	126,000	122,200	111,777	10,423
Transportation	3,717	3,717	3,717	-
Economic Environment	948,612	1,270,094	987,275	282,819
Mental & Physical Health	-	-	-	-
Culture & Recreation	1,233,902	1,239,327	1,129,907	109,420
Debt Service	100,838	146,338	155,837	(9,499)
Capital Outlay	659,927	2,841,848	2,649,033	192,815
Total Expenditures	$ 19,353,951	$ 23,172,398	$ 21,427,381	$ 1,745,017
Excess (Deficit) Revenues over Expenditures	$ (1,918,746)	$ (5,312,479)	$ (3,718,354)	$ 1,594,125
Other Financing Sources (Uses)				
Proceeds Capital Leases	$ -	$ -	$ -	$ -
Restitution	500	500	424	(76)
Sale of Fixed Assets	-	55,000	58,218	3,218
Transfers In	631,090	641,090	100,812	(540,278)
Transfers Out	(294,347)	(519,347)	(306,674)	212,673
Total Other Financing Sources (Uses)	$ 337,243	$ 177,243	$ (147,220)	$ (324,463)
Net Change in Fund Balance	$ (1,581,503)	$ (5,135,236)	$ (3,865,574)	$ 1,269,662
Fund Balance, January 1	$ 5,945,249	$ 8,774,232	$ 8,074,309	$ (699,923)
Fund Balance, December 31	**$ 4,363,746**	**$ 3,638,996**	**$ 4,208,735**	**$ 569,739**

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, 2009

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 4,152,000	$ 4,657,000	$ 4,239,581	$ (417,419)
Licenses & Permits	200	200	65	(135)
Intergovernmental	8,551,749	8,551,749	6,008,508	(2,543,241)
Charges for Services	56,100	56,100	161,059	104,959
Miscellaneous	140,000	140,000	151,696	11,696
Total Revenues	$ 12,900,049	$ 13,405,049	$ 10,560,909	$ (2,844,140)
Expenditures				
General Governmental	$ 178,000	$ 178,000	$ 283,255	$ (105,255)
Transportation	7,031,300	7,031,300	5,825,161	1,206,139
Capital Outlay	7,184,500	7,689,500	1,840,943	5,848,557
Total Expenditures	$ 14,393,800	$ 14,898,800	$ 7,949,359	$ 6,949,441
Excess (Deficit) Revenues over Expenditures	$ (1,493,751)	$ (1,493,751)	$ 2,611,550	$ 4,105,301
Other Financing Sources (Uses)				
Sale of Fixed Assets	$ -	$	$ (33)	$ (33)
Transfers In	330,000	330,000		(330,000)
Transfers Out			(4,860)	(4,860)
Total Other Financing Sources (Uses)	$ 330,000	$ 330,000	$ (4,893)	$ (334,893)
Net Change in Fund Balance	$ (1,163,751)	$ (1,163,751)	$ 2,606,657	$ 3,770,408
Fund Balance, January 1	$ 7,715,000	$ 7,715,000	$ 10,579,432	$ 2,864,432
Fund Balance, December 31	**$ 6,551,249**	**$ 6,551,249**	**$ 13,186,089**	**$ 6,634,840**

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

Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2009

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 2009.

KITTITAS COUNTY
Required Supplementary Information
December 31, 2009

Information about Infrastructure Assets Reported Using the Modified Approach

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

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

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

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

ROADS

Measurement Scale

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

	Max. Points
Structures	40
Based on number of residences access road	
2 points per residence	
No. of houses ________	

Max. Points

Traffic ADT 10

Based on a comparative ride roughness.
Rating:

Under 49=0
50 to 99 = 2 pts
100 to 149 = 4pts
150 to 250 = 6 pts
Over 250 = 10 pts

Speed Limit 4

Based on a posted speed.

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

Routes 10

Based on a reported school and mail routes.

School Bus Route= 5
US Mail= 5

Classification 8

Based on Federal Functional Classification.

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

Connector 10

Maintenance Costs 15

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

Total Possible Points **97**

Assessed Conditions

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

Miles of Gravel Roads	Rating Score
4.21	50-65
1.14	41-49
7.3	31-40
5.16	21-30
28.16	11-20
21.9	0-10

Condition Level

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

BUDGETED AND ESTIMATED COSTS TO MAINTAIN INFRASTRUCTURE

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

Fiscal Year	Estimated Spending	Actual Spending
2005	292,000	78,169
2006	327,000	208,278
2007	312,000	193,131
2008	335,500	246,629
2009	372,000	218,576

Required Supplemental Information
Kittitas County
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2009

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

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

Kittitas County
2009 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2009 Expenditures: From Pass Through Awards	2009 Expenditures: From Direct Awards	2009 Expenditures: Total	Notes
U.S. Department of Agriculture - Forest Service Pass through WA Office of the State Treasurer	Schools and Roads - Grants to States	10.665	N/A	353,655		353,655	4
U.S. Department of Housing and Urban Development - Pass through WA State Community, Trade & Economic Development	Community Development Block Grants	14.228	09-64009-005	110,965		110,965	
U.S. Department of Justice - Pass through Washington State Patrol	Domestic Cannabis Eradication/Suppression	16.000	WSP #C081635FED	19,604		19,604	5
U.S. Department of Justice	Law Enforcement Assistance-Narcotics and Dangerous Drugs-Laboratory Analysis	16.001	N/A		1,487	1,487	4
U.S. Department of Justice - Pass through WA Department of Social & Health Services	Juvenile Accountability Incentive Block Grants - JRA	16.523	0663-98328-2	9,399			
	Juvenile Accountability Incentive Block Grants - JRA		0663-98328-4	564			
			Subtotal	9,963		9,963	
	Juvenile Justice and Deliquency Prevention_ Allocation to States	16.540	I-100-00708	4,850			
	Juvenile Justice and Deliquency Prevention_ Allocation to States		I-100-00909	4,659			
			Subtotal	9,509		9,509	
U.S. Department of Justice - Pass through WA Department of Community, Trade and Economic Development	Violence Against Women Formula Grant Program	16.588	F04-30304-019	10,718			
	Violence Against Women Formula Grant Program		F09-31103-019	3,880			
			Subtotal	14,598		14,598	
U.S. Department of Justice - Bureau of Justice Assistance	State Criminal Alien Assistance Program	16.606	2009-AP-BX-0643		13,908	13,908	
U.S. Department of Justice - Pass through Kittitas County Community Public Health and Safety Network/Traffic Safety	Enforcing Underage Drinking Laws Program	16.727	N/A	4,877		4,877	4
U.S. Department of Transportation, Federal Highway Administration- Pass through WA Department of Transportation	Highway Planning and Construction: -						
	Bridge BHS- Charlton Road Bridge	20.205	BRS-19CK(001)LA5462	470,444			9
	- Bridge BHS - West Fork Teanaway Road Bridge		BROS-19BG(001)/LA5768	693,715			8
	- **ARRA** Yakima River Canyon Center -PH1		ARRA-BROS-2019(024)/LA6911	41,755			9
	- **ARRA** Guardrail Hazard Elimination		ARRA-BROS-2019(025)/LA6912	390,013			8
			Subtotal	1,595,927	-	1,595,927	
U.S. Department of Transportation-National Highway Traffic Safety Administration: Pass through Washington Traffic Safety Commission and Kittitas County Community Public Health and Safety Network and Kittitas County Traffice Safety	Alcohol Impaired Drinving Countermeasures Incentive Grants I	20.601					
	- Drive Hammered get Nailed		N/A	3,148			4
	- X-52 Sustained Enforcement, DUI & Speeding Traffic Safety Emphasis		N/A	2,972			4
	- Drive Hammered Get Nailed, Multi-jurisdictional DUI Patrols		N/A	592			4
			Subtotal	6,712		6,712	

Kittitas County
2009 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2009 Expenditures From Pass Through Awards	From Direct Awards	Total	Notes
U.S. Environmental Protection Agency - Pass through WA Department of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14952	2,500		2,500	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Public Health Emergency Preparedness	93.069	C14952	90,698		90,698	
U.S. Department of Health and Human Services -	Immunization Grants	93.268	C14952	18,089			3,6,7
Pass through Washington Department of Health	Immunization Grant - Non Cash		N/A	74,168			3;4;6
			Subtotal	92,257	U.S. Departn	92,257	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Center for Disease Control and Prevention_Investigations and Technical Assistance	93.283					
	PHEPR LHJ		C14952	59,440			
	Shape Up		C14952	45,019			
	Tobacco Prevention and Control Program		C14952	3,648			
Pass through ESD 112	Community Mobilization Program		7000200063	639			
			Subtotal	108,747		108,747	
U.S. Department of Health and Human Services- Administration for Children and Families- Pass through WA Department of Social and Health Services	Promoting Safe and Stable Families	93.556	0963-6612	957		957	
	Child Support Enforcement	93.563	N/A	13,105			4
	Child Support Enforcement		N/A	96,202			4
			Subtotal	109,307		109,307	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Child Care and Development Block Grant	93.575	C14952	12,484		12,484	
U.S. Department of Health and Human Services: Pass-through WA Secretary of State	Voting Access for Individuals with Disabilities - Grants to States - Elections Assistance for Individuals with Disabilities (EAID)	93.617	G-3980	10,755		10,755	5
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Medical Assistance Program - MAM Match	93.778	0963-53332	3,294			
	Medical Assistance Program - MAM Match Interpreters		0963-53332	221			
	Medical Assistance Program - MAM Match Vaccine		0963-53332	507			
			Subtotal	4,021		4,021	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C14952	1,958		1,958	
U.S. Department of Health and Human Services- Centers for Disease Control and Prevention-Pass through Yakima Health District	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	93.919	KCHD 09-10	6,000			
			KCHD 08-09	14,258			
			Subtotal	20,258		20,258	

Kittitas County
2009 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2009 Expenditures From Pass Through Awards	From Direct Awards	Total	Notes
U.S. Department of Health and Humans Services - Pass through the WA Department of Social and Health Services -Division of Alcohol and Substance Abuse	Block Grants for Prevention and Treatment of Substance Abuse - DASA	93.959	9505-0/0763-20318	78,488			5
	Block Grants for Prevention and Treatment of Substance Abuse - DASA		0963-680044-01	17,266			5
				95,753		95,753	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Maternal and Child Health Federal Consolidated Program	93.994	C14952	41,945		41,945	
U.S. Department of Homeland Security- Pass through from WA State Parks and Recreation Commission	Boating Safety Financial Assistamce	97.012	Agreement #2009-48	9,161		9,161	
U.S. Department of Homeland Security - Pass through from Washington State Military Department-2009 Flood	Department of Homeland Security-Public Assistance pass through State of Washington Military Department - Emergency Management	97.036	Snow DSR#1825 (Road)	13,373			
			Flood DSR#1817 (Road)	1,255,696			
			Flood DSR#1817 (Solid Waste)	2,465			
			Flood DSR#1817 (CDS)	5,351			
			Flood DSR#1817 (Sheriff)	15,370			
			Flood DSR#1817 (Public Health)	873			
			Subtotal	1,293,128		1,293,128	
U.S. Department of Homeland Security - Pass through from Washington State Military Department, Pass through Grant County Emergency Management	Law Enforcement Terrorism Prevention Program	97.074	C080642 FED LETPP	60,014		60,014	5
	Homeland Security Grant Program- Domestic Preparedness	97.067	E08-099 /2007-GE-T7-0017	65,625			5
	Homeland Security Grant Program- Domestic Preparedness		E09-131	64,333			
	Citizens Corps Program		K299 Citizen Corps Program	4,605			
			Subtotal	134,563		134,563	
TOTAL FEDERAL FINANCIAL ASSISTANCE				**4,214,316**	**15,395**	**4,229,711**	

Kittitas County, Washington

NOTES TO THE 2008 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 - NON CASH AWARDS

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

NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain other identification number.

NOTE 5 – EQUIPMENT AND SUPPLIES PURCHASED WITH FEDERAL DOLLARS

Federal dollars used to purchase equipment and supplies.

NOTE 6 – VACCINE FOR CHILDRENS PROGRAMS

Vaccine supplied by Federal Government for Vaccine for Children Program.

NOTE 7 – VACCINE FOR 317 PROGRAMS

Vaccine supplied by Federal Government for Vaccine for 317 Program.

NOTE 8 – PROJECT HAS BEEN COMPLETED OR EXPIRED

Project has been completed or expired.

NOTE 9 – PROJECT CARRIED OVER

Project carried over pending construction funding.

NOTE 10 – IN-LIEU Of Tax

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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Chief of Staff	**Ted Rutt**
Deputy Chief of Staff	**Doug Cochran**
Chief Policy Advisor	**Jerry Pugnetti**
Director of Audit	**Chuck Pfeil, CPA**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte, CPA, CGFM**
Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
Communications Director	**Mindy Chambers**
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