Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Kittitas County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008367

Issue Date
September 24, 2012

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 24, 2012

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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Federal Summary

Kittitas County
January 1, 2011 through December 31, 2011

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

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

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
81.128	ARRA - Energy Efficiency and Conservation Block Grant
10.665	Forest Service Schools and Roads Cluster - Schools and Roads – Grants to States

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

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

Schedule of Audit Findings and Responses

Kittitas County
January 1, 2011 through December 31, 2011

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

Background

County management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. We identified significant deficiencies in controls that adversely affect the County's ability to produce reliable financial statements.

We issued similar findings during the 2007, 2008 and 2010 financial statement audits.

Description of Condition

During our current audit, we identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency.

- The County recorded year-end cash and investment entries incorrectly. The County found the error and attempted to correct the entries. The re-recording also was in error and increased the incorrect amounts. The County did not have a system that provided adequate oversight of adjusting journal entries to ensure they were accurate.

- The County did not fully implement Governmental Accounting Standards Board (GASB) Statement No. 54 in its 2011 financial statements. The new standard is intended to better demonstrate how the County can use its available resources by reclassifying governmental fund balances on its financial statements from restricted, reserved and unrestricted to non-spendable, restricted, assigned, committed and unassigned. County personnel did not understand the new requirements and did not seek additional guidance. This resulted in the County incorrectly reporting some of these funds.

- The County's review process was not effective in ensuring the financial statements, notes and schedules were reported accurately.

Cause of Condition

The County experienced turnover in key positions responsible for preparing portions of the financial statements and did not fill all of these positions. In addition, the County does not provide sufficient training and supervision of staff responsible for accounting and financial reporting to ensure accuracy.

Effect of Condition

We found the following significant errors in the original financial statements the County provided for the audit:

- Expenses are overstated and ending net assets understated by $272,042 on the Statement of Activities.

- The Committed Fund Balance was overstated by $2,318,000 and $14,692,864 for the General Fund and the County Road Fund, respectively, while assigned fund balance was understated by the same amount for each of these funds. This had the same effect for the fund balances on Statement of Net Assets.

- The Committed Fund Balance was overstated by $3,639,390, while the restricted fund balance was understated by the same amount for Aggregate Remaining Funds. This had the same effect on the Statement of Net Assets.

- Cash and investments and ending net assets were overstated by $581,854, on the Statement of Net Assets and the Prorietary Fund Statement of Net Assets.

Inaccurate financial reports limit access to financial information used by County officials, the public, state and federal agencies and other interested parties. In addition, inaccurate financial statements can also delay or hinder the audit process and increase audit costs.

Recommendation

We recommend the County:

- Ensure adequate staffing is available to prepare and review financial statements.
- Ensure staff have adequate training and supervision, or obtain outside guidance to ensure unusual transactions and correcting entries are recorded correctly.

- Establish and follow internal controls that include a thorough review of the financial statements to ensure accurate presentation.

County's Response

We would like to thank the State Auditor for their time in conducting the 2011 financial audit.

The County recognizes the need to provide adequate staffing to prepare and review the financial statements and management will support the timelines established to prepare a timely and accurate financial report. This will be accomplished by ensuring all departments responsible for information will submit their data in a timely manner, as lack of timeliness on their part shortens the ability to provide a complete review to submit a timely and accurate financial report.

The County makes a practice of providing efficient training for staff. The entries of fund balance classification, as required by GASB 54, are a matter of interpretation differences between the County and the State Auditor.

The County has established and follows internal controls on the preparation and review of their financial statements. Financial staff has support from management that all departments will provide data on the established timeline to enable the complete review of the financial statement.

Auditor's Remarks

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

Applicable Laws and Regulations

RCW 43.09.200 states:

> The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.
>
> The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.
>
> The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived there from; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budget Accounting and Reporting System Manual - Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section C. Internal Control, states:

> Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
>
> - Effectiveness and efficiency of operations
> - Compliance with applicable laws and regulations
> - Reliability of financial reporting
>
> Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even

> though primary responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section.

Government Auditing Standards, July 2007 Revision – Section 5.11 provides:

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

> a. Significant deficiency: a deficiency in internal control, or combination of deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected.
>
> b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Status of Prior Audit Findings

Kittitas County
January 1, 2011 through December 31, 2011

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

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

Report No. 1006446, dated September 30, 2011

Background

During our current audit, we identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency.

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

Status

During our current audit, we again noted internal controls over financial statement preparation are inadequate to ensure accurate reporting. Based on our audit review, the prior audit finding is unresolved.

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, 2011 through December 31, 2011

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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2012. During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. .

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Findings and Responses as Finding 1, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

COMPLIANCE AND OTHER MATTERS

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

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

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

This report is intended for the information and use of the audit committee, 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 5, 2012

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

Kittitas County
January 1, 2011 through December 31, 2011

Board of Commissioners
Kittitas County
Ellensburg, Washington

COMPLIANCE

We have audited the compliance of Kittitas County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

This report is intended for the information of the audit committee, 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 5, 2012

Independent Auditor's Report on Financial Statements

Kittitas County
January 1, 2011 through December 31, 2011

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, 2011, 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, 2011, 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.

As described in Note 1, during the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*..

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 25, budgetary comparison information on pages 73 through 75 infrastructure modified approach on pages 76 through 77 and information on postemployment benefits other than pensions on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 5, 2012

Financial Section

Kittitas County
January 1, 2011 through December 31, 2011

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

KITTITAS COUNTY, WASHINGTON

Management's Discussion and Analysis

Kittitas County's discussion and analysis offers readers of the County's financial statements, for the year ended December 31, 2011, 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, 2011 by over $116.18 million. Net Assets invested in capital assets (net of depreciation and related debt) account for 58% of this amount, with a value of $67.4 million. Of the remaining net assets, $10.18 million may be used to meet the government's ongoing obligation to citizens and creditors, without legal restriction.

- As of December 31, 2011 Kittitas County's government activities reported combined ending net assets of $109.3 million. Of that amount, $63.3 million is invested in capital assets and $8.4 million are restricted funds; $26.7 million are committed.

- Fund Balance for the General Fund at December 31, 2011 was $10.0 million.

- Fund Balance for the County Road Fund at December 31, 2011 was $14.8 million.

- The County's total long term debt at December 31, 2011 was $16.5 million, with a remaining capacity for non-voted debt at $81.6 million. The Solid Waste Landfill Post-Closure costs are $1.18 million and other debt is $15.3 million.

- The General Fund's fund balance increased 56% over 2010, showing an increase of $5.13 million. The amount of unrestricted funds is $3.94 million. This increase in fund balance is due to the Board of County Commissioners cutting expenses and each department head and elected official reducing their spending even further. This has helped our economic condition on the General Fund.

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 2011. 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 2011, 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 2011.

Fund Financial Statements

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

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

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

Government Funds

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

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

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

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

Proprietary Funds

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

Proprietary fund statements follow the government fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply to the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, you will notice that the total net 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, 2011, with 2010 comparative balances.

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current Assets	$51,313,431	$51,245,239	$4,179,252	$3,687,269	$55,492,684	$54,932,508
Capital Assets	74,959,273	72,884,884	5,480,755	5,097,502	80,440,026	77,982,386
Total Assets	$126,272,704	$124,130,123	$9,660,007	$8,784,771	$135,932,710	$132,914,894

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Liabilities						
Other liabilities	$2,443,917	$2,308,317	$169,105	$132,609	$2,613,022	$2,440,926
Long-term liabilities	14,445,843	14,698,525	2,106,806	2,090,428	16,552,649	16,788,952
Total Liabilities	$16,889,760	$17,006,841	$2,275,911	$2,223,036	$19,165,671	$19,229,878
Net Assets						
Investment in Capital Assets	$63,343,030	$60,353,996	$4,073,900	$4,197,503	$67,416,930	$64,551,499
Non Spendable	32,274		0		32,274	
Restricted	8,409,282	34,813,106	505,413	648,548	8,914,694	35,461,654
Committed	26,714,333	0	0	0	26,714,333	0
Assigned	696,076	0	0	0	696,076	0
Unassigned	10,187,949	11,956,180	2,222,930	1,715,686	12,410,879	13,671,866
Total Net Asset	**$109,382,944**	**$107,123,282**	**$6,802,242**	**$6,561,737**	**$116,185,186**	**$113,685,019**

Net Assets of the County's governmental activities were $109.3 million. The County's unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations $10.6 million.

Statement of Activities

For fiscal year ended December 31, 2011, the revenues from primary governmental activities totaled $35.1 million. Property taxes are the largest revenue source at $10 million, while Charges for Services are the second largest at $7.9 million.

The expenses for governmental activities totaled $33.75 million. Public Safety was the county's highest commitment at $9.29 million; Transportation is the seconded highest expense for 2011 with $7.78 million. The expenses for Public Safety were contributed to the jail repairs and construction costs.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues: Program Revenues:						
Charges for Services	$7,919,280	$7,435,562	$3,214,303	$2,853,756	$11,133,583	$10,289,318
Operating Grants	4,037,014	3,669,378	0	0	4,037,014	3,669,378
Capital Grants	0	122,747	0	0	0	122,747
General Revenues:						
Property Taxes	10,053,920	10,347,920	0	0	10,053,920	10,347,920
Sales Taxes	6,303,059	5,878,636	0	0	6,303,059	5,878,636
Other Taxes	5,805,872	4,946,562	0	0	5,805,872	4,946,562
Unrestricted Grants & Contributions	716,861	274,255	0	0	716,861	274,255
Unrestricted Investment Earnings	278,061	277,184	7,129	6,063	285,190	283,247
Proceeds on Disposal Capital Assets	43,956	23,264	0	0	43,956	23,264
Total Revenues	**$35,158,022**	**$32,975,509**	**$3,221,432**	**$2,859,818**	**$38,379,454**	**$35,835,328**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Expenses:						
General Government	$7,741,329	$8,403,516			$7,741,329	8,403,516
Judicial	2,782,936	2,693,876			2,782,936	2,693,876
Public Safety	9,299,240	7,784,756			9,299,240	7,784,756
Physical Environment	512,787	389,247			512,787	389,247
Transportation	7,784,299	7,122,699			7,784,299	7,122,699
Economic Environment	1,161,805	1,204,789			1,161,805	1,204,789
Mental & Public Health	2,301,800	2,329,857			2,301,800	2,329,857
Culture & Recreation	1,748,179	1,599,225			1,748,179	1,599,225
Interest on Long Term Debt	425,859	72,009			425,859	72,009
Garbage & Solid Waste	0	0	3,020,770	2,800,597	3,020,770	2,800,597
Total Expenses	**$33,758,235**	**$31,599,974**	**3,020,770**	**$2,800,597**	**$36,779,005**	**$34,400,571**
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	**1,399,787**	**1,375,535**	**200,662**	**59,221**	**1,600,449**	**1,434,757**
Net Assets as of January 1	**$107,123,282**	**$106,042,542**	**$6,561,737**	**$6,609,932**	**$113,685,019**	**$112,652,474**
Prior Year Adjustments	859,875	-294,796	39,844	-107,416	899,719	-402,212
Net Assets as of December 31	**$109,382,944**	**$107,123,281**	**$6,802,242**	**$6,561,737**	**116,185,186**	**113,685,019**

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds Balance Sheet Analysis

The General Fund, County Road funds and Courthouse Jail Facilities Expansion are the three major funds in 2011. Together these funds account for 77% of the total government assets and 76% of the total government fund balance. As of December 31, 2011, the county's government funds reported combined fund balances nearly $39.8 million. Of this total amount, $3.9 million is unreserved and available for spending within the designated funds; $8.4 million is restricted and 26.7 million is committed.

In the total Assets, the Cash and Investments are down from the previous year by $819,388; and receivables have decreased by $849,479 and the due from other Governmental increased by $1.63 million. The net change in all assets is a 1% decrease.

In the total Liabilities, the biggest increase is the deferred revenues by $889,453 which is the offset of property taxes and court receivables. The net change in all liabilities is 21% decrease.

Governmental Fund	2011	2010	Net Change
Total Assets	45,979,919	46,400,300	(420,381)
Total Liabilities	6,179,106	7,454,893	(1,275,787)
Total Fund Balance	39,800,814	38,945,407	855,407

Governmental Funds Revenues/Expenditure Analysis

The net change in fund balance for the General Fund in 2011 was $4.45million. The net change in the County Road fund was a $118.313. Governmental funds had an overall net change in fund balance of $-4,468 for 2011. The changes in fund balances are due construction projects which are spending the GO & Refunding Bond monies.

The overall changes in Governmental Revenues were 8% increase. The biggest increase in the revenues occurred in property taxes 11% increase; 2010 $9.8million compared to $9.38 million in 2011; showing an increase of $1.11 million.

The overall expenditures increased 6% from 2010. The biggest expense was in Transportation which increased $2.27 Million.

Governmental Funds	2011	2010	Net Change
Revenues	37,021,395	33,981,104	3,040,291
Expenditures	(37,044,582)	(33,559,943)	(3,484,639)
Other Financing Sources	18,719	10,461,434	(10,442,715)
Net Change in Fund Balance	(4,468)	10,882,595	(10,887,063)
Fund Balance Beginning	38,945,408	28,003,312	10,942,096
Prior Year Adjustments	859,873	59,503	800,370
Fund Balance Ending	39,800,813	38,945,409	855,404

Enterprise Funds Net Assets Analysis

The net assets of the Solid Waste fund as of December 31, 2011 were $6.8 million; with $2.2 million in unrestricted funds. The internal service funds have net assets in the amount of $8.7 million.

Enterprise Funds Revenue/Expenditure Analysis

The Solid Waste fund collected $3.2 million in revenues and had an operating expense of $2.92 million showing a net gain of $284,911. The changes in net assets for 2011 after non-operating revenues and expenses are $200,662.

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, 2011.

GENERAL FUND	2011 Original Budget	2011 Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	10,728,786	10,728,786	0
Licenses & Permits	850,946	850,946	0
Intergovernmental	2,935,265	3,700,564	(765,299)

Charges for Services	2,050,090	2,050,090	0
Fines & Forfeits	1,761,400	1,761,400	0
Miscellaneous	654,350	657,850	(3,500)
Total Revenues	**18,980,837**	**19,749,636**	**(768,799)**
Expenditures			
General Governmental	8,549,172	8,962,574	(413,402)
Judicial	636,610	640,310	(3,700)
Security of Persons and Property	7,987,242	8,383,420	(396,178)
Physical Environment	76,500	223,566	(147,066)
Transportation	3,717	3,717	0
Economic Environment	617,664	850,164	(232,500)
Mental & Physical Health	0	0	0
Culture & Recreation	1,166,415	1,181,415	(15,000)
Debt Service	159,828	165,460	(5,632)
Capital Outlay	492,010	493,550	(1,540)
Total Expenditures	**19,689,158**	**20,904,176**	**(1,215,018)**
Excess (Deficit) Revenues over Expenditures	**(708,321)**	**(1,154,540)**	**(446,219)**
Other Financing Sources (Uses)			
Proceeds Capital Leases	0	0	0
Restitution	500	2,700	(2,200)
Sale of Fixed Assets	100	100	0
Transfers In	588,837	588,837	0
Transfers Out	(148,929)	(251,869)	102,940
Total Other Financing Sources (Uses)	**440,508**	**339,768**	**100,740**
Net Change in Fund Balance	(267,813)	(814,772)	546,959
Fund Balance, January 1	3,496,795	4,043,879	(547,084)
Fund Balance, December 31	**3,228,982**	**3,229,107**	**(125)**

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

The biggest expenditure supplemental budget increases were as follows:

General Government - $413,402 for grants awarded to the County.
Security of Persons & Property – $396,178 for grants awarded to the County.
Economic Environment- $232,500 for grants awarded to the County.

General Fund Budget to Actual

The amended General Fund revenue budget was approximately $19.7 and total revenues received $21.1 million, or 8% above budget. The specific changes to report are taxes and licensing & permits. The taxes consist of the real and personal property taxes, timber harvest taxes, sales and use taxes, and excise taxes. Both the real and personal property taxes and sales and use tax collected are slightly above the budgeted amount. We received a payment in delinquent property taxes. Our changes in projections were a little under estimated when the budget was prepared.

The General Fund budgeted expenses vs. actual came in at 15% under budget. The biggest unspent budget was Public Safety, due to reduction in employees and contracted services.

GENERAL FUND	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	10,728,786	13,004,235	2,275,449
Licenses & Permits	850,946	815,047	(35,899)
Intergovernmental	3,700,564	3,241,160	(459,404)
Charges for Services	2,050,090	2,008,253	(41,837)
Fines & Forfeits	1,761,400	1,597,951	(163,449)
Miscellaneous	657,850	862,231	204,381
Total Revenues	**19,749,636**	**21,528,876**	**1,779,240**
Expenditures			
General Governmental	8,962,574	8,689,993	272,582
Judicial	640,310	93,280	547,030
Security of Persons and Property	8,383,420	6,789,306	1,594,114
Physical Environment	223,566	193,600	29,966
Transportation	3,717	3,717	0
Economic Environment	850,164	669,587	180,577
Mental & Physical Health	0	0	0
Culture & Recreation	1,181,415	1,205,296	(23,881)
Debt Service	165,460	149,615	15,845
Capital Outlay	493,550	76,798	416,752
Total Expenditures	**20,904,176**	**17,871,191**	**3,032,985**
Excess (Deficit) Revenues over Expenditures	(1,154,540)	3,657,685	4,812,225
Other Financing Sources (Uses)			
Restitution	2,700	2,619	(81)
Sale of Fixed Assets	100	167	67
Transfers In	588,837	1,031,505	442,668
Transfers Out	(251,869)	(233,801)	18,068
Total Other Financing Sources (Uses)	**339,768**	**800,490**	**460,722**
Net Change in Fund Balance	**(814,772)**	**4,458,175**	**5,272,947**
Fund Balance, January 1	4,043,879	5,585,779	1,541,900
Fund Balance, December 31	**3,229,107**	**10,043,954**	**6,814,847**

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, 2011, amounts to over $74.9 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, infrastructure, and construction in progress on buildings and systems. Kittitas County has elected to use the modified approach to account for the infrastructure account; Gravel Roads, which eliminates the need to report depreciation expense. The major capital asset events during 2011 were increases in Construction in Progress. The 2011 ending balance for Construction in Progress is $6.87 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, 2011 of approximately $16.53 million. In September of 2010, the County was awarded a GO-Refund Bond in the amount of $11,185,000, with a net of discounts and premiums of $56,850.11. The bonding period is through December 1, 2030.

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

Kittitas County has an assigned rating of "AA-/Stable" from the Standard & Poor's after a review and report issued on September 10, 2010. The prior rating from Standards & Poor's was affirmed an "AA-(SPUR/Stable" underlining rating.

ECONOMIC FACTORS

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

The Board of County Commissioners has elected over the past several years to increase property taxes by zero percent plus new construction. The additional revenue from new construction has not covered the additional expenditures required in union contracts and supply costs. This policy decision has resulted in a reduction in Kittitas County cash reserves and may need to be revisited in the 2012 tax rate decision. The Board of County Commissioners during the 2010 Budget process elected to do a levy shift of $1 million from the County Road fund to the General Fund. In 2011, the Board of County Commissioners elected to do another $635,000 levy shift from County Road to the General Fund. During this process, the levy rate for the County Road fund declined so in 2012 the Board of County Commissioners are looking at reversing the previous levy shifts by some dollar amount. This will have an impact on the County's General Fund, but at this time the amount has not been determined.

Kittitas County has experienced a downfall in the construction business because of the state of the economy. The downturn in building permits has affected the revenue collections; not only in the issuing of permits, but the recording of documents, and Real Estate Excise Tax. The sales tax revenues have also decreased. We started noticing the revenue trends going down in late summer of 2008; the Board of County Commissioners during the 2009 budget process reduced the estimated amounts back to about 2005-2006 levels for permits and sales tax. In February 2009, the permits fell off again, so the Board of County Commissioners met and reduced the permit revenues and did drastic budget cuts. We are watching very carefully the revenues and all departments are watching and limiting travel and other expenses. With the help of all the departments, by not spending their total budgets, increased the fund balanced of the General Fund. The 2011 beginning fund balance for the General fund was $5.85 million and the ending 2011 fund balance was $10.04 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 5th – Suite 105
Ellensburg, WA 98926
509-962-7502
www.co.kittitas.wa.us

KITTITAS COUNTY, WASHINGTON

Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	$ 16,580,212	$ 151,890	$ 16,732,103
Investments	27,672,057	3,033,404	30,705,461
Receivables (net)	3,502,583	362,695	3,865,279
Internal Balances	7,035	(7,035)	-
Inventories	421,668	-	421,668
Due from other Governmental	3,116,902	55,563	3,172,464
Prepaid items	12,974	881	13,855
Cash restricted for landfill closure & postclosure		581,854	581,854
Capital Assets (net of accumulated depreciation)			
Land	12,603,861	280,439	12,884,300
Intangible Assets	1,520,428	39,844	1,560,272
Buildings	12,614,479	840,143	13,454,623
Improvements	1,207,462	3,225,570	4,433,031
Equipment	2,840,672	512,905	3,353,578
Infrastructure	37,299,966	-	37,299,966
Construction in progress	6,872,403	-	6,872,403
Total Assets	$ 126,272,704	$ 9,078,153	$ 135,350,857
LIABILITIES			
Accounts payable and accrued exp.	$ 1,978,015	$ 169,105	$ 2,147,120
Unearned revenue	101,127		101,127
Other current liabilities	364,775		364,775
Other Long Term Debt			
Due within one year	1,390,836	148,307	1,539,143
Due in more than one year	13,055,007	1,958,499	15,013,506
Total Liabilities	$ 16,889,760	$ 2,275,911	$ 19,165,671
NET ASSETS			
Invested in capital assets, net of related debt	$ 63,343,030	$ 4,073,900	$ 67,416,930
Fund Balance			
Non Spendable	32,274	-	32,274
Restricted	8,409,282	505,413	8,914,694
Committed	26,714,333	-	26,714,333
Assigned	696,076	-	696,076
Unassigned	10,187,949	2,222,930	12,410,879
Total Net Assets	$ 109,382,944	$ 6,802,242	$ 116,185,186

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, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue & Changes in Net Assets: Governmental Activities	Net (Expense) Revenue & Changes in Net Assets: Business-type Activities	Net (Expense) Revenue & Changes in Net Assets: Total
Governmental Activities:							
Judicial	$ 2,782,936	$ 2,069,622	$ 63,581	$ -	$ (649,733)	$ -	$ (649,733)
General Government	7,741,329	2,101,005	253,268		(5,387,056)	-	(5,387,056)
Public Safety	9,299,240	1,521,475	675,166		(7,102,599)	-	(7,102,599)
Physical Environment	512,787	151,253	17,125	-	(344,408)	-	(344,408)
Transportation	7,784,299	300,203	1,252,113	-	(6,231,984)	-	(6,231,984)
Economic Environment	1,161,805	1,434,032	140,210	-	412,437	-	412,437
Mental & Physical Health	2,301,800	166,379	1,635,551	-	(499,870)	-	(499,870)
Culture & Recreation	1,748,179	175,311	-	-	(1,572,869)	-	(1,572,869)
Interest on long-term debt	425,859	-	-	-	(425,859)	-	(425,859)
Total Government Activities	$ 33,758,235	$ 7,919,280	$ 4,037,014	$ -	$ (21,801,942)	$ -	$ (21,801,942)
Business-type Activities:							
Garbage & Solid Waste	$ 3,020,770	$ 3,214,303	$ -	$ -	$ -	$ 193,533	$ 193,533
Total Business-Type Activities	$ 3,020,770	$ 3,214,303	$ -	$ -	$ -	$ 193,533	$ 193,533
Total Primary Government	$ 36,779,005	$ 11,133,583	$ 4,037,014	$ -	$ (21,801,942)	$ 193,533	$ (21,608,409)
General Revenues:							
Property Taxes					$ 10,053,920	$ -	$ 10,053,920
Sales Taxes					6,303,059	-	6,303,059
Other Taxes					5,805,872	-	5,805,872
Unrestricted Grants & Contributions					716,861	-	716,861
Unrestricted Investment Earnings					278,061	7,129	285,190
Proceeds on Disposition of Captial Assets					43,956	-	43,956
Special Item - Gain on Disposition of capital assets					-	-	-
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					**$ 23,201,728**	**$ 7,129**	**$ 23,208,857**
Change in Net Assets					**$ 1,399,787**	**$ 200,662**	**$ 1,600,449**
Net Assets as of January 1					$ 107,123,282	$ 6,561,737	$ 113,685,019
Prior year adjustment					859,875	39,844	899,719
Net Assets as of December 31					$ 109,382,944	$ 6,802,242	$ 116,185,186

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

KITTITAS COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	County Road	Courthouse Jail Facilities Expansion	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	$ 9,140,886	$ 1,277,294	$ 1,156,868	$ 4,373,810	$ 15,948,858
Investments	-	13,042,773	4,770,501	5,080,465	22,893,739
Receivables (net)	2,854,694	376,792	455	266,121	3,498,062
Due from other funds	145,599	273,338	-	91,732	510,669
Due from Other Governmental	1,106,276	1,039,167	-	971,358	3,116,802
Prepaid items	10,851	810	-	129	11,789
Total assets	$ 13,258,306	$ 16,010,172	$ 5,927,825	$ 10,783,616	$ 45,979,919
LIABILITIES					
Accounts payable and accrued exp.	$ 371,567	319,852	$ 451,627	$ 432,983	$ 1,576,029
Payable to other governments	-	-	-	92,144	92,144
Due to other funds	184,260	514,456		135,198	833,914
Deferred revenue	2,645,847	366,308	-	198,962	3,211,117
Unearned revenue	1,471		-	99,656	101,127
Deposits payable	11,207	7,896	-	345,671	364,775
Total liabilities	$ 3,214,352	$ 1,208,512	$ 451,627	$ 1,304,614	$ 6,179,106
FUND BALANCE					
Non Spendable	$ 26,326	$ 1,860	$ -	$ 4,089	$ 32,274
Restricted	2,373,134	106,937	5,476,197	453,013	8,409,282
Committed	3,157,226	14,692,864	-	8,864,243	26,714,333
Assigned	538,419	-		157,657	696,076
Unassigned	3,948,849	-			3,948,849
Total fund balance	$ 10,043,954	$ 14,801,660	$ 5,476,197	$ 9,479,002	$ 39,800,814
Total liabilities and fund balance	$ 13,258,306	$ 16,010,172	$ 5,927,825	$ 10,783,616	$ 45,979,919

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	72,049,293
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	3,211,117
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(14,445,843)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.	8,767,563
Net assets of governmental activities	109,382,944

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, 2011

	General Fund	County Road	Courthouse Jail Facilities Expansion	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 7,128,844	$ 3,592,411	$ -	$ 253,060	$ 10,974,316
Sales	3,958,168	-	-	2,344,891	6,303,059
Other	1,913,640	506	-	649,319	2,563,466
Licenses & Permits	815,047	12,259	-	193,887	1,021,193
Intergovernmental	3,244,742	3,517,511	-	2,351,969	9,114,223
Charges for Services	2,008,253	340,831	-	1,340,114	3,689,197
Fines & Forfeitures	1,597,951	-	-	33,762	1,631,713
Investment Earnings	228,942	18,604	14,602	10,309	272,457
Miscellaneous Revenues	633,289	8,574	160,320	649,591	1,451,773
Total revenues	$ 21,528,876	$ 7,490,696	$ 174,922	$ 7,826,901	$ 37,021,395
EXPENDITURES					
Current:					
Judicial	$ 2,635,448	$ -	$ 0	$ 120,574	$ 2,756,022
General Government	6,145,377	403,931	-	1,177,892	7,727,199
Public Safety	6,789,306	-	-	1,905,965	8,695,271
Physical Environ	193,600	-	-	324,500	518,101
Transportation	3,717	5,142,667	-	599,602	5,745,987
Health & Human Services				2,269,873	2,269,873
Economic Environment	669,587	-	-	479,417	1,149,004
Culture & Recreation	1,205,296	-	-	287,209	1,492,505
Debt Service:					-
Principal	108,307	-	-	500,246	608,553
Interest/Other Expense	41,309	-	-	384,551	425,859
Capital Outlay:					
General government	59,136	-	-	89,190	148,326
Judicial	-	-	-	-	-
Public safety	20,109	-	3,253,903	188,688	3,462,701
Physical environment	-	-	-	6,659	6,659
Transportation	-	1,857,500	-	5,422	1,862,922
Health & Human services	-	-	-	-	-
Economic environment	-	-	-	-	-
Culture & recreation	-	-	175,602	-	175,602
Total expenditures	$ 17,871,191	$ 7,404,098	$ 3,429,505	$ 8,339,788	$ 37,044,582
Excess (deficiency) of revenues over (under) expenditures	$ 3,657,685	$ 86,598	$ (3,254,583)	$ (512,887)	$ (23,187)
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 1,031,505	$ 31,714	$	$ 1,410,674	$ 2,473,894
Transfers out	(233,801)	-		(2,240,093)	(2,473,894)
Gain on Disposition of capital assets	2,786	-	-	15,933	18,719
Total other financing sources (uses)	$ 800,490	$ 31,714	$ -	$ (813,486)	$ 18,719

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, 2011

	General Fund	County Road	Courthouse Jail Facilities Expansion	Other Governmental Funds	Total Governmental Funds
SPECIAL ITEMS					
Gain on Disposition of Capital Assets	-	-	-	-	-
Net change in fund balances	4,458,175	118,313	(3,254,583)	(1,326,373)	(4,468)
Fund balances--beginning	4,907,777	14,756,445	8,730,780	10,550,406	38,945,408
Prior Period Adjustments	678,002	(73,097)	-	254,968	859,873
Fund balances--ending	$ 10,043,954	$ 14,801,660	$ 5,476,197	$ 9,479,002	$ 39,800,813

Net changes in fund balances for governmental funds		$ (4,468)
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	$ 5,656,209	
Depreciation	(3,962,824)	
Reduction and Adjustments in Construction in Progress	1,194,019	
Cost of Assets Sold	(346,547)	
Donated Assets	(61,250)	2,479,607
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	$ 608,553	608,553
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		(889,453)
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.		(355,870)
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.		(166,539)
Reconciling item to balance net assets between statements		(272,043)
Change in net assets of governmental activities		$ 1,399,787

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

KITTITAS COUNTY, WASHINGTON

Proprietary Funds Statement of Net Assets
December 31, 2011

	Business-type Activities-- Enterprise Funds Solid Waste	Governmental Activities- Internal Service funds
ASSETS		
Current assets:		
Cash & cash equivalents	$ 151,890	$ 631,355
Investments	3,033,404	4,778,318
Receivables	362,695	4,521
Prepayment for Services	-	-
Due From Funds	15,592	488,478
Inventories	-	421,668
Due From Other governments	56,444	1,284
Total Current Assets	$ 3,620,025	$ 6,325,624
Noncurrent assets:		
Restricted Cash, Cash Equivalents and Investments:		
Cash restricted for landfill closure & postclosure	581,854	-
Total Restricted Assets	581,854	-
Capital assets:		
Land & Intangible Assets	320,283	46,227
Buildings	1,389,478	733,210
Improvements	4,513,052	170,216
Equipment	1,095,406	6,642,874
Construction in progress	-	227,538
Less Depreciation	(2,419,318)	(4,910,086)
Total Capital Assets (net of accumulated depreciation)	$ 4,898,901	$ 2,909,979
Total Noncurrent Assets	5,480,755	2,909,979
Total assets	$ 9,100,780	$ 9,235,603
LIABILITIES		
Current liabilities:		
Accounts payable and accrued exp.	$ 169,105	$ 303,934
Due to other funds	22,627	158,199
Due to other governments	-	5,907
Landfill Closure Cost	73,307	-
Bonds, notes, loans payable	75,000	-
Total Current Liabilities	$ 340,038	$ 468,041
Noncurrent liabilities:		
Compensated absences	$ 100,703	$ -
Bonds, notes, loans payable	750,001	-
Landfill Closure Cost	1,107,795	-
Total Noncurrent Liabilities	$ 1,958,499	$ -
Total Liabilities	$ 2,298,537	$ 468,041
NET ASSETS		
Invested in capital assets, net of related debt	$ 4,073,900	$ 2,909,979
Restricted Net Assets	505,413	-
Unrestricted	2,222,929	5,857,584
Total net assets	$ 6,802,242	$ 8,767,563
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:	-	
Net assets of business-type activities	$ 6,802,242	$ 8,767,563

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, 2011

	Business-type Activities-- Enterprise Funds	Governmental Activities- Internal Service funds
	Solid Waste	
OPERATING REVENUES		
Charges for Services:		
Garbage & Solid Waste	$ 3,214,303	$ -
Other services	-	1,731,064
Total operating revenues	$ 3,214,303	$ 1,731,064
OPERATING EXPENSES		
Maintenance & operations	$ 2,658,667	$ 1,363,539
Administrative & general	-	69,076
Depreciation	270,725	496,389
Total operating expenses	$ 2,929,392	$ 1,929,004
Operating income (loss)	$ 284,911	$ (197,940)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	$ 7,129	$ 5,604
Gain (loss) on Disposition of Capital Assets	-	25,237
Landfill Closure Revenues (Cost)	(78,170)	-
Miscellaneous nonoperating revenues (expenses)	(13,208)	560
Total non-operating income (expense)	$ (84,249)	$ 31,401
Income before contributions & transfers	$ 200,662	$ (166,539)
Transfers In	-	-
Change in net assets	$ 200,662	$ (166,539)
Net assets--beginning	6,561,737	- 8,934,102
Prior Period Adjustment	39,844	-
Net assets--ending	$ 6,802,242	$ 8,767,563

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, 2011

	Business - Type Activity	Governmental Activities
	Solid Waste	Internal Service funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 3,148,185	$ 1,640,820
Cash payments to suppliers	(2,700,809)	(1,195,523)
Net cash provided (used) by operating activities	**$ 447,376**	**$ 445,297**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Non-Operating Rents and Charges	$ -	$ 560
Net cash provided from noncapital activities	**$ -**	**$ 560**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Sale of Capital Assets	$ -	$ 25,237
Payments for Capital Acquisition	(32,278)	(363,211)
Payment on Long Term Debt	(75,000)	-
Net cash provided (used in) capital financing activities	**$ (107,278)**	**$ (337,974)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Interest	$ 7,549	$ 1,905
Purchase of Investment	(281,831)	(1,811,471)
Net cash flows from investing activities	$ (274,282)	$ (1,809,566)
Net increase (decrease) in cash and cash equivalent	$ 65,815	$ (1,701,683)
Cash and cash equivalents at beginning of year	$ 667,929	$ 2,333,037
Cash and cash equivalents at end of year	$ **733,744**	**$ 631,354**

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, 2011

	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)	$ 284,911	$ (197,940)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation expense	$ 270,725	$ 496,389
(Increase) decrease in accounts receivable	(114,051)	-
(Increase) decrease in due from other funds	79,026	(90,144)
(Increase) decrease in due from other governmental	(31,093)	(100)
(Increase) decrease in Prepayment for Services	(881)	-
Increase (decrease) in Salaries payable	(218)	(45,901)
Increase (decrease) in vouchers payable	36,683	36,511
Increase (decrease) in due to other funds	(77,758)	46,239
Increase (decrease) in inventory	-	9,498
Increase (decrease) in Accounts Payable	-	185,016
Increase (decrease) in Due to other Governments	-	5,729
Increase (decrease) in Taxes Payable	31	-
Total Adjustments	**$ 162,465**	**$ 643,237**
Net cash provided by operating activities	**$ 447,376**	**$ 445,297**

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

KITTITAS COUNTY, WASHINGTON

Statement of Fiduciary Net Assets
December 31, 2011

	Private Purpose Trust	Agency Funds
ASSETS		
Cash/Petty Cash	$ 73	$ 10,666,813
Cash with Fiscal Agency	-	201,641
Investments	1,951	15,095,290
Taxes Receivable	-	3,460,353
Other Receivables	0	(0)
TOTAL ASSETS	$ 2,025	$ 29,424,098
LIABILITIES		
Warrants Payable	$ -	$ 2,822,318
Salary/Vouchers Payable	21	409,693
Custodial Accounts	-	22,731,734
Other Current Notes Payable	-	-
Deferred Revenues	-	3,460,353
TOTAL LIABILITIES	$ 21	$ 29,424,098
Net Assets		
Restricted for:		
Trust Fund	$ 2,004	$ 0
Total Net Assets	$ 2,004	$ 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, 2011

		Private Purpose Trust
Additions		
Investment Earnings	$	4
Miscellaneous Revenues		-
Total Additions	$	4
Deductions		
Culture & Recreation	$	38
Total Deductions	$	38
Net change in net assets		(34)
Fund balances--beginning		2,038
Fund balances--ending	$	2,004

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

KITTITAS COUNTY, WASHINGTON
Notes to the Basic Financial Statements
Dated as of and for the year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net 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 financial statements.

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

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

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

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

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

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

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

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

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

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

D. BUDGETARY INFORMATION

1. SCOPE OF BUDGET

Annual appropriated budgets are adopted for the General and Special Revenue Funds on the modified accrual basis of accounting. 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, 2011, the treasurer was holding $21,944,700.50 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 2011 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, 2011, 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. 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 is reported as an Intangible Asset and is not depreciated.

Capital Leases are defined as long term debt to the county. The asset is tracked but there is not value placed in the Capital Assets. Capital Leases are determined by one of the following four criteria; 1) The lease transfers ownership of the property to the lessee by, or at, the end of the lease term; 2) The lease contains an option to purchase the leased property at a bargain price; 3) The lease is equal to or greater than

75% of the estimated economic life of the leased property; 4) The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90% of the fair value of the lease property. See Note Number 11

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

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

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

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

7. OTHER PROPERTY AND INVESTMENTS

See Deposits and Investments Note No 4.

8. COMPENSATED ABSENCES

The County records all accumulated unused vacation, sick leave and compensatory time. For Governmental Funds, unused vacation, sick leave and compensatory time are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability for the governmental funds for 2011 is $2,331,441. 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, sick leave and compensatory time is $100,703. Total vacation, sick leave and compensatory time pay-off recorded during 2011 for all Governmental Funds was $68,629.

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

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

9. LONG-TERM DEBT

See Long-Term Debt and Leases Note No 10.

10. DEFERRED REVENUES

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

11. FUND RESERVES AND DESIGNATIONS

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

A. Governmental Fund Types

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

Rainy Day Funds

Currently the General Fund has established a rainy day fund. The practice to set aside 1% of the previous year's operating expenses until the level has reached a goal of $1.25 million.

Fund Balance types for Governmental Fund Types and reporting practice

Non-spendable Fund Balance:

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

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

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

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

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

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

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

Restricted Fund Balance:

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

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

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

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

Committed Fund Balance:

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

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

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

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

Assigned Fund Balance:

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

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

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

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

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

Unassigned Fund Balance (General Fund Only):

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

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

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

The following is the classifications for the Governmental funds fund balances as of December 31, 2011:

	General Fund	Road Fund	Cthse/Jail Facilities Expansion	Other Funds	Total
Fund Balances:					
Nonspendable:					
Prepaid items	10,851	810	-	129	11,790
Petty Cash	15,475	1,050	-	3,960	20,485
Total Nonspendable	**26,326**	**1,860**	**-**	**4,089**	**32,275**
Restricted for:					
Law & Justice	2,323,134	-	-	-	2,323,134
Paths Trails	-	106,937	-	-	106,937
Information Technology	50,000	-	-	-	50,000
Construction Performance Bond	-	-	-	664	664
2010 Go & Refunding Bond	-	-	-	132,704	132,704
County Refund	-	-	-	356	356
206 CRID 96-1 Bond	-	-	-	187,476	187,476
CRID Guaranty Fund	-	-	-	131,813	131,813
Other Capital Projects	-	-	5,476,197	-	5,476,197
Total Restricted	**2,373,134**	**106,937**	**5,476,197**	**453,013**	**8,409,281**
Committed to:					
NY Budget	2,318,000	-	-	-	2,318,000
Vehicle Replacement	839,226	-	-	-	839,226
Special Revenue	-	14,692,863	-	7,095,399	21,788,262
County Capital Improvements	-	-	-	1,745,941	1,745,941
Rodeo Grounds Capital Improvements	-	-	-	22,903	22,903
Total Committed	**3,157,226**	**14,692,863**	**0**	**8,864,243**	**26,714,332**
Assigned to:					
Rainey Day	538,419	-	-	-	538,419
Equipment Reserve				157,657	157,657
Total Assigned	**538,419**	**-**	**-**	**157,657**	**696,076**
Unassigned	**3,948,849**	-	-	-	**3,948,849**
Total Fund Balance	**10,043,954**	**14,801,660**	**5,476,197**	**9,479,002**	**39,800,813**

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

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

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

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	$72,049,293
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	$3,211,117
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	$(14,445,843)
Internal service funds are used by management to change the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets	$8,767,563
Net adjustment to increase total governmental funds to arrive at net assets-governmental activities	$69,582,130

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

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

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

Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlays	$5,656,209	
Depreciation	(3,962,824)	
Changes in Construction in Progress	1,194,019	
Cost of Assets Sold	(346,547)	
Donated Assets	(61,250)	2,479,607
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principle is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.		
Debt Retired	608,553	608,553
Some revenues reported in the statement of activities are not yet available and therefore are not reported as revenues in the governmental funds		(889,453)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(355,870)
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		(166,539)
Reconciling item to balance net assets between statement		(272,043)
Net adjustment to increase net changes in fund balance – total governmental Funds to arrive at changes in net assets of governmental activities		$1,404,255

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

B. INVESTMENTS

It is the County's policy to invest all temporary cash surplus. At December 31, 2011, the treasurer was holding $21,994,700.50 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. Investments are reported on the statements at fair value. The interest on these investments is credited to the General Fund.

As of December 31, 2011, the County had the following investments:

Investment Maturities	Fair value of Investments
State Investment Pool	$62,719,257.67
U.S. Government Securities	5,609,999.24
Total	$68,329,256.91
Less Co. Residual	($21,944,700.50)
Net Investments	$46,384,556.41

C. CREDIT RISK

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

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

1. **Safety**

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

2. **Liquidity**

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

3. Return on Investment

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

Investments by Fund

Fund	Total Investments
County Road	13,042,772.69
Special Revenue-Non Major	4,057,555.67
Debt Service	319,257.35
Capital Projects	5,474,152.83
Total Governmental Funds	**$22,893,738.54**
Solid Waste- Proprietary Fund	3,615,257.76
Internal Service Funds	4,778,318.44
Total Proprietary Funds	**$8,393,576.20**
Agency Funds	15,097,241.67
TOTAL	**$46,384,556.41**

Balance Sheet – Governmental Funds				
	General Fund	**County Road**	**Other Governmental Funds**	**Total Governmental Funds**
Assets				
Investments	$ -	$13,042,773	$9,850,966	$22,893,739

Proprietary Funds Statement of Net Assets		
	Business-type Activities Enterprise Funds	**Governmental Activities Internal Service Funds**
Assets		
Investments	$3,615,258	$4,778,318

Agency Funds Combining Balance Sheet	
Assets	
Investments	$15,097,242

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 2010 for the 2011 tax County levied the following property taxes on an assessed value of $6,670,622,914. The Road district property value assessed was $4,855,095,807.

Fund	Levy	Amount
General fund	1.004078	$6,697,825.71
Mental Health	.025000	166,765.57
Veterans Relief	.011243	74,997.81
Total General fund Levy*	**1.040321**	**$6,939,589.09**
Road Levy	.854770	$4,149,990.24
County Road Diverted	.041193	199,995.96
Total Road Levy*	**.895963**	**$4,349,986.20**
GRAND TOTAL	**1.936284**	**$11,289,575.29**

*Levy Shift of $635,000 from Road Levy to General Fund

NOTE 6 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 is shown by asset type in the following table. The biggest increases occurred under Government Activities for construction in progress. This includes the construction on the Jail repairs, new Jail Pod, Upper District Court and the Armory in the amount of $3,437,374.

GOVERNMENT ACTIVITES	Beginning Balance	Increase	Decrease	Adjustments	Ending Balance
Assets not being depreciated					
Land	3,363,710	61,250	61,250	0	3,363,710
Gravel Roads*	4,079,872	0	0	0	4,079,872
Easements & Right of Ways	5,159,909	370	0	0	5,160,279
Intangible Assets	0	126,399	0	1,394,029	1,520,428
Construction in Progress	3,052,195	5,014,227	740,431	(453,588)	6,872,403
Total	**15,655,687**	**5,202,246**	**801,681**	**940,441**	**20,996,693**
Assets Being Depreciated					
Buildings & Improvement	22,124,498	258,861	0	0	22,383,359
Improvements	1,909,396	0	0	0	1,909,396
Equipment	11,049,968	225,403	199,804	0	11,075,567
Infrastructure	139,516,717	497,239	85,494	0	139,928,463
Total	**174,600,579**	**981,503**	**285,297**	**0**	**175,296,785**
Grand Total	**190,256,266**	**6,183,749**	**1,086,978**	**940,441**	**196,293,478**

Less accumulated depreciation for:		Increase	Decrease	Adjustments	Ending Balance
Buildings & Improvements	9,146,226	622,699	0	(46)	9,768,880
Improvements	553,802	148,133	0	0	701,935
Equipment & Machinery	7,387,251	1,045,804	198,161	0	8,234,894
Infrastructure	100,284,103	2,429,887	85,494	0	102,628,496
Total	**117,371,382**	**4,246,523**	**283,654**	**(46)**	**121,334,205**
Total Government Activities, net	**72,884,884**	**1,937,226**	**803,324**	**940,487**	**74,959,273**
BUSINESS TYPE ACTIVITIES		**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Assets not being depreciated					
Land	280,439	0	0	0	280,439
Intangible Assets	0	0	0	39,844	39,844
Construction in Progress	0	0	0	0	0
Total	**280,439**	**0**	**0**	**39,844**	**320,283**
Assets Being Depreciated					
Buildings & Improvement	1,357,200	32,278	0	0	1,389,478
Improvements	4,513,052	0	0	0	4,513,052
Equipment	1,095,406	0	0	0	1,095,406
Total	**6,965,658**	**32,278**	**0**	**0**	**6,997,936**
Grand Total	**7,246,097**	**32,278**	**0**	**39,844**	**7,318,219**
Less accumulated depreciation for:		**Increase**	**Decrease**	**Adjustments**	**Ending Balance**
Buildings & Improvements	493,140	56,195	0	0	549,335
Improvements	1,151,649	135,833	0	0	1,287,482
Equipment & Machinery	503,804	78,697	0	0	582,501
Total	**2,148,593**	**270,725**	**0**	**0**	**2,419,318**
Business Activities Capital Assets, net	**5,097,504**	**(238,447)**	**0**	**39,844**	**4,898,901**

B. ADJUSTMENTS

The Governmental Activities shows in the adjustment column $940,441 as an increase. In 2010, the Airport Fund had recorded Construction in Progress in the amount of $453,588 for the extension of the City of Ellensburg's water and sewer lines to the airport boundary. The actual ownership of those utilities belongs to the City of Ellensburg, not Kittitas County. The Airport Fund was responsible for the construction of those utility lines and upon completion they became a part of the City's utility services. The Airport Fund has no interest in those lines. The depreciation in the amount of $46 is a prior year adjustment.

GASB 51 provides guidance regarding how to identify, account for and report intangible assets. Intangible assets are computer software and internally generated software. Kittitas County created the inventory of the intangible assets and determined the value of all computer software. The adjustment in the amount of $1,394,029 is for the inventory of software purchased and developed since 1993. Because these intangible assets have an indefinite useful life, they are not amortized.

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

Government Activities	
Function/Program	Amount
Government activities	$340,865
Judicial Services	3,369
Public Safety	328,398
Physical Environment	1,110
Transportation	3,057,670
Health and Human Service	29,492
Economic Environment	11,698
Culture and Recreation	190,221
Total	**$ 3,962,823**

Depreciation expense was charged to the business activities as follows:

Business Activities	
	Amount
Solid Waste & Garbage	$270,725
Total	**$270,725**

*See Required Supplementary Information

NOTE 7 - PENSION PLANS

A. WASHINGTON STATE RETIREMENT PLANS

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

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

A. Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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.

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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

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

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

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

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

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

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

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

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

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

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

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

B. Judicial Benefit Multiplier

During January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

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

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

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Nonvested	51,005
Total	**262,285**

C. Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. 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, 2011, are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% 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*	9.75%	9.75%	9.75%**
Employer-Local Government*	7.25%	7.25%	7.25%**
Employee-State Agency	9.76%	9.10%	7.50%***
Employee-Local Government	12.26%	11.60%	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 required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	$29,407	$510,854	$97,230
2010	$19,383	$320,316	$71,482
2009	$30,385	$573,233	$91,835

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

A. Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. 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. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

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.

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 Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

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

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

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. (FAS 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 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

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

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

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

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

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

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

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

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Nonvested	3,656
Total	**27,505**

B. 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. 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, 2011, are as follows:

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

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

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

	LEOFF Plan 1	LEOFF Plan 2
2011	$0	$113,024
2010	$0	$108,189
2009	$0	$110,309

3. Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

The Legislature created PSERS in 2004 and the system 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. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

A "covered employer" is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Corrections departments of Washington State counties;
- Corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and
- Interlocal corrections agencies.

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 Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

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

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

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

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

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

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

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	4,210
Total	**4,217**

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

	PSERS Plan 2
Employer*	8.86%
Employee	6.36%

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

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

	PSERS Plan 2
2011	$62,641
2010	$57,101
2009	$61,330

B. DEFERRED COMPENSATION PLAN

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

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

NOTE 8 - RISK MANAGEMENT

A. GENERAL LIABILITY & PROPERTY INSURANCE

Kittitas County is one of twenty-seven members of the Washington Counties Risk Pool ("Pool"). Other members include: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skamania, Skagit, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having terminated their memberships September 30, 2010, and October 2002 and 2003 respectively.

Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits resulting from any of the Pool's fiscal years are financed by proportional reassessments (aka retroactive assessments) amongst the deficient year's membership. **The Pool's reassessments receivable balance at December 31, 2011 was $0 as no contingent liabilities were known to exist at that time.**

Joint Self-Insurance Liability Program: The Pool has provided its member counties occurrence-based, jointly self-insured and/or jointly purchased liability coverage for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, including public officials' errors and omissions, since October 1, 1988. Total coverage limits have grown over time, from the $1 million limit during the Pool's initial two months to $5 million, then to $10 million and onto $15 million before reaching the $20 million limit the past eight years. (Note: Additional limits of $5 million were offered the past several years for acquisition as a member-by-member option.)

Except for the Pool's self insured retention (the greater of the member's deductible or $100,000), the initial coverage of at least $10 million has been fully reinsured since October 1994 by superior-rated commercial carriers. Members annually select a deductible amount of $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. The remaining insurance (up to $15 million) is acquired as "following form" excess insurance, also from superior-rated commercial carriers. There are no aggregate limits to the payments made for any one member county or all member counties combined.

The Pool's claims database increased during Py2011 with the addition of 744 new claims (and lawsuits) raising the 3rd-party liability claims to-date total submitted by member counties to 17,982. Estimates of total incurred losses (payments made plus reserved estimates for *open* claims) increased $16.0 million during the year to $237.4 million.

Washington Counties Property Program: Since the Pool began offering the jointly-purchased, fully-insured property insurance coverage to its membership in October 2005 as an individual county option, participation has grown by more than 50% and the total value of covered properties has nearly doubled. Twenty seven member counties with covered properties totaling $2.6 billion participated in this program during Py2011.

Coverage is for structures, vehicles, mobile equipment, EDP equipment, etc., and composite limits include $500 million for normal (All Other Perils) exposures and $200 million for catastrophe (Flood / Earthquake) exposures. Occurrence deductibles, which the participating counties annually select from and which they are solely responsible for, range between $5,000 and $50,000 for the AOP coverage.

Superior-rated commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. There were 13 property claims submitted for processing during Py2011 with incurred losses-to-date totaling nearly $0.85 million. During its first six years being offered through the WCRP as an optional insuring program, there have been 78 property claims filed with incurred losses-to-date totaling nearly $9.75 million. With to-date premiums for this coverage totaling $13.75 million, the resulting to-date loss ratio is 0.71.

Other Insurances: Several member counties also use the Pool's producer (broker) for other insurance placements. Public officials bonds, or crime & fidelity, special events/concessionaires and environmental hazards insurance coverages are a few examples.

Background: The Pool was formed August 18, 1988 when several Washington counties approved an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW 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 200.100 WAC. It is overseen by the State Risk Manager and subject to fiscal audits performed annually by the State Auditor.

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.

The enabling Interlocal Agreement was amended once (in 2000) to add a 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 intent of the Compact was to obligate member counties to support these goals through three major elements; membership involvement, risk control practices, and a targeted risk management program.

A new member may be asked to pay modest admittance fees to cover that member's share of the Pool's organizational expenses and costs to analyze its 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 its proportional shares of any unresolved, unreported, and in-process claims for the periods they were a signatory to the Interlocal Agreement.

Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed 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 Pool's Annual Meeting. The board of directors is responsible for determining the 3rd-party liability coverage to be offered (approving the insuring document or coverage form), the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, for approval of the Pool's annual operating budget(s) and work program(s), and for approval of the member deposit assessment formulas applicable to the ensuing policy year.

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 any case settlement exceeding the member's deductible 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.

Staffing and Support Teams: The Pool's 5-person claims staff with more than eighty years combined claims-handling experience handles or oversees the handling of the several hundred liability cases filed upon the Pool's member counties each year. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other Pool staffers provide various member services, e.g conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverages and marketing. Some address and support the organization's administrative needs.

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; independent claims auditing is performed by Startegic Claims Direction with special claims audits frequently performed by the Pool's commercial reinsurers / insurers; insurance producer (broker) and advanced loss control services are provided by Arthur J. Gallagher Risk Management Services, Inc.; and coverage counsel is provided by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend Pool cases, as well as the examinations by and services from the State Risk Manager and the State Auditor.

Financial Summary: The following constitute the most significant highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2010 through September 2011):

- *Net Operating Income* was realized of $0.8 million, a 58% decrease from the prior year.
- *Total Assets* grew $2.2 million (6%) to $41.1 million. Current assets increased $2.3 million (6%) while non-current assets decreased 4%.
- Total *Claims Reserves* for the Pool's direct reserving exposures increased to $15.0 million, up 6.7% from the prior year. This total includes: $5.6 million for losses in the coverage layer retained by the Pool, down 9.3%; $8.6 million for the aggregated stop losses in the retained layers associated with the "corridor" program for automobile and general liabilities, up 22%; and $0.8 million for unallocated loss adjustment expenses, down 5% from one year ago. *NOTE: The corridor program referenced is now five years old yet still not fully matured. Further, its occurrence coverage maximum was increased to one million dollars beginning with Py2010, up from the half million level that existed during the program's first three years, while the program's occurrence minimum remains the greater of the applicable member's deductible or $100,000.*
- *Net Position* (formerly referred to as *Net Assets* and also known as *Members' Equity*) increased $.08 million to $11.0 million as of September 30, 2011. Of the total, $5.5 million is classified as *Restricted Net*

Position — $0.9 million to satisfy the State's solvency provisions (WAC 200.100.03001) plus $4.6 million for the Pool's Underwriting Policy requirements. $0.2 million is invested in a real property (fraud) recovery, and another $1 million in *Capital Assets* (net of debt). The remaining $4.4 million held as *Non-Restricted Net Position* is available for use as directed by the Pool's Board of Directors.

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 2011, the County had a credit account balance of $68,870 and subsequently we received a refund for the year 2010 in the amount of $5,854 leaving an accumulated credit balance of $74,724.

C. UNEMPLOYMENT COMPENSATON

The County is currently on the Reimbursable basis with the Washington State Employment Security Department. The County paid Employment Security $54,100 in unemployment charges in 2011. The County also contracts with TALX Corporation to assist with the claims handling, and in 2011 we paid $1,635.

NOTE 9 – SHORT TERM DEBT

Kittitas County had no outstanding short term debt as of December 31, 2011 and no short-term debt activities during 2011.

NOTE 10 - LONG-TERM DEBT

A. LONG TERM DEBT

LIMITED TAX G.O. & REFUNDING BONDS 2010

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

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

Purpose	Interest Rate	Amount
Limited Tax General Obligation and Refunding Bonds, 2010	2%-3.75%	$10,690,000

The bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2012	560,000	318,631
2013	575,000	307,431
2014	580,000	295,931
2015	600,000	284,331
2016	450,000	272,331
2017-2020	1,925,000	965,213
2021-2025	2,760,000	835,913
2026-2030	3,240,000	356,825
TOTAL	**$10,690,000**	**$3,636,606**

B. LONG TERM LIABILITIES

1. 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%	$722,43
TOTAL		**$722,473**

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

Year Ending December 31	Principal	Interest
2012	722,473	$26,011
TOTAL	**$722,473**	**$26,011**

2. SOLID WASTE PUBLIC WORKS TRUST FUND LOAN

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

Purpose	Interest Rate	Amount
Solid Waste Loan	5%	$825,000
TOTAL		**$825,000**

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

Year Ending December 31	Principal	Interest
2012	75,000	4,125
2013	75,000	3,750
2014	75,000	3,375
2015	75,000	3,000
2016	75,000	2,625
2017-2020	300,000	6,750
2021-2022	150,000	1,125
TOTAL	**$825,000**	**$24,750**

C. DEBT LIMITS

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

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

The total tax property value was $6,437,116,147 and the debt limits for the County as of December 31, 2011 was as follows:

Purpose of Indebtedness	Remaining Capacity
General Purposes – without a vote of the people	$81,619,298
General Purposes – with a vote of the people	$160,927,904

NOTE 11 – LEASES

A. OPERATING LEASES

The county leased copiers and a postage machine under non-cancelable operating leases. Total cost for such leases was $3,062 for the year ended December 31, 2011. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2012	318
2013	265
2014	0
2015	0
Total	**$583**

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 2011:

Asset	Governmental Activities
DM 525 Mail Machine System-UDC	10,416
Sharp MX-C401 Copier-UDC	7,211
Sharp MX-M623N-Treasurer	22,169
Sharp MX-5500N Digital Copier-Prosecutors	1,003
IM 4511 Doc Feeder-Pros/Courthouse	2,430
Ricoh 760D Scanner - Prosecutor	3,386
Sharp MX-C311(1) & Xerox W5655PT(2)-Prosecutors	17,787
Mail Machine-IJ90 - Auditor	2,992
Mail Machine-Centormail 140 - Auditor	38,660
Sharp MX-3100N(2) & MX-M453N(1)- Sheriff	26,212
Sharp MX-3100N - Sheriff	18,260
Sharp MX_M453N (2) Copiers-Sheriff	34,045
Xerox W5655PT - Juvenile/Clerk/Sup Court	9,372
Konica Minolta -CDS	1,521
OCE CM4521 Copier - Public Health	8,306
Total	**$203,770**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2011, are as follows:

Year Ending December 31	Governmental Activities
2012	$60,490
2013	50,358
2014	46,008
2015	29,546
2016	9,352
Total Minimum Lease Payments	$195,754
Less: Interest	0
Present Value of Minimum Lease Payments	**$195,754**

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2011, the following changes occurred in long-term liabilities: The Treasurer office returned OCE- IM5530 Copier and replaced it with a Sharp MX-623N Copier with a yearly savings of $194.76. The Auditor's office replaced its IJ90 Mail Machine with a Centormail 140 Mail Machine at an additional yearly expense of $959.04. The Kyocera Mita Copier that was transferred from Community Development Services in 2009 to the Sheriff's office was replaced May 2011 as well as the two ARM-455N Copiers being replaced in September 2011. This change will save the Sheriff Dept $980.76 annually. The total adjustment to Capital Leases in 2011 was $784. The amount reported for Capital Leases on the following chart and 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). During 2010, the County issued bonds in the amount of $11,241,850. The Bonds are being issued for the purpose of construction of repairs and expansion of the County Jail, acquisition of a building for court facilities, remodel of a building on the County fairgrounds, refunding of an advanced basis the County's Limited Tax General Obligation Bonds, 2001, paying the costs of issuance of the Bonds, and other legal purposes of the County.

Compensated absences are recorded using the actual leave balances accumulated for each employee. The due within one year amount is the average of the past three year payoff to separated employees. The average for Governmental Activities is $47,873 and the Business type was estimated at zero due within one year.

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

	Beginning Balance 01/01/11	Additions	Adjustments	Reductions	Ending Balance 12/31/11	Due Within One Year
Governmental Activities						
Bonds Payable: Revenue/Assessment Bonds	$11,241,850	$ 0	($56,850)	$495,000	$10,690,000	$ 560,000
Capital Leases	137,743	119,747	10,235	63,956	203,770	60,490
Compensated Absences	2,167,637	163,804	0	0	2,331,441	47,873
Long Term Liabilities	772,070	0	0	49,597	722,473	722,473
Other Post Employment Benefits	379,225	118,934	0	0	498,159	0
Total	**$14,698,525**	**$402,485**	**($46,615)**	**$608,553**	**$14,445,843**	**$1,390,836**
Business-Type Activities						
Compensated Absences	$ 87,495	$ 13,208	$ 0	$ 0	$ 100,703	$ 0
Long-Term Liabilities	900,001	0	0	75,000	825,001	75,000
Landfill Closure Cost	1,102,932	126,759	0	48,589	1,181,102	73,307
Total	**$ 2,090,428**	**$139,967**	**$0**	**$123,589**	**$ 2,106,806**	**$ 148,307**
GRAND TOTAL	**$16,788,953**	**$542,452**	**($46,615)**	**$732,141**	**$16,552,649**	**$1,539,143**

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 2011 are expected to be immaterial at this time.

A. CIVIL CLAIMS AGAINST KITIITAS COUNTY, IN WHICH MONETARY DAMAGES ARE SOUGHT AS OF DECEMBER 31, 2011

1. **Estate of Joshua Hawthorne:** Claimant states that Joshua Hawthorne was transferred from Kittitas County Jail to Republic, where he committed suicide on 1-17-2010, due to Kittitas County being aware of, but not having notified Republic of suicide attempts while in jail and immediately prior to his incarceration.

2. **Jeanne Hartman:** Claimant states that while watching Open Class Light and Draft Horse Judging at the Kittitas County Fairgrounds, in Bloom Pavilion, a horse spooked and knocked over a fence that landed on Ms. Hartman. The claim was reviewed and denied by the Board of Commissioners.

3. **Kevin Plouse:** Mr. Plouse was convicted on June 1,1995 of a sex offense that would be classified as a felony in King County. A certificate of discharge was filed on October 19,1998. A warrant was requested on July 17,2009 for the arrest of Mr. Plouse by Deputy Brent Severson of the Kittitas County Sheriff's Department, for failure to register as a sex offender. In fact, Mr. Plouse was not required to register due to the fact that his conviction was over ten years old and there had been no new convictions. He lost time at work because he was arrested and in custody for three days. On May 20,2009, an Order of Dismissal with Prejudice was entered on behalf of Mr. Plouse. Mr. Plouse is seeking damages of $30,000 not including attorney's fees, costs, or interest. The claim has been denied.

4. **Erik and Elizabeth Allen:** On January 6,2011, Kittitas County received 18 claims for damages from property owners from the Teanaway River area. These claims asserted that the County owned and maintained a system of flood control dykes and levees along the Teanaway River that were to protect their property and that in early January of 2009, those dykes and levees failed resulting in flooding to their property. Kittitas County does not own or maintain any dykes or levees along the Teanaway River. Many of the claimants do own property in the FEMA designated 100-year floodplain. The Allen's property is not considered part of this designated 100-year floodplain. The property was flooded as a result of a levee breach. It is not clear what the levee failure mode was.

B. LAWSUITS PENDING IN WHICH KITTITAS COUNTY, ITS OFFICERS AND/OR AGENTS ARE PARTIES AND MONEY DAMAGES ARE SOUGHT AS OF DECEMBER 31. 2011.

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

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

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

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, 2011 included billings for items such as postage, scan/phone, building rents, copies, central services, computer hardware/software, advertising, and shared copier leases. The balances are as follows:

		Due From						
		General Fund	County Road	Non Major Government	CTHSE/Jail Facilities Expansion	Solid Waste	Internal service	**TOTAL**
Due To	General Fund	$11,912	$22,899	$100,096	$0	$8,775	$1,917	**$145,599**
	County Road	82,833	24	34,067	0	234	156,180	**$273,338**
	Non-Major Governmental	88,842	2,890	0	0	0	0	**$91,732**
	CTHSE/Jail Facilities Expansion	0	0	0	0	0	0	**$0**
	Solid Waste	200	1,691	0	0	13,618	83	**$15,592**
	Internal Service Funds	474	486,951	1,035	0	0	18	**$488,478**
	TOTAL	**$184,260**	**$514,456**	**$135,198**	**$0**	**$22,627**	**$158,199**	**$1,014,739**

B INTERFUND TRANSFERS

Interfund transfers during 2011 included contributions between funds. The balances were as follows:

		Transfer From				
		General fund	County Road	CTHSE/Jail Facilities Expansion	All Others	Total
Transfer To	General Fund	$0	$0	$0	$1,031,505	**$1,031,505**
	County Road	0	0	0	31,714	**$31,714**
	CTHSE/Jail Facilities Expansion	0	0	0	0	**$0**
	All Others	233,801	0	0	1,176,873	**$1,410,674**
	Total	**$233,801**	**$0**	**$0**	**$2,240,092**	**$2,473,893**

NOTE 15 – RECEIVABLE BALANCES

A. RECEIVABLES

Receivables at December 31, 2011 were as follows:

	Accounts	Taxes	Total
Total Government	$2,430,104	$1,072,479	$3,502,583
Total Business	$ 362,695	$ 0	$ 362,695

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 2011 operations are as follows:

	BUDGET	ACTUAL
Kittitas Co. Support	$38,000	$42,607
Tour Fees	10,000	5,396
Other	25,217	28,405
Total Revenues	73,217	76,408
City of Ellensburg Support	75,074	58,148

NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. PLAN DESCRIPTION

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

B. FUNDING POLICY

In 2011, expenditures of $67,057 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 $498,159 is included as a noncurrent liability on the Statement of Net Assets.

Annual Required Contribution (ARC)	$ 204,237
Net OPEB Obligation Interest	17,065
Net OPEB Obligation Amortization	(35,311)
Annual OPEB cost	$ 185,991
Less: Contributions made	(67,057)
Increase in net OPEB obligation	$ 118,934
Net OPEB Obligation beginning of year 2010	379,225
Net OPEB Obligation end of year 2011 (NOO)	$498,159

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through 2011 were as follows:

Fiscal Year Ended	Annual OBEB Cost	Percentage of Annual OBEB Cost Contributed	Net OPEB Obligation
12/31/2008	204,692	33.0%	137,106
12/31/2009	193,917	32.0%	131,549
12/31/2010	187,723	41.1%	110,570
12/31/2011	185,991	36.1%	118,934
		TOTAL	498,159

D. FUNDING STATUS

As of December 31, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $2,193,414 and the actuarial value of the assets was $0 resulting in a UAAL of $2,193,414. 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 four years are presented.

E. ACTUARIAL METHODS AND ASSUMPTIONS

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. 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.

A. RYEGRASS LANDFILL POST CLOSURE

In 2010 the County estimated the liability for post-closure care cost for the Ryegrass landfill to be $594,369. The 2011 actual costs for post-closure care was $48,589 leaving a liability of $545,781. As required by federal, state, and local regulations, cash in the amount of $326,209 has been restricted for post-closure care. A contracted professional estimate for the Ryegrass post-closure care costs is in the process of being completed.

RyeGrass Closure Account	Recorded Liability	Actual Costs	Year	Cash Reserve
12/31/08	662,080	(16,602)	2009	326,209
12/31/09	645,477	(51,108)	2010	326,209
12/31/10	594,369	(48,589)	2011	326,209
12/31/11	545,781			

B. LIMITED LANDFILL POST CLOSURE

In 2004 an estimate for post-closure care cost for the Limited purpose landfill was done by RW Beck Inc. Based upon the report from RW Beck, the estimated closure costs are $908,847. The closure is estimated to be 2021 with post-closure activities to occur through 2041. The total cost of completing post-closure for the 20 year period is $242,760 (2004 dollars). The total landfill capacity is 470,258 cubic yards. The total amount of capacity used through December 31, 2011 is 259,433.

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

Total Closure Cost		$1,151,607.00	($908,847 + 242,760 post-closure)
	X	259,433.00	Cumulative capacity used in 2010
		298,764,858,831.00	
	÷	470,258.00	Total landfill capacity
		635,321.16	Estimated liability for post-closure
	-	508,562.06	2009 & 2010 Liability recorded
		126,759.10	2011 Liability recorded

As required by federal, state, and local regulations, cash in the amount of $255,645 has been restricted for post –closure care.

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

NOTE 19 – OTHER DISCLOSURES

A. ACCOUNTING AND REPORTING CHANGES

1. PRIOR PERIOD ADJUSTMENT TO CAPITALIZED ASSETS

The Capitalized Assets had prior period adjustments, reflected in the adjustment column. As stated in Note 6, the Governmental Activities shows in the adjustment column $940,441. This was a prior year adjustment for the removal of Construction in Progress for the Airport was for the utilities and the completed asset belongs to the City of Ellensburg. GASB 51 provides guidance regarding how to identify, account for and report intangible assets. Intangible assets are computer software and internally generated software. Kittitas County created the inventory of the intangible assets and determined the value of all computer software. The adjustment in the amount of $1,394,029 is for the inventory of software purchased and developed since 1993. Because these intangible assets have an indefinite useful life, they are not amortized. There is a $-45 adjustment in depreciation to the building and improvements to correct a prior year duplication. The total adjustment is $940,487.

The Business Type Activities shows in the adjustment column $39,843 to report prior year intangible assets.

2. PRIOR YEAR ADJUSTMENTS TO FUND BALANCE

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

General Fund had a change in prior year receivables in the amount of $678,002.
County Road had a change in prior year receivables in the amount of $-73,097.
Public Facilities had a change in prior year receivables in the amount of $119,944.
EIS Trust had a change in fund balance in the amount of $-123,390.70.
Recreation had a change in prior year receivables in the amount of $-3,450.
3/10 sales tax had a change in prior year receivables in the amount of $216,080.
Stadium fund had a change in prior year receivables in the amount of $45,785.
for a total of prior year changes in the amount of $859,875

3. PRIOR YEAR ADJUSTMENT TO NET ASSETS – GOVERNMENTAL ACTIVITIES

There was prior year adjustment of 859,875, to fund balance as indicated in Note 19 A-2.

4. PRIOR YEAR ADJUSTMENT TO NET ASSETS – BUSINESS TYPE

The Net Assets were adjusted as prior year based upon the changes in the Capital Assets as discussed in Note 19 A-1, in the amount of $39,843.

5. ADJUSTMENTS TO EXPENSED CAPITAL OUTLAY

Kittitas County's budget policy is to show in the actual budget any asset that is over $5,000. The Washington State Auditor requires all government entities to use the Budgeting, Accounting and Reporting System (BARS). Because of this requirement there are several items that are actually treated as a capital items but are not capitalized, i.e.; see Note 1- E (6). The following amounts were adjusted for reporting purposes from capital to operating expenses totaling $317,185.

General Fund	
General Government – Auditor	(2,447)
Airport	
Transportation	(341,918)
Transportation	5,421.72
County Road	
Transportation	656, 128

6. FUDICIARY FUNDS

The Fiduciary funds include property taxes receivable and in 2011 we added to the taxes receivable to include special assessment receivables.

B. SUBSEQUENT EVENTS

The Jail pod project is due to close by July 2012. The Jail Repairs and Maintenance are scheduled to be concluded in January 2012. January 2012 the Upper District has purchased a new building in the amount of $1,000.000 and remodeling will be scheduled in the near future. The Armory is in the construction phase.

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2011

County Road

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 3,781,000	$ 3,781,000	$ 3,595,226	$ (185,774)
Licenses & Permits	10,100	10,100	12,259	2,159
Intergovernmental	6,695,425	6,695,425	3,515,203	(3,180,222)
Charges for Services	506,235	506,235	340,831	(165,404)
Miscellaneous	87,200	87,200	27,178	(60,022)
Total Revenues	$ 11,079,960	$ 11,079,960	$ 7,490,696	$ (3,589,264)
Expenditures				
General Governmental	$ 744,455	$ 744,455	$ 403,931	$ 340,524
Transportation	6,725,450	6,725,450	5,798,795	926,655
Capital Outlay	5,043,430	5,043,430	1,201,372	3,842,058
Total Expenditures	$ 12,513,335	$ 12,513,335	$ 7,404,098	$ 5,109,237
Excess (Deficit) Revenues over Expenditures	$ (1,433,375)	$ (1,433,375)	$ 86,598	$ 1,519,973
Other Financing Sources (Uses)				
Sale of Fixed Assets	$ -	$ -	$ -	$ -
Transfers In	220,000	220,000	31,714	(188,286)
Transfers Out	(20,000)	(20,000)	-	20,000
Total Other Financing Sources (Uses)	$ 200,000	$ 200,000	$ 31,714	$ (168,286)
Net Change in Fund Balance	$ (1,233,375)	$ (1,233,375)	$ 118,313	$ 1,351,688
Fund Balance, January 1	$ 12,657,500	$ 12,657,500	$ 14,683,347	$ 2,025,847
Fund Balance, December 31	**$ 11,424,125**	**$ 11,424,125**	**$ 14,801,660**	**$ 3,377,535**

KITTITAS COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2011

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 10,728,786	$ 10,728,786	$ 13,004,235	$ 2,275,449
Licenses & Permits	850,946	850,946	815,047	(35,899)
Intergovernmental	2,935,265	3,700,564	3,241,160	(459,404)
Charges for Services	2,050,090	2,050,090	2,008,253	(41,837)
Fines & Forfeits	1,761,400	1,761,400	1,597,951	(163,449)
Miscellaneous	654,350	657,850	862,231	204,381
Total Revenues	$ 18,980,837	$ 19,749,636	$ 21,528,876	$ 1,779,240
Expenditures				
General Governmental	$ 8,549,172	$ 8,962,574	$ 8,689,993	$ 272,582
Judicial	636,610	640,310	93,280	547,030
Security of Persons and Property	7,987,242	8,383,420	6,789,306	1,594,114
Physical Environment	76,500	223,566	193,600	29,966
Transportation	3,717	3,717	3,717	-
Economic Environment	617,664	850,164	669,587	180,577
Culture & Recreation	1,166,415	1,181,415	1,205,296	(23,881)
Debt Service	159,828	165,460	149,615	15,845
Capital Outlay	492,010	493,550	76,798	416,752
Total Expenditures	$ 19,689,158	$ 20,904,176	$ 17,871,191	$ 3,032,985
Excess (Deficit) Revenues over Expenditures	$ (708,321)	$ (1,154,540)	$ 3,657,685	$ 4,812,225
Other Financing Sources (Uses)				
Restitution	$ 500	$ 2,700	$ 2,619	$ (81)
Sale of Fixed Assets	100	100	167	67
Transfers In	588,837	588,837	1,031,505	442,668
Transfers Out	(148,929)	(251,869)	(233,801)	18,068
Total Other Financing Sources (Uses)	$ 440,508	$ 339,768	$ 800,490	$ 460,722
Net Change in Fund Balance	$ (267,813)	$ (814,772)	$ 4,458,175	$ 5,272,947
Fund Balance, January 1	$ 3,496,795	$ 4,043,879	$ 5,585,779	$ 1,541,900
Fund Balance, December 31	**$ 3,228,982**	**$ 3,229,107**	**$ 10,043,954**	**$ 6,814,847**

Kittitas County, Washington
Required Supplemental Information
Notes to Budgetary Comparison Schedule
Year Ended December 31, 2011

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 2011.

Kittitas County, Washington
Required Supplementary Information
December 31, 2011

Information about Infrastructure Assets Reported Using the Modified Approach

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

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.

- Perform condition assessments of eligible assets and summarize the results using a measurement scale.

- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the County.

- Document that the assets are being preserved approximately at, or above, the established condition level.

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

Condition Assessments
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.

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
2006	327,000	208,278
2007	312,000	193,131
2008	335,500	246,629
2009	372,000	218,576
2010	$347,000	$311,164
2011	$225,000	$158,237

<u>Established Condition Level</u>

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

Kittitas County manages its gravel road network using a priority array program. The gravel road condition rating is a numerical condition scale ranging from 1 (severely deficient) to 5 (excellent condition). The County has established an acceptable condition level of 3 (Fair Condition) and preserves 80% of its assets at or above this level.

The ratings are described as follows:

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

As you can see from the table below, Percentage ratings may drop below 90 percent due to a primitive road status, very limited use of the section of road, or because it is scheduled to be paved in 2012.

Year	***Gravel Rd Total Miles***	**Gravel Road Condition Rating Scores as a Percentage**					
		1	***2***	***3***	***4***	***5***	***Total Percentage Rating 3 and over***
2008	67.84	0	19.7	45.7	34.6	0	**80.3**
2009	67.84	0	19.7	42.9	37.4	0	**80.3**
2010	67.84	0	0	0	98.4	1.6	**100.0**
2011	67.84	0	10.6	56.9	32.5	0	**89.4**

Kittitas County, Washington
Required Supplemental Information
LEOFF I Retiree Medical Benefits
Schedule of Funding Progress
Year Ended December 31, 2011

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	$ -	$2,198,297	$2,198,297	0%	-	-
12/31/09	$ -	$2,082,585	$2,082,585	0%	-	-
12/31/10	$ -	$2,016,062	$2,016,062	0%	-	-
12/31/11	$ -	$2,193,414	$2,193,414	0%	-	-

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

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2011 Expenditures: Pass Through Awards	Direct Awards	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	331,490.59		331,490.59	10
U.S. Department of Housing and Urban Development - Pass through WA State Community, Trade & Economic Development	Community Development Block Grants	14.228		140,209.74		140,209.74	
U.S. Department of Justice - Pass through Washington State Patrol	Domestic Cannabis Eradication/Suppression	16.000	WSP #C100885FED	3,839.40		3,839.40	15
U.S. Department of Justice - Pass through WA State Department Social & Health Services	Juvenile Accountability Block Grants - JRA	16.523	0663-98328 #6	157.50			
	Juvenile Accountability Block Grants - JRA	16.523	0663-98328 #5	10,165.83			
			Subtotal	10,323.33		10,323.33	
	Community Juvenile Justice Coordination Grant	16.540	1-100-00710	4,777.09		4,777.09	
U.S. Department of Justice - Pass through WA Department of Community, Trade and Economic Development - Pass through ASPEN	Violence Against Women Formula Grant Program	16.588	F10-31103-019	14,514.08		14,514.08	4;15
U.S. Department of Justice - Bureau of Justice Assistance	State Criminal Alien Assistance Program	16.606	2011-AP-BX-0767		17,146.00	17,146.00	15
U.S. Department of Justice - Bureau of Justice Assistance	Bullettproof Vest Program	16.607	n/a		7,327.79	7,327.79	
U.S. Department of Justice - Office of Community Oriented Policing Services Pass through WA Association of Sheriff and Police Chiefs	Public safety Partnership and Community Policing Grant -Equipment	16.710	WSMI09104	1,025.99		1,025.99	15 15
U.S. Department of Transportation, Federal Aviation Administration (FAA)	Airport Improvement Program - Bowers Field Needs Assessment	20.106	DOT-FA10NM-0075		98,719.94	98719.94	
U.S. Department of Transportation, Federal Highway Administration	Highway Planning and Construction:	20.205					
	- Teanaway/North Fork Teanaway Rd Row Mapping		DTFH70-11-00001		46,126.68		8
Pass through WA State Department Transporation	- STPD Kittitas Hwy Safety Improvement		STPD-C190(003)	66,224.46			8
	- HSIP Kittitas Co Road Safety Systems		HSIP-000S(261)	460.70			8
			Subtotal	66,685.16	46,126.68	112,811.84	
Highway Traffic Safety Administration: Pass through Washington Association of Sheriff's and Police Chiefs	State and Community Highway Safety:	20.600					
	- WASPC Traffic Safety Mini Grant (Badges)		N/A	297.54			4;15
	- WTSC Speeding Campaign		N/A	1,874.93			4;15
Pass through WA Traffic Safety Commission			Subtotal	2,172.47		2,172.47	4;15
U.S. Department of Transportation-National Highway Traffic Safety Administration: Pass through Washington Traffic Safety Commission and Kittitas County Community Public Health and Pass through WA Traffic Safety Commission	Alcohol Impaired Drinving Countermeasures Incentive Grants - High Visibility Enforcement	20.601	N/A	4,516.75		4,516.75	4;15
U.S. Environmental Protection Agency - Pass through WA Department of Health	**ARRA**-Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14952	3,000.00		3,000.00	
Department of Energy - Pass through WA Department of Commerce	**ARRA**-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	F10-52110-033	103,714.52		103,714.52	

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2011 Expenditures: Pass Through Awards	2011 Expenditures: Direct Awards	2011 Expenditures: Total	Notes
U.S. Election Assistance Commission-Pass through Office of the Secretary of State	Help America Vote Act Requirements Payments	90.401	G2844-#4	1,301.44		1,301.44	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Public Health Emergency Preparedness	93.069	C14952	2,659.55		2,659.55	15
U.S. Department of Health and Human Services - Center for Disease Control and Prevention Pass through Washington Department of Health	Immunization Grants	93.268	C14952	13,720.01			6;7;15
	Immunization Grant - Non Cash		N/A	39,962.03			3;4;6
			Subtotal	53,682.04		53,682.04	
U.S. Department of Health and Human Services Center for Disease Control and Prevention - Pass through Washington Department of Health	Center for Disease Control and Prevention_Investigations and Technical Assistance	93.283					
	PHEPR LHJ		C14952	54,735.45			15
	Shape Up/ Obesity Program		C14952	27,401.84			15
			Subtotal	82,137.29		82,137.29	
U.S. Department of Health and Human Services-Administration for Children and Families- Pass through WA Department of Social and Health Services	Child Support Reimbursement	93.563	N/A	14,348.00			4
	Child Support Reimbursement	93.563	2110-80577	86,496.00			4
			Subtotal	100,844.00		100,844.00	
U.S. Department of Health and Human Services-Center for Disease Control and Prevention	**ARRA**- Immunization	93.712	C14952	1,928.19		1,928.19	13;15
U.S. Department of Health and Human Services-Center for Disease Control and Prevention	**ARRA**- Prevention and Wellness-State, Territories and Pacific Islands - Nutrition and Physical Activity	93.723	C14952	29,858.79		29,858.79	13;15
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Medical Assistance Program - MAM Match	93.778	0963-53332	37,154.46			
	Medical Assistance Program - MAM Match Interpreters		0963-53332	145.36			
	Medical Assistance Program - MAM Match Vaccine		0963-53332	18,988.78			
	Medical Assistance Program - Medicaid Title XIX		1166-33934	2,500.00			
			Subtotal	58,788.60		58,788.60	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C14952	1,710.00		1,710.00	15
U.S. Department of Health and Human Services-Centers for Disease Control and Prevention-Pass through Yakima Health District	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	93.919	N15850-10-11	11,830.55			15
			N15850-11-12	10,693.11			15
			Subtotal	22,523.66		22,523.66	
U.S. Department of Health and Humans Services - Pass through the WA Department of Social and Health Services -Division of Alcohol and Substance Abuse	Block Grants for Prevention and Treatment of Substance Abuse - DASA	93.959	0963-680044-02	45,914.63			5
		93.959	0963-680044-02	40,797.50			5
			Subtotal	86,712.13		86,712.13	
U.S. Department of Health and Human Services - Pass through Washington Department of Health	Maternal and Child Health Federal Consolidated Program	93.994	C14952	39,546.89		39,546.89	5;15

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	2011 Expenditures			Notes
				Pass Through Awards	Direct Awards	Total	
U.S. Department of Homeland Security- Pass through from WA State Parks and Recreation Commission	Boating Safety Financial Assistamce	97.012	LE911-220	9,043.32			15
	Boating Safety Financial Assistamce		N/A	10,861.58			15
				19,904.90		19,904.90	
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	D11-012(Road)	113,787.46			8;12
		97.036	D11-012 (Gen Fund)	4,014.64			8;12
			Subtotal	117,802.10			
		97.036	D09-054(Gen Fund)	29,143.85			14
			Subtotal	146,945.95		146,945.95	
	- Emergency Management - Hazard Mitigation	97.039	N/A	51,061.00		51,061.00	4
U.S. Department of Homeland Security - Pass through from Washington State Military Department, Pass through Grant County Emergency Management	Homeland Security Grant Program- Domestic Preparedness	97.067	E10-187	107,773.49			15
	Homeland Security Grant Program- Domestic Preparedness		E11-202	36,129.53			15
	Homeland Security Grant Program- Domestic Preparedness		E11-109	16,381.72			15
	Citizens Corps Program		K-697	4,709.21			15
			Subtotal	164,993.95		164,993.95	
TOTAL FEDERAL FINANCIAL ASSISTANCE				**1,550,867.50**	**169,320.41**	**1,720,187.91**	

KITTITAS COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2011

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 - NON CASH AWARDS

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

NOTE 4 - NOT AVAILABLE (N/A)

The County was unable to obtain other identification number.

NOTE 5 – PASSED-THROUGH TO SUBRECIPIENTS

Passed-through dollars to Subrecipients.

NOTE 6 – VACCINE FOR CHILDRENS PROGRAMS

Vaccine supplied by Federal Government for Vaccine for Children Program.

NOTE 7 – VACCINE FOR 317 PROGRAMS

Vaccine supplied by Federal Government for Vaccine for 317 Program.

NOTE 8 – PROJECT HAS BEEN COMPLETED OR EXPIRED

Project has been completed or expired.

NOTE 9 – ADJUST CURRENT YEAR EXPENSES

Adjust current year expenses to reconcile balance at year end, difference due to variance between county rate and FEMA eligible rates

NOTE 10 –IN-LIEU OF TAXES/UNRESTRICTED FUNDS

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

NOTE 11 – PRIOR YEAR

Prior year correction – Grant was not expended in 2011.

NOTE 12 – GRANT PROJECT SHARED

This grant is shared between County Funds.

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

Expenditures for this program were funded by ARRA.

NOTE 14 – PROJECT CARRYOVER

Large project carryover: Project pending environmental review and permits.

NOTE 15 – INDIRECT COST RATE

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 35.5 percent.

Sheriff's Department: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 11.25 percent.

Prosecutor Department: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 11.25 percent

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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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 Performance Audit	**Larisa Benson**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte, CPA, CGFM**
Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
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