



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Kittitas County

For the period January 1, 2022 through December 31, 2022

Published October 19, 2023

Report No. 1033460



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

October 19, 2023

Board of Commissioners
Kittitas County
Ellensburg, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
20.224	Highway Planning and Construction Cluster – Federal Lands Access Program
21.027	COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kittitas County January 1, 2022 through December 31, 2022

2022-001 The County’s internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.

Assistance Listing Number and Title: 21.027; COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Federal Grantor Name: U.S. Department of the Treasury

Federal Award/Contract Number: N/A

Pass-through Entity Name: Washington State Department of Commerce

Pass-through Award/Contract Number: CLH31015 and CLH31015-CSFRF-CTS LHJ Allocation

Known Questioned Cost Amount: \$0

Prior Year Audit Finding: Yes, Finding 2021-002

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2022, the County spent \$1,267,984 in program funds for the provision of government services, mitigating the effects of COVID-19 on public health, and supporting the tourism industry.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors or subrecipients have not been suspended, debarred or otherwise excluded. This requirement also applies to all program subawards, regardless of amount. The County may accomplish this verification by collecting a written certification from the contractor or subrecipient, adding a clause or condition into the contract that states the contractor or subrecipient is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the contract or making the subaward, and it must maintain documentation demonstrating compliance with this federal requirement.

Description of Condition

Our audit found the County's internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the County did not retain documentation to demonstrate that staff verified, prior to entering into the covered transactions, that three contractors paid a total of \$365,722 in 2022 were not suspended or debarred from participating in federal programs.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

Cause of Condition

The County experienced turnover during 2022, and staff could not locate documentation to demonstrate compliance. The County received an audit finding in February 2023 regarding suspension and debarment. At that time, the County verified contractors paid in 2022 were not suspended or debarred; however, the verification occurred after the County had already entered into the contracts.

Effect of Condition

Without adequate internal controls over suspension and debarment requirements, the County cannot guarantee it is paying federal funds only to eligible contractors. Additionally, the awarding agency could potentially recover any payments the County made to an ineligible party. Since the County subsequently verified the contractors were not suspended and debarred, we are not questioning costs.

Recommendation

We recommend the County strengthen internal controls to ensure all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs. In addition, the County should maintain documentation demonstrating compliance with this federal requirement.

County's Response

County acknowledges the need to ensure controls with respect to vendor status, and that prior staff failed to document this internal process for select vendor. County notes that this finding was identified after County's internal processes were fully revised to address this issue, though the corrective measure was implemented after the identified contracts were executed.

Auditor's Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Kittitas County January 1, 2022 through December 31, 2022

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

Audit Period: January 1, 2021 – December 31, 2021	Report Ref. No.: 1032086	Finding Ref. No.: 2021-001
Finding Caption: The County’s internal controls over preparing financial statements were inadequate for ensuring accurate and timely reporting.		
Background: County management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance the County’s financial statements, notes, and required schedules are reliable and prepared and presented fairly in accordance with generally accepted accounting principles (GAAP). State law (RCW 43.09.230) also requires the County to prepare, certify and file annual reports with the State Auditor’s Office within 150 days after the close of each fiscal year. Our audit found internal control deficiencies that hindered the County’s ability to produce accurate and timely financial statements. Government Auditing Standards requires auditors to communicate material weaknesses as a finding. The Applicable Laws and Regulations section below identifies the standards for material weaknesses.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>County’s 2022 Financial Statements were timely submitted to SAO. Finance procedures are well-established and nearly documented, with internal redundancy and ongoing third-party contracting to cover any tasks that fall outside staff capabilities.</i>		

Audit Period: January 1, 2021 – December 31, 2021	Report Reference No.: 1032086	Finding Ref. No.: 2021-002	ALN(s): 21.027
Federal Program Name and Granting Agency: U.S. Department of Treasury		Pass-Through Agency Name: N/A	
Finding Caption: The County lacked adequate internal controls for ensuring compliance with federal suspension and debarment requirements.			
Background: The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2021, the County spent \$436,647 in program funds for the provision of government services. Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls. Additionally, federal regulations prohibit recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor’s status by searching for exclusion records in the U.S. General Services Administration’s System for Award Management (SAM.gov), obtaining a written Page 11 Office of the Washington State Auditor sao.wa.gov certification from the contractor, or inserting a clause or condition into the contract stating the contractor is not suspended or debarred. The County must perform this verification before entering into the contract and keep documentation demonstrating compliance with this federal requirement.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Internal contract-routing docs include staff attestation of vendor status. SAM.gov printed verification is included with contracts prior to execution. All items are digitally archived. This corrective action was fully implemented prior to 2022 finding, but after execution of identified contracts.</i>			

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Kittitas County **January 1, 2022 through December 31, 2022**

Board of Commissioners
Kittitas County
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 11, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the County in a separate letter dated October 11, 2023.

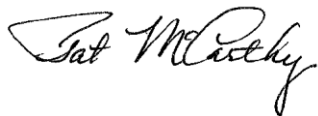
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

October 11, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Kittitas County **January 1, 2022 through December 31, 2022**

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Kittitas County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

We also noted certain matters related to compliance that we have reported to the management of the County in a separate letter dated October 11, 2023.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in

internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001 that we consider to be a material weakness.

In addition, we noted certain other matters that we have reported to the management of the County in a separate letter dated October 11, 2023.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

October 11, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Kittitas County **January 1, 2022 through December 31, 2022**

Board of Commissioners
Kittitas County
Ellensburg, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kittitas County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

October 11, 2023

Kittitas County
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Governmental Funds Balance Sheet – 2022

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2022

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Notes to the Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2022

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – County Road Fund – 2022

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – SLFRF Fund – 2022

Information about Infrastructure Assets Reported Using the Modified Approach – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2022

Schedule of Proportionate Share of the Net Pension Liability/Asset – PERS 1, PERS 2/3, PSERS 2, LEOFF 1, LEOFF 2 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS 2, LEOFF 2 – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

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, 2022, 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 assets and deferred outflows of the County exceeded its liabilities and deferred inflows on December 31, 2022, by \$202.4 million (net position). The unrestricted net position, which represents the amounts available to meet the County's ongoing obligations to citizens and creditors, was \$31.6 million.
- The County's total net position increased by \$12.4 million. \$4.5 million is related to capital grants and contributions. An additional \$1.7 million is related to a decrease in pension liabilities and deferred inflows, net of increases in related deferred outflows and asset balances. The remaining increase is due to operating revenues exceeding operating expenditures/expenses, most notably in the General Fund (\$3.1 million), the Solid Waste Fund (\$1.0 million) and the non-major Stadium Fund (\$1.7 million).
- At the end of the year, the County's governmental funds reported combined fund balances of \$72.9 million, which represents an increase of \$5.6 million (8.5%) compared to the prior year. \$18.2 million, or 24.9%, of the combined fund balance is available for spending at the County's discretion (unassigned fund balance).
- At the end of 2022, unassigned fund balance for the General Fund was \$18.2 million or 58.0% of total General Fund expenditures plus transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here 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

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-Wide Financial Statements

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

The statement of net position presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee leave benefits).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, law enforcement, jail and probation services, public health, road maintenance, airport and superior and district courts. The business-type activities include solid waste, community development services and water mitigation.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the 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 governments near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 39 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, County Road Fund, and SLFRF Fund, which are considered to be major funds. Data from the other 36 governmental funds are combined into a single aggregated presentation.

The County adopts an annual appropriated budget for its General Fund and for the major County Road and SLFRF funds. Budgetary comparison statements have been provided to demonstrate major funds' compliance with the budget.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Solid Waste, Community Development Services, and Water Mitigation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for management of equipment rental and replacement, unemployment compensation and computer replacement. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the three enterprise funds, all of which are considered to be major funds. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds

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

The County maintains three different types of fiduciary funds. The Private-purpose trust fund is used to report resources held in trust. The Custodial fund reports resources, not in a trust, that are held by the County for other parties outside of the County's reporting entity. A separate custodial fund, the external investment pool fund, accounts for the deposits, withdrawals, and earnings of the local government investment fund, and is separately reported as an external investment pool for local governments.

Notes to the Financial Statements

The notes 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's progress in funding its obligations to provide pension and OPEB benefits to its employees, information related to valuation of infrastructure assets using the modified approach, and budget to actual comparison schedules for major governmental funds.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$202.4 million at the end of 2022.

	Summary of Net Position at December 31,					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current	\$ 91,301,165	\$ 79,334,840	\$ 6,875,862	\$ 5,153,954	\$ 98,177,027	\$ 84,488,794
Capital assets	108,946,580	107,746,935	15,325,520	15,963,234	124,272,100	123,710,169
Other	9,305,113	17,570,754	2,259,552	2,809,871	11,564,665	20,380,625
Total assets	209,552,858	204,652,529	24,460,934	23,927,059	234,013,792	228,579,588
Deferred outflows of resources	6,578,847	2,350,450	530,333	221,305	7,109,180	2,571,755
Liabilities:						
Current	14,742,770	8,670,441	1,017,229	1,164,655	15,759,999	9,835,096
Non-current	12,648,270	11,987,775	1,879,968	1,508,638	14,528,238	13,496,413
Total liabilities	27,391,040	20,658,216	2,897,197	2,673,293	30,288,237	23,331,509
Deferred inflows of resources	7,643,858	15,665,206	811,456	1,589,611	8,455,314	17,254,817
Net position:						
Net investment in capital assets	102,892,450	101,072,297	15,125,731	15,885,927	118,018,181	116,958,224
Restricted	52,208,218	45,421,302	532,080	296,894	52,740,298	45,718,196
Unrestricted	25,996,139	24,185,958	5,624,803	3,702,639	31,620,942	27,888,597
Net position	\$ 181,096,807	\$ 170,679,557	\$ 21,282,614	\$ 19,885,460	\$ 202,379,421	\$ 190,565,017

Deferred outflows of resources increased by \$4.5 million due to a significant increase in pension related balances and deferred inflows of resources decreased by \$8.8 million, related to a significant decrease in pension related deferred inflows.

The largest portion of the County's net position, \$118.0 million (58.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those

assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County’s net position, \$52.7 million (26.1%) represents resources that are subject to external restrictions on how they may be used. As of the end of 2022, the County’s unrestricted net position was \$31.6 million (15.6%).

The County’s overall net position increased by \$12.4 million from 2021 to 2022. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

	Summary of Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program:						
Charges for services	\$ 8,929,782	\$ 9,813,732	\$ 9,710,862	\$ 9,429,345	\$ 18,640,644	\$ 19,243,077
Operating grants and contributions	11,429,576	8,649,667	346,472	118,475	11,776,048	8,768,142
Capital grants and contributions	4,300,236	9,457,031	-	-	4,300,236	9,457,031
General:						
Property taxes	18,379,050	17,511,208	-	-	18,379,050	17,511,208
Sales taxes	22,518,374	18,063,935	-	-	22,518,374	18,063,935
Other taxes	3,454,732	3,890,668	-	-	3,454,732	3,890,668
Investment earnings	(2,668,573)	3,460,641	(488,279)	49,599	(3,156,852)	3,510,240
Other revenues	1,468,481	561,718	360,313	579	1,828,794	562,297
Total revenues	67,811,658	71,408,599	9,929,368	9,597,998	77,741,026	81,006,597
Program Expenses:						
General government	12,015,998	10,346,356	-	-	12,015,998	10,346,356
Economic environment	2,459,540	2,264,766	-	-	2,459,540	2,264,766
Judicial	2,856,198	2,421,772	-	-	2,856,198	2,421,772
Physical environment	612,576	451,779	-	-	612,576	451,779
Culture and recreation	2,680,630	2,536,487	-	-	2,680,630	2,536,487
Public safety	16,301,605	13,226,831	-	-	16,301,605	13,226,831
Health and human services	5,938,911	5,363,953	-	-	5,938,911	5,363,953
Transportation	13,803,318	11,431,476	-	-	13,803,318	11,431,476
Interest	140,318	176,633	-	-	140,318	176,633
Garbage and solid waste	-	-	6,063,941	5,575,774	6,063,941	5,575,774
Community development services	-	-	2,193,075	2,296,641	2,193,075	2,296,641
Water mitigation	-	-	275,198	233,060	275,198	233,060
Total expenses	56,809,095	48,220,054	8,532,214	8,105,475	65,341,309	56,325,529
Revenues over (under) expenses	11,002,563	23,188,545	1,397,154	1,492,523	12,399,717	24,681,068
Changes in net position	11,002,563	23,188,545	1,397,154	1,492,523	12,399,717	24,681,068
Beginning net position	170,679,557	144,501,363	19,885,460	18,115,105	190,565,017	162,616,468
Prior period adjustments	(585,313)	2,989,649	-	277,832	(585,313)	3,267,481
Beginning net position - restated	170,094,244	147,491,012	19,885,460	18,392,937	189,979,704	165,883,949
Ending net position	<u>\$ 181,096,807</u>	<u>\$ 170,679,557</u>	<u>\$ 21,282,614</u>	<u>\$ 19,885,460</u>	<u>\$ 202,379,421</u>	<u>\$ 190,565,017</u>

Governmental activities

During 2022, net position for governmental activities increased by \$11.0 million. The increase was due to partially to \$4.3 million of capital grants received for transportation and flood control projects. Another significant portion of the increase in net position can be explained by a decrease

of \$1.5 million in pension related liabilities and deferred inflows, offset by an increase in pension related assets and deferred outflows (reduction to pension expense and increase in net position in 2022).

Revenues decreased by \$3.6 million, mainly due to a significant decrease in interest revenue and capital grants and contributions. These significant decreases were partially offset by increases in sales and property taxes.

Sales taxes are the County's largest governmental revenue source, representing \$22.5 million or 33.2% of governmental revenues, followed by property taxes (\$18.4 million or 27.1%).

Program expenses increased by \$8.6 million from 2021 to 2022. The largest increases were in Public Safety (\$3.1 million) and Transportation (\$2.4 million).

Business-type activities

During 2022, net position for business-type activities increased by \$1.4 million or 7.0% from 2021. This increase is primarily due to positive operating income plus a gain on sale of land in the Solid Waste fund.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Board.

At December 31, 2022, the County's governmental funds reported combined fund balances of \$73.1 million, which represents an increase of \$6.5 million (9.7%) over December 31, 2021. Of this amount, \$18.2 million (24.9%) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form, \$1.5 million; (2) restricted for particular purposes, \$44.5 million; (3) committed for particular purposes, \$133 thousand; or (4) assigned for particular purposes, \$8.7 million.

Analysis of Individual Funds

The General Fund is the chief operating fund of the County. At the end of 2022, unassigned fund balance of the General Fund was \$18.2 million, or 58.0% of expenditures plus transfers out. Total fund balance increased by \$3.1 million or 10.1%. This reflects a slightly more moderate increase than the \$3.9 million (14.5%) increase reported in 2021. The smaller increase in 2022 reflects a decrease in interest revenue and a moderate 4.6% increase in operating expenditures.

The County Road fund, a major fund, had a decrease in fund balance \$323 thousand in 2022, compared to an increase of \$409 thousand in 2021. Intergovernmental revenues decreased by \$1.3 million, while expenditures increased by \$1.1 million.

The third and final major governmental fund is the SLFRF. This fund accounts for American Rescue Plan Act funding and Coronavirus State and Local Fiscal Recovery Funds and related expenses. Of approximately \$9.3 million received to date, \$9.0 million is unspent and reported as unearned revenue.

FINANCIAL ANALYSIS OF PROPRIETARY FUNDS

The County's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position at the end of 2022 was \$2.5 million (20.1%) in the Solid Waste Fund, \$2.3 million (86.9%) in the Community Development Services Fund, and \$850 thousand (13.0%) in the Water Mitigation Fund.

All three enterprise funds reported positive operating income in 2022 (Solid Waste - \$696 thousand, Community Services - \$388 thousand, and Water Mitigation - \$104 thousand, respectively). Solid Waste operating income reflects a rate increase in 2021. Community Services fund reflects continued activity in building and permitting. Water Mitigation reflects a newly established fund which was previously commingled with Public Works operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The General Fund budget was not amended in 2022.

Final budget compared to actual results

The original and final budget reflected a decrease in fund balance of \$7.4 million, however the actual increase was \$2.9 million, for a positive variance of \$10.5 million. Actual revenues exceeded budgeted revenues by \$2.7 million. The most significant positive variance was in sales tax (\$5.5 million).

Actual expenditures totaled \$30.7 million, compared to a final budget of \$37.9 million, for a favorable variance of \$7.2 million. The most notable variances were in general government (\$3.3 million), culture and recreation (\$1.3 million), and public safety (\$2.1 million).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$124.3 million (net of accumulated depreciation). This investment

in capital assets includes land, buildings, system improvements, machinery and equipment, infrastructure, and construction in progress. Capital assets increased by \$562 thousand (.5%) in 2022, reflecting several large disposals, moderate increases in construction in progress, and regular depreciation expense adjustments.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	8,414,654	8,414,654	3,109,128	3,875,834	11,523,782	12,290,488
Gravel roads	5,473,458	5,485,316	-	-	5,473,458	5,485,316
Easements & right of ways	6,768,608	6,773,975	-	-	6,768,608	6,773,975
Intangible assets	1,681,193	2,135,237	6,742,462	6,672,462	8,423,655	8,807,699
Construction in progress	8,185,668	4,035,200	4,314,764	4,258,329	12,500,432	8,293,529
Buildings & improvements	22,740,775	23,955,484	324,778	355,626	23,065,553	24,311,110
Improvements other than buildings	1,403,895	1,269,552	458,440	563,745	1,862,335	1,833,297
Machinery and equipment	5,786,240	5,358,965	179,872	237,239	5,966,112	5,596,204
Right-to-use leased assets	75,591	-	196,076	-	271,667	-
Infrastructure	48,416,498	50,318,552	-	-	48,416,498	50,318,552
Total	<u>108,946,580</u>	<u>107,746,935</u>	<u>15,325,520</u>	<u>15,963,235</u>	<u>124,272,100</u>	<u>123,710,170</u>

The county did not put any major construction items into service in 2022. Primary additions to capital assets reflect road construction in progress and additions to fleet.

Long-Term Debt

At the end of 2022, the County had total bonded debt outstanding of \$6.0 million, of which the entire amount is backed by the full faith and credit of the County. The remaining debt is comprised of leases payable.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Bonds payable	5,978,000	6,624,000	-	-	5,978,000	6,624,000
Loans payable	-	-	-	75,000	-	75,000
Leases payable	76,130	50,638	199,789	2,307	275,919	52,945
Total	<u>6,054,130</u>	<u>6,674,638</u>	<u>199,789</u>	<u>77,307</u>	<u>6,253,919</u>	<u>6,751,945</u>

The decrease in long term debt represents regularly scheduled principal payments.

The County has an assigned rating of “AA/Stable” from Standard & Poor’s after a review and report issued on November 29, 2013.

ECONOMIC FACTORS

Kittitas County continues to experience the robust economic activity that began in 2021, as indicated by multiple indicators such as sales tax receipts, college enrollment, rates of employment, and construction activity. The organization remains solvent, with upward-trending tax revenues and unassigned fund balances well above GFOA-recommended minimum levels.

In addition, the US Treasury Department issued revised rulings in 2022 which allow for essentially unrestricted use of the County’s State and Local Fiscal Recovery Funds (“SLFRF”) awards,

comprised of American Rescue Plan (“ARPA”, \$9.3 million) and Local Assistance and Tribal Consistency Fund (“LATCF”, \$2.4 million).

Unfavorable variables that have developed in recent years continue to impact the organization in 2022, and will be the subject of ongoing focus among elected officials and management as they pursue a countywide financial plan. These variables include:

- Growth in authorized personnel positions and in personnel unit costs, as reflected in union contract renewals and health insurance premiums;
- Insufficient space for existing and planned staff;
- The state-mandated addition of a Public Defender department, which will likely cost \$1 million annually once fully-staffed in 2023;
- A large and growing deferred maintenance liability;
- Historically high inflation rates reflected across all departments and cost categories

REQUEST FOR INFORMATION

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

Kittitas County, Washington
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 26,186,524	\$ 1,231,342	\$ 27,417,866
Investments	53,056,302	5,261,050	58,317,352
Receivables (net)	2,823,710	425,065	3,248,775
Due from other governments	7,075,334	56,163	7,131,497
Internal balances	138,556	(138,556)	-
Inventory	338,397	9,919	348,316
Prepaid items	1,562,308	18,985	1,581,293
Lease receivables	120,034	11,894	131,928
Total Current Assets	91,301,165	6,875,862	98,177,027
Noncurrent Assets			
Restricted cash and cash equivalents	704,630	195,830	900,460
Restricted investments	-	1,277,946	1,277,946
Lease receivables	1,363,146	272,756	1,635,902
Net pension asset	7,237,337	513,020	7,750,357
Capital assets:			
Non-depreciable	30,523,581	14,166,354	44,689,935
Depreciable (net)	78,422,999	1,159,166	79,582,165
Total Noncurrent Assets	118,251,693	17,585,072	135,836,765
Total Assets	209,552,858	24,460,934	234,013,792
Deferred Outflows of Resources			
Deferred outflows - OPEB	77,626	-	77,626
Deferred outflows - pensions	6,501,221	530,333	7,031,554
Total Deferred Outflows of Resources	6,578,847	530,333	7,109,180
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	4,625,353	909,124	5,534,477
Due to other governments	64,493	40	64,533
Unearned revenue	9,009,093	-	9,009,093
Deposits payable	41,592	-	41,592
Compensated absences payable	131,631	14,518	146,149
Leases payable	46,355	33,547	79,902
Landfill closure obligations	-	60,000	60,000
Total OPEB liability	155,253	-	155,253
Bonds payable	669,000	-	669,000
Total Current Liabilities	14,742,770	1,017,229	15,759,999
Long-Term Liabilities (net of current portion):			
Compensated absences payable	1,593,077	134,823	1,727,900
Leases payable	29,775	166,242	196,017
Landfill closure obligations	-	1,221,285	1,221,285
Total OPEB liability	2,578,263	-	2,578,263
Net pension liability	3,138,155	357,618	3,495,773
General obligation bonds payable	5,309,000	-	5,309,000
Total Long-term Liabilities	12,648,270	1,879,968	14,528,238
Total Liabilities	27,391,040	2,897,197	30,288,237
Deferred Inflows of Resources			
Deferred inflows - leases	1,465,305	279,920	1,745,225
Deferred inflows - pensions	6,178,553	531,536	6,710,089
Total Deferred Inflows of Resources	7,643,858	811,456	8,455,314
Net Position			
Net investment in capital assets	102,892,450	15,125,731	118,018,181
Restricted for:			
Debt service	195,755	-	195,755
Capital outlay	6,608,891	-	6,608,891
County roads	6,725,958	-	6,725,958
Flood control	2,950,120	-	2,950,120
Public safety	16,218,531	-	16,218,531
Tourism	5,989,909	-	5,989,909
Public facilities	3,506,948	-	3,506,948
Other purposes	2,274,285	-	2,274,285
Pension asset	7,737,821	532,080	8,269,901
Unrestricted	25,996,139	5,624,803	31,620,942
Total Net Position	\$ 181,096,807	\$ 21,282,614	\$ 202,379,421

See accompanying notes to the basic financial statements

Kititas County, Washington
Statement of Activities
For the Year Ended December 31, 2022

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 12,015,998	\$ 1,756,817	\$ 1,646,903	\$ -	\$ (8,612,278)	\$ -	\$ (8,612,278)	
Economic environment	2,459,540	55,210	382,577	198,176	(1,823,577)	-	(1,823,577)	
Judicial	2,856,198	807,541	325,998	-	(1,722,659)	-	(1,722,659)	
Physical environment	612,576	266,635	58,966	-	(286,976)	-	(286,976)	
Culture and recreation	2,680,630	870,613	592,386	-	(1,217,631)	-	(1,217,631)	
Public safety	16,301,605	2,051,466	3,189,549	7,650	(11,052,940)	-	(11,052,940)	
Health and human services	5,938,911	1,464,650	3,004,365	-	(1,469,896)	-	(1,469,896)	
Transportation	13,803,318	1,656,850	2,228,833	4,094,410	(5,823,225)	-	(5,823,225)	
Interest	140,318	-	-	-	(140,318)	-	(140,318)	
Total Governmental Activities	56,809,095	8,929,782	11,429,576	4,300,236	(32,149,500)	-	(32,149,500)	
Business-Type Activities:								
Garbage and solid waste	6,063,941	6,751,550	262,023	-	-	949,632	949,632	
Community development services	2,193,075	2,580,511	84,449	-	-	471,885	471,885	
Water mitigation	275,198	378,801	-	-	-	103,603	103,603	
Total Business-Type Activities	8,532,214	9,710,862	346,472	-	-	1,525,120	1,525,120	
Total - Primary Government	65,341,309	18,640,644	11,776,048	4,300,236	(32,149,500)	1,525,120	(30,624,380)	
General Revenues								
Property taxes					18,379,050	-	18,379,050	
Sales taxes					22,518,374	-	22,518,374	
Bureau of Land Management PILT					1,259,643	-	1,259,643	
Real estate transfer taxes					1,994,713	-	1,994,713	
Other taxes					200,376	-	200,376	
Investment earnings (losses)					(2,668,573)	(488,279)	(3,156,852)	
Gain on disposition of capital assets					-	307,294	307,294	
Miscellaneous					1,468,481	53,019	1,521,500	
Transfers					-	-	-	
Total General Revenues and Transfers					43,152,064	(127,966)	43,024,098	
Change in Net Position					11,002,563	1,397,154	12,399,717	
Net Position Beginning of Year					170,679,557	19,885,460	190,565,017	
Prior Period Adjustments					(585,313)	-	(585,313)	
Net Position End of Year					\$ 181,096,807	\$ 21,282,614	\$ 202,379,421	

See accompanying notes to the basic financial statements

Kittitas County, Washington
Balance Sheet
Governmental Funds
December 31, 2022

	General	County Road	SLFRF	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 12,903,493	\$ 351,319	\$ 1,272,992	\$ 12,059,418	\$ 26,587,222
Investments	15,656,754	6,398,188	7,749,797	21,259,295	51,064,034
Receivables (net)	1,672,846	250,639	16,250	879,623	2,819,358
Due from other governments	3,529,275	1,166,096	-	2,379,963	7,075,334
Due from other funds	680,343	689,631	-	52,168	1,422,142
Prepaid items	1,334,300	36,417	119,932	33,519	1,524,168
Lease receivables	-	-	-	1,483,180	1,483,180
Total Assets	\$ 35,777,011	\$ 8,892,290	\$ 9,158,971	\$ 38,147,166	\$ 91,975,438
Liabilities					
Accounts payable	1,572,592	1,192,431	64,563	1,482,716	4,312,302
Due to other governments	-	3,374	-	60,407	63,781
Due to other funds	52,168	766,028	656,900	275,539	1,750,635
Unearned revenue	615	-	9,002,420	2,115	9,005,150
Deposits payable	18,891	7,896	-	14,805	41,592
Total Liabilities	1,644,266	1,969,729	9,723,883	1,835,582	15,173,460
Deferred Inflows of Resources					
Deferred inflows - property tax	88,517	160,186	-	37,913	286,616
Deferred inflows - municipal court	1,229,214	-	-	-	1,229,214
Deferred inflows - leases	-	-	-	1,465,305	1,465,305
Deferred inflows - other	28,893	-	-	720,776	749,669
Total Deferred Inflows of Resources	1,346,624	160,186	-	2,223,994	3,730,804
Total Liabilities and Deferred Inflows of Resources	2,990,890	2,129,915	9,723,883	4,059,576	18,904,264
Fund Balances					
Nonspendable	1,334,300	36,417	119,932	33,519	1,524,168
Restricted	11,688,195	6,725,958	(684,844)	26,741,088	44,470,397
Committed	-	-	-	133,106	133,106
Assigned	1,552,091	-	-	7,179,877	8,731,968
Unassigned	18,211,535	-	-	-	18,211,535
Total Fund Balances	32,786,121	6,762,375	(564,912)	34,087,590	73,071,174
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,777,011	\$ 8,892,290	\$ 9,158,971	\$ 38,147,166	\$ 91,975,438

See accompanying notes to the basic financial statements

Kittitas County, Washington
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2022

Total Governmental Fund Balances	\$	73,071,174
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (exclusive of internal service funds' capital assets).		97,659,029
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds - property taxes, grants and fines.		2,265,499
Deferred inflows and outflows for pensions reported on the government-wide statement of position but not reported on the governmental fund balance sheet.		322,668
Deferred outflows for OPEB reported on the government-wide statement of net position but not reported on the government balance sheet.		77,626
The net pension assets are not available to retire current year expenditures, therefore they are not reported in the funds but are reported in the government-wide statement of net position.		7,237,337
The internal service fund is used by management to charge the costs of the equipment rental to individual funds. The assets and liabilities of the internal service funds are included in governmental activities column on the government-wide statement of net position.		14,113,983
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position (excludes internal service funds).		
General obligation refunding bonds payable	\$	(5,978,000)
Other postemployment benefits payable		(2,733,516)
Net pension liability payable		(3,138,155)
Leases payable		(76,130)
Compensated absences payable		(1,724,708)
		(13,650,509)
 Net Position Of Governmental Activities	 \$	 <u>181,096,807</u>

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	County Road	SLFRF	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 9,357,332	\$ 7,879,544	\$ -	\$ 1,160,793	\$ 18,397,669
Sales taxes	13,138,987	-	-	9,379,387	22,518,374
Other taxes	180,820	18,753	-	1,995,516	2,195,089
Licenses and permits	356,801	301,479	-	651,519	1,309,799
Intergovernmental	5,502,893	6,205,521	1,077,182	4,086,876	16,872,472
Charges for services	3,555,670	1,114,583	-	1,218,228	5,888,481
Fines and forfeitures	989,502	-	-	5,424	994,926
Investment earnings	(2,019)	(475,332)	(609,958)	(1,435,506)	(2,522,815)
Rent and leases	930,486	-	-	248,362	1,178,848
Miscellaneous	364,465	66,181	-	329,595	760,241
Total Revenues	34,374,937	15,110,729	467,224	17,640,194	67,593,084
Expenditures					
Current:					
General government	9,892,755	796,629	207,514	602,548	11,499,446
Economic environment	460	-	-	2,460,639	2,461,099
Judicial	2,816,202	-	-	171,608	2,987,810
Physical environment	154,237	-	-	476,779	631,016
Culture and recreation	2,258,143	-	-	29,408	2,287,551
Public safety	13,248,332	-	-	3,112,298	16,360,630
Health and human services	909,944	-	-	5,123,735	6,033,679
Transportation	-	10,326,433	-	560,002	10,886,435
Debt Service:					
Principal retirement	39,546	-	-	646,000	685,546
Interest and fiscal charges	1,391	-	-	138,927	140,318
Capital Outlay	1,364,937	5,258,151	212,770	360,013	7,195,871
Total Expenditures	30,685,947	16,381,213	420,284	13,681,957	61,169,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,688,990	(1,270,484)	46,940	3,958,237	6,423,683
Other Financing Sources (Uses)					
Transfers in	-	656,900	-	704,250	1,361,150
Transfers (out)	(704,250)	(42,397)	(656,900)	-	(1,403,547)
Leases (as lessee)	100,044	-	-	-	100,044
Proceeds from disposition of capital assets	10,513	9	-	32,611	43,133
Total Other Financing Sources (Uses)	(593,693)	614,512	(656,900)	736,861	100,780
Net Change in Fund Balances	3,095,297	(655,972)	(609,960)	4,695,098	6,524,463
Fund Balances Beginning of Year	30,650,143	7,094,976	45,048	29,392,492	67,182,659
Prior Period Adjustment	(959,319)	323,371	-	-	(635,948)
Fund Balances End of Year	\$ 32,786,121	\$ 6,762,375	\$ (564,912)	\$ 34,087,590	\$ 73,071,174

See accompanying notes to the basic financial statements

Kittitas County, Washington
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

Net Changes In Fund Balances - Total Governmental Funds		\$ 6,524,463
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.</p>		
Depreciation expense	\$ (5,183,296)	
Capital outlay	7,207,983	
Capital contributions	<u>7,650</u>	2,032,337
The book value of capital assets sold are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement.		(504,260)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes, fines and grants:		
Deferred as of 12/31/22	\$ 2,265,499	
Deferred as of 12/31/21	<u>(2,026,138)</u>	239,361
The internal service fund is used by management to charge the costs of maintenance services to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		47,959
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.		646,000
Other postemployment expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		543,519
Pension expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		1,582,090
Leases are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		39,546
Proceeds from leases are reported as other financing sources in governmental funds, but the proceeds increase long-term liabilities in the government-wide statement of net position.		(100,044)
Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability as of 12/31/22	\$ (1,724,708)	
Liability as of 12/31/21	<u>1,676,300</u>	<u>(48,408)</u>
Change In Net Position of Governmental Activities		<u>\$ 11,002,563</u>

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Solid Waste	Community Development Services	Water Mitigation	Total	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 476,895	\$ 729,946	\$ 24,501	\$ 1,231,342	\$ 303,932
Investments	2,344,895	2,069,327	846,828	5,261,050	1,992,268
Receivables (net)	418,929	4,339	1,797	425,065	4,352
Lease receivables	4,513	-	7,381	11,894	-
Due from other funds	-	-	-	-	518,842
Inventories	-	-	9,919	9,919	338,397
Due from other governments	18,247	14,884	23,032	56,163	-
Prepaid items	1,177	16,624	1,184	18,985	38,140
Total Current Assets	3,264,656	2,835,120	914,642	7,014,418	3,195,931
Noncurrent Assets:					
Restricted cash and cash equivalents	195,830	-	-	195,830	-
Restricted investments	1,277,946	-	-	1,277,946	-
Lease receivables	213,401	-	59,355	272,756	-
Net pension asset	219,149	293,871	-	513,020	-
Capital assets:					
Nondepreciable	8,489,719	6,168	5,670,467	14,166,354	1,666,783
Depreciable, net	1,105,909	53,257	-	1,159,166	9,620,768
Total Noncurrent Assets	11,501,954	353,296	5,729,822	17,585,072	11,287,551
TOTAL ASSETS	14,766,610	3,188,416	6,644,464	24,599,490	14,483,482
Deferred Outflows of Resources					
Deferred outflows - pensions	226,545	303,788	-	530,333	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	226,545	303,788	-	530,333	-
Liabilities					
Current Liabilities:					
Accounts payable and accrued expenses	750,992	109,975	48,157	909,124	313,051
Due to other funds	52,567	76,232	9,757	138,556	51,793
Due to other governments	40	-	-	40	712
Unearned revenue	-	-	-	-	3,943
Compensated absences	3,814	10,704	-	14,518	-
Leases payable	31,192	2,355	-	33,547	-
Landfill closure obligations	60,000	-	-	60,000	-
Total Current Liabilities	898,605	199,266	57,914	1,155,785	369,499
Long-Term Liabilities: (net of current portion)					
Compensated absences payable	57,850	76,973	-	134,823	-
Leases payable	156,902	9,340	-	166,242	-
Landfill closure obligations	1,221,285	-	-	1,221,285	-
Net pension liability	152,766	204,852	-	357,618	-
Total Long-term Liabilities	1,588,803	291,165	-	1,879,968	-
TOTAL LIABILITIES	2,487,408	490,431	57,914	3,035,753	369,499
Deferred Inflows of Resources					
Deferred inflows of resources - leases	214,016	-	65,904	279,920	-
Deferred inflows - pensions	227,058	304,478	-	531,536	-
TOTAL DEFERRED INFLOWS OF RESOURCES	441,074	304,478	65,904	811,456	-
Net Position					
Net investment in capital assets	9,407,534	47,730	5,670,467	15,125,731	11,287,551
Restricted for pension assets	227,291	304,789	-	532,080	-
Unrestricted	2,429,848	2,344,776	850,179	5,624,803	2,826,432
TOTAL NET POSITION	\$ 12,064,673	\$ 2,697,295	\$ 6,520,646	21,282,614	\$ 14,113,983

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Solid Waste	Community Development Services	Water Mitigation		
Operating Revenues					
Garbage and solid waste	\$ 6,751,550	\$ -	\$ -	\$ 6,751,550	\$ -
Other services	-	2,580,511	378,801	2,959,312	3,234,452
Total Operating Revenues	<u>6,751,550</u>	<u>2,580,511</u>	<u>378,801</u>	<u>9,710,862</u>	<u>3,234,452</u>
Operating Expenses					
Operations and maintenance	5,850,100	2,168,539	275,198	8,293,837	1,939,573
Administrative and general	-	-	-	-	178,730
Insurance and claims	-	-	-	-	28,748
Depreciation	205,269	24,233	-	229,502	952,953
Total Operating Expenses	<u>6,055,369</u>	<u>2,192,772</u>	<u>275,198</u>	<u>8,523,339</u>	<u>3,100,004</u>
Operating Income	<u>696,181</u>	<u>387,739</u>	<u>103,603</u>	<u>1,187,523</u>	<u>134,448</u>
Non-Operating Revenues (Expenses)					
Investment interest	(277,970)	(150,876)	(59,433)	(488,279)	(145,758)
Interest expense	(8,572)	(303)	-	(8,875)	-
Other nonoperating revenue	262,023	84,449	-	346,472	7,983
Gain (loss) on disposition of capital assets	307,294	-	-	307,294	8,889
Miscellaneous revenue	39,887	13,132	-	53,019	-
Total Non-Operating Revenues (Expenses)	<u>322,662</u>	<u>(53,598)</u>	<u>(59,433)</u>	<u>209,631</u>	<u>(128,886)</u>
Income (Loss) Before Contributions and Transfers	<u>1,018,843</u>	<u>334,141</u>	<u>44,170</u>	<u>1,397,154</u>	<u>5,562</u>
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,397</u>
Change in Net Position	<u>1,018,843</u>	<u>334,141</u>	<u>44,170</u>	<u>1,397,154</u>	<u>47,959</u>
Net Position Beginning of Year	<u>11,045,830</u>	<u>2,363,154</u>	<u>6,476,476</u>	<u>19,885,460</u>	<u>14,066,024</u>
Net Position End of Year	<u>\$ 12,064,673</u>	<u>\$ 2,697,295</u>	<u>\$ 6,520,646</u>	<u>\$ 21,282,614</u>	<u>\$ 14,113,983</u>

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
	Solid Waste	Community Development Services	Water Mitigation		Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 6,901,319	\$ 2,579,249	\$ 362,048	\$ 9,842,616	\$ 2,903,257
Cash payments to employees for services	(940,417)	(1,488,404)	(119,010)	(2,547,831)	(513,902)
Cash payments for goods and services	(5,115,783)	(689,126)	(120,903)	(5,925,812)	(1,644,129)
Net Cash Provided by (Used in) Operating Activities	<u>845,119</u>	<u>401,719</u>	<u>122,135</u>	<u>1,368,973</u>	<u>745,226</u>
Cash Flows from Non-Capital Financing Activities					
Receipts from non-capital grants	262,023	84,449	-	346,472	-
Cash received from (paid to) other funds	-	-	16,825	16,825	42,397
Net Cash Flows from Non-Capital and Related Financing Activities	<u>262,023</u>	<u>84,449</u>	<u>16,825</u>	<u>363,297</u>	<u>42,397</u>
Cash Flows from Capital and Related Financing Activities					
Cash receipts from the disposal of assets	1,074,000	-	-	1,074,000	8,889
Principal paid on bonds & leases	(104,968)	(2,301)	-	(107,269)	-
Interest paid on bonds & leases	(8,572)	(303)	-	(8,875)	-
Payments for capital acquisitions	(56,435)	-	(70,000)	(126,435)	(608,892)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>904,025</u>	<u>(2,604)</u>	<u>(70,000)</u>	<u>831,421</u>	<u>(600,003)</u>
Cash Flows from Investing Activities					
Purchase of investment securities	(1,877,642)	-	(64,119)	(1,941,761)	(98,014)
Proceeds from sale and maturities of investment securities	-	42,948	-	42,948	11,320
Investment earnings	8,350	32,825	15,743	56,918	31,103
Net Cash Provided by (Used in) Investing Activities	<u>(1,869,292)</u>	<u>75,773</u>	<u>(48,376)</u>	<u>(1,841,895)</u>	<u>(55,591)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>141,875</u>	<u>559,337</u>	<u>20,584</u>	<u>721,796</u>	<u>132,029</u>
Cash and Cash Equivalents Beginning of Year	<u>530,850</u>	<u>170,609</u>	<u>3,917</u>	<u>705,376</u>	<u>171,903</u>
Cash and Cash Equivalents End of Year	<u>\$ 672,725</u>	<u>\$ 729,946</u>	<u>\$ 24,501</u>	<u>\$ 1,427,172</u>	<u>\$ 303,932</u>

(continued)

Kittitas County, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

(continued)

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Solid Waste	Community Development Services	Water Mitigation		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 696,181	\$ 387,739	\$ 103,603	\$ 1,187,523	\$ 134,448
Adjustments:					
Depreciation	205,269	24,233	-	229,502	952,953
Miscellaneous revenue	39,887	13,132	-	53,019	7,983
(Increase) Decrease in Assets:					
Accounts receivable	(99,621)	(14,394)	(15,921)	(129,936)	(343,063)
Lease receivables and related inflows	209,503	-	(832)	208,671	-
Inventories and prepaid items	2,626	(7,379)	(1,620)	(6,373)	(12,649)
Increase (Decrease) in Liabilities:					
Accounts payable	(133,993)	122,076	36,905	24,988	5,554
Compensated absences payable	330	(17,753)	-	(17,423)	-
Pension related balances	(75,063)	(105,935)	-	(180,998)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 845,119</u>	<u>\$ 401,719</u>	<u>\$ 122,135</u>	<u>\$ 1,368,973</u>	<u>\$ 745,226</u>
Schedule of Non-Cash Capital and Related Financing Activities					
Capital assets acquired through lease financing	(218,062)	(13,996)	-	(232,058)	-
Fair value of investments increased (decreased) by	(286,320)	(183,701)	(75,176)	(545,197)	(176,861)
Total Non-Cash Activities	<u>\$ (504,382)</u>	<u>\$ (197,697)</u>	<u>\$ (75,176)</u>	<u>\$ (777,255)</u>	<u>\$ (176,861)</u>

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Private-Purpose Trust Funds	Custodial Funds	
		External Investment Pool	Other Custodial Funds
Assets			
Cash and cash equivalents	\$ 32,115	\$ -	\$ 16,173,519
Investments	6,660	32,913,567	39,250
Receivables	13	-	1,388,996
Total Assets	38,788	\$ 32,913,567	17,601,765
Liabilities			
Accounts payable and other accrued expenses	32,115	-	5,489,218
Total Liabilities	32,115	-	5,489,218
Net Position			
Restricted for other governments	6,673	32,913,567	12,112,547
Total Net Position	\$ 6,673	\$ 32,913,567	\$ 12,112,547

See accompanying notes to the basic financial statements

Kittitas County, Washington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds		
	Private-Purpose Trust Funds	External Investment Pool	Other Custodial Funds
Additions:			
Investment earnings	\$ 102	\$ -	\$ 493,748
Property tax collections for other governments	-	-	72,561,860
Other taxes and fees collected for other governments	-	-	15,784,431
Contributions by pool participants	-	48,583,634	-
School apportionment collected for other governments	-	-	91,337,680
Agency deposits	211,972	-	31,222,890
Total Additions	212,074	48,583,634	211,400,609
Deductions:			
Deductions by pool participants	-	50,961,072	-
Agency disbursements	211,972	-	215,089,227
Total Deductions	211,972	50,961,072	215,089,227
Change in Net Position	102	(2,377,438)	(3,688,618)
Net Position Beginning of Year	6,571	35,291,005	15,801,165
Net Position End of Year	\$ 6,673	\$ 32,913,567	\$ 12,112,547

See accompanying notes to the basic financial statements

KITTITAS COUNTY, WASHINGTON

Notes to the Financial Statements

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kittitas County was dedicated by the State of Washington as a public entity on November 28, 1883 and operates under the laws of the State of Washington applicable to a County with a commissioner form of government.

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.

A. REPORTING ENTITY

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 accompanying financial statements present all funds and departments for which the County is considered to be financially accountable. Pursuant to the laws of the State of Washington, the County Treasurer is the ex-officio treasurer of all special purpose districts within the County. Funds received and disbursed to such special districts are reported as Custodial (Fiduciary) activities in the accompanying financial statements. There are no other relationships with organizations of such a nature and significance that exclusion would render the County financial statements incomplete or misleading.

B. JOINT VENTURES AND JOINT OPERATIONS

The accompanying 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 13). Control by the County was determined based on 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.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. 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.

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.

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

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

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

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

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

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.

The County reports the following major government 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 County Road Fund is funded primarily by portions of property and sales taxes dedicated to maintenance and operations of county roads.
- The SLFRF Fund is used to track U.S. Treasury recovery revenues and related expenditures.

The County reports the following major enterprise funds:

- The Solid Waste Fund is used to account for charges for waste collection services and related transfer station and landfill operations.
- The Community Development Services Fund is funded by charges for building, planning and code enforcement services.

- The Water Mitigation Fund is funded by charges for utility services.

Additionally, the County reports the following fund types:

- Special revenue funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulations.
- Debt service funds account for the accumulation of resources and the payment of general long-term debt principal and interest from governmental resources.
- Capital project funds account for the design and construction of infrastructure and other governmental facilities.
- Internal service funds account for the County's equipment rental and revolving fund, unemployment and dental insurance and computer replacement.
- Fiduciary funds are used to account assets held by the county in a trustee capacity or as an agent on behalf of other governments, special districts, private organizations or individuals. Fiduciary funds include private purpose trust funds and custodial funds. Private purpose trust funds include the Jerry Williams Library and Reecer Creek Water Rights funds. Custodial funds include the External Investment Pool and Other Custodial Funds held for other governments.

E. BUDGETARY INFORMATION

1. SCOPE OF BUDGET

Annual appropriated budgets are adopted for the General and Special Revenue Funds as per RCW 36.29.024 and RCW 84.56.020, except for the Treasurer Investment Revolving and Treasurer M&O fund which is not required to be budgeted. These budgets are prepared in accordance with generally accepted accounting principles.

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

2. AMENDING THE BUDGET

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

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

The financial statements contain the original and final budget information for the General Fund and major special revenue funds. 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.

F. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. CASH AND EQUIVALENTS

Cash includes cash on hand and demand deposits. The county pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested or necessary, in order to facilitate the management of cash.

The County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. INVESTMENTS

It is the County's policy to invest all temporary cash surpluses. Interest on County investment balances is credited to the general fund. All securities are measured at fair value.

3. RECEIVABLES

Taxes receivable consists of property taxes and related interest and penalties (See Note 3, Property Tax). Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.

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

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

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loans receivable/payable." 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. 12.

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. A comparison to market value is not considered necessary.

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

6. CAPITAL ASSETS

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

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

Capital Leases are defined as long term debt to the county. The asset is tracked but there is not value placed in the Capital Assets. Capital Leases are determined by one of the following four criteria; 1) The lease transfers ownership of the property to the lessee by, or at, the end of the lease term; 2) The lease contains an option to purchase the leased property at a bargain price; 3) The lease is equal to or greater than 75% of the estimated economic life of the leased property; 4) The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90% of the fair value of the lease property. See Note Number 9.

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.

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. PENSIONS

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

For purposes of calculating the restricted net position related to the net pension asset, the County includes the net pension asset and the related deferred outflows and inflows of resources.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contributions is reported in the Statement of Net Position. Actual medical costs are reported as expenditures in the general fund in the year they are incurred.

9. COMPENSATED ABSENCES

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

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

- Washington State Council of County & City Employees
 - Local 792CH - Courthouse Employees
 - Vacation - accumulated to a total of 30 working days
 - Sick - accumulated to a total of 140 working days
 - Local 792 - County Road Employees
 - Vacation - accumulated to a total of 30 working days

Sick - accumulated to a total of 140 working days

Local 2658 - Appraisers

Vacation - accumulated to a total of 30 working days

Sick - accumulated to a total of 140 working days

Teamsters

Local 760 - Sheriff Deputies & Correction Officers

Vacation - accumulated to a total of 30 working days

Sick - accumulated to a total of 132 working days

Local 760 - Misdemeanant Probation

Vacation - accumulated to a total of 30 working days

Sick - accumulated to a total of 140 working days

Non-Union Personnel Policies

Vacation - accumulated to a total of 30 working days

Sick - accumulated to a total of 140 working days

11. LONG-TERM DEBT

Liabilities for long-term debt are recorded in the government-wide statement of net position and the proprietary funds balance sheet. Bonds payable are reported net of applicable bond premium or discount.

Bond issuance costs are expended at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as other financing sources in the governmental funds.

12. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government's control. Deferred outflows of resources presented are related to outstanding pension and other post-employment benefit related amounts.

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a net decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred inflows of resources presented are related to outstanding pension amounts, property taxes and other receivables.

13. NET POSITION AND FUND BALANCE

Net Position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the County is to use restricted assets before unrestricted assets.

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities reported in the governmental fund. Fund balance is classified into the following categories:

- Non-spendable – items that cannot be spent due to form: inventories, prepaid amounts or amounts that must be maintained intact legally.
- Restricted – amounts constrained for specific purposes imposed by external parties, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.
- Committed – fund balance constrained by ordinance or resolution is adopted by the Board of Commissioners and requires the same action to remove the constraint.
- Assigned – constraints that are neither restricted nor committed are considered assigned. Assignments are adopted formally or informally.

- Unassigned – any remaining fund balance in the general fund not classified as non-spendable, restricted, committed or assigned is considered unassigned. Negative fund balance in any other governmental fund is also unassigned.

The flow assumption for fund balance is to use restricted fund balance first, followed by committed, assigned and unassigned.

14. LEASES

Lessee

The County is a lessee for noncancelable leases. The County recognizes lease liabilities and intangible right-to-use lease assets in the government-wide and proprietary fund financial statements. The County recognizes lease liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements include how the County determines the discount rate it uses to discount expected lease payments to present value, lease term, and lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided the County generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The County is a lessor for noncancelable leases. The County recognizes lease receivables and related deferred inflows of resources in the government-wide and fund financial statements.

At the commencement of a lease the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements include how the County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

- The County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the County would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The county has a formal investment policy that addresses this risk. All deposits held at December 31, 2022 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name.

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

B. INVESTMENTS

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

Cash is deposited and invested on behalf of the County and local districts per its debt and investment policies. These investments are governed by State statute and county investment policy. All investment instruments are those allowed by statute, including U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP).

Investments are subject to the following risks:

Interest Rate Risk

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

Maturity Report as of 12/31/2022		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	
Debt Securities					
Corporate Notes	\$ 21,901,531	\$ 997,212	\$ 20,904,319	\$ -	
Federal Agency Coupon Securities	\$ 23,280,715	\$ 12,448,361	\$ 10,832,354	\$ -	
Treasury Coupon Securities	\$ 13,337,821	\$ 958,477	\$ 12,379,344	\$ -	
Federal Agency Callables	\$ 8,565,352	\$ -	\$ 8,565,352	\$ -	
SUPRA National	\$ 980,196	\$ -	\$ 980,196	\$ -	
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 39,250	\$ 39,250	\$ -	\$ -	
Municipal Discounts	\$ 2,706,890	\$ -	\$ 2,706,890	\$ -	
Municipal Bonds	\$ 21,743,020	\$ 7,217,527	\$ 14,525,493	\$ -	
Total Debt Securities	\$ 92,554,775	\$ 21,660,827	\$ 70,893,948		
Grand Total Securities	\$ 92,554,775	\$ 21,660,827	\$ 70,893,948		

In addition to the interest rate risk disclosed above, the county includes investments with fair value potentially highly sensitive to interest rate changes, such as bonds. However, fixed income securities and interest rates are inversely correlated; therefore, as interest rates rise, prices of these securities tend to fall. Through its investment policy, the County manages its exposure to the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the County will do business. The credentials of these business partners are reviewed at least annually. Presented below is the minimum rating required by the state statute and the actual rating, as of December 31, 2022, for each type of investment in which the County participates:

Credit Ratings as of 12/31/2022			
Investment Type	Fair Value	Required Min Rating	Year End Rating
Corporate Notes	\$ 21,901,531	AA+	A or better
Federal Agency Coupon Securities & Callables	\$ 31,846,067	AA+	AAA
Treasury Coupon Securities	\$ 13,337,821	AA+	AAA
SUPRA National	\$ 980,196	A-	AAA
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 39,250	NR	NR
Municipal Bonds	\$ 24,449,910	A-	AA-or better
TOTAL	\$ 92,554,775		

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The county has a formal policy for concentration of credit risk which requires diversification of the portfolio and limits the percentage of the total portfolio which may belong to federal and municipal bonds, repurchase agreements, bankers' acceptances, corporate notes, Supranationals, and registered warrants. The portfolio may consist of up to 100% in Treasury and Federal Agencies, Certificates of Deposit, Savings or Time accounts, and/or the Washington State Local Government Investment Pool (LGIP). The investment policy which was in effect as of December 31, 2021 sets forth maximum concentration guidelines whereby holdings of Treasury and Federal Agencies, Certificates of Deposit that meet state requirements, the Washington State Local Government Investment Pool, and Savings and Time Accounts may comprise up to 100% of the investment portfolio; repurchase agreements up to 40%, Bankers' Acceptances (A1 or P1) up to 15%; Bonds of any state of the United States or of any local Government in the United States up to 20%; Corporate notes up to 10%; Supranationals up to 5%; and Registered Warrants up to 5%.

Below is a list of investments held by the County as of December 31, 2022 and the type of investment. The County continues to work towards diversifying its portfolio and ensuring it best conforms to standard best practices as well as state and federal requirements.

Investment by Type - 12/31/2022	Market Value	Percentage	% allowed	Difference
Corporate Notes	\$ 21,901,531	23.7%	20%	-3.7%
Federal Agency Coupon Securities	\$ 23,280,715	25.2%	100%	74.8%
Treasury Coupon Securities	\$ 13,337,821	14.4%	25%	10.6%
Federal Agency Callables	\$ 8,565,352	9.3%	100%	90.7%
SUPRA National	\$ 980,196	1.1%	100%	98.9%
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 39,250	0.0%	OK	OK
Municipal Discounts	\$ 2,706,890	2.9%	20%	17.1%
Municipal Bonds	\$ 21,743,020	23.5%	20%	-3.5%
Total Debt Securities	\$ 92,554,775	100%		

Investments in the Local Government Investment Pool (LGIP)

The County is a voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200 or online at www.tre.wa.gov.

Investments in Kittitas County Investment Pool (KCIP)

The County operates and is a participant in the Kittitas County Investment Pool (KCIP), an external investment pool. The pool was initiated October 1, 2018. The county reports its investment in the KCIP at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The County Treasurer, by law, is the Treasurer of most local governments and districts within the County, including schools, fire, and library districts. These districts do not have a legal option to have their cash handled by anyone other than the County Treasurer. The Pool is established per the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. The county's investment policy is established by the County Finance Committee consisting of the County Treasurer, County Auditor, and County Commissioner Chairperson.

The county external investment pool is not registered with the SEC and does not have a credit rating. It had a weighted average maturity of 559 days or 1.53 years as of December 31, 2022, an effective rate of return of 1.55% and an overall yield to market rate (at a 360-day equivalent) of 2.186%. The interest on these investments is allocated between all participating funds, including the General Fund, based on their percentage of participation, except where prohibited by statute or bond covenant. There was \$8,870.94 remaining in purchased accrued interest as of 12/31/2022.

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

There are no legally binding guarantees for the KCIP. Authorized investments for the KCIP are the same as investments held outside of the pool. These are defined in statute. All funds deposited in the KCIP are available to the participant at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are allocated and distributed monthly, calculated on the average daily balance of the participant's cash balances.

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

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

Investments Measured at Fair Value

The County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2022 the County had the following investments measured at fair value:

Investments by Fair Value Level as of December 31, 2021	Level 1-Quoted Prices in Active Markets for Identical Assets	Level 2-Significant Other Observable Inputs	Level 3-Significant Unobservable Inputs	Total
Corporate Notes	\$ 21,901,530.50	\$ -	\$ -	\$ 21,901,530.50
Federal Agency Coupon Securities	\$ 23,280,715.02	\$ -	\$ -	\$ 23,280,715.02
Treasury Coupon Securities	\$ 13,337,821.26	\$ -	\$ -	\$ 13,337,821.26
Federal Agency Callables	\$ 8,565,351.98	\$ -	\$ -	\$ 8,565,351.98
SUPRA National	\$ 980,196.00	\$ -	\$ -	\$ 980,196.00
Miscellaneous Coupon Securities -Kittitas SD #403 Bond	\$ 39,249.77	\$ -	\$ -	\$ 39,249.77
Municipal Discounts	\$ 2,706,890.00	\$ -	\$ -	\$ 2,706,890.00
Municipal Bonds	\$ 21,743,020.10	\$ -	\$ -	\$ 21,743,020.10
	\$ 92,554,774.63			\$ 92,554,774.63

C. Summary of Deposit and Investment Balances

Reconciliation of County deposits and investment balances as of December 31, 2022, is as follows:

	Government-Wide	Fiduciary Funds	Total
Deposits			
Cash and Cash Equivalents	\$ 27,417,866	\$ 16,205,634	\$ 43,623,500
Restricted Cash and Cash Equivalents	900,460	-	900,460
Total Deposits	\$ 28,318,326	\$ 16,205,634	\$ 44,523,960
Investments			
Investments	58,317,352	32,959,477	91,276,829
Restricted Investments	1,277,946	-	1,277,946
Total Investments	\$ 59,595,298	\$ 32,959,477	\$ 92,554,775
Total Deposits and Investments	\$ 87,913,624	\$ 49,165,111	\$ 137,078,735

NOTE 3 - PROPERTY TAXES

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

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

Property taxes are recorded as a receivable when levied, offset by deferred inflows of resources. During the year, property tax revenues are recognized when taxes are levied. 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.

2022 property tax levies are shown in the table below. The General Fund and Flood Control levies were based on assessed valuation of \$10,465,532,927 and the Road levy was based on assessed valuation of \$7,521,224,580.

Fund	Levy	Amount
General fund	.886621	\$9,278,961
Mental Health/Development Disabilities	.022260	232,963
Veterans Relief	.004299	44,991
Total General fund Levy	.913180	\$9,556,915
Road Levy	1.040782	7,827,955
Flood Control Regular Levy	.0883310	871,884
GRAND TOTAL	2.042293	\$18,256,754

The State of Washington administers a multi-unit urban housing exemption tax abatement program, authorized by RCW 84.14.020. Under this program, abated taxes are shifted to other taxpayers. For the year ended December 31, 2022, \$402 was abated under this program.

NOTE 4 – CAPITAL ASSETS

A. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is shown by asset type in the following tables.

Governmental Activities: (including Internal Service fund):	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Nondepreciable capital assets:				
Land	\$ 8,414,654	\$ -	\$ -	\$ 8,414,654
Gravel roads	5,485,316	8,519	(20,377)	5,473,458
Easements & right of ways	6,773,975	-	(5,367)	6,768,608
Intangible assets	2,135,237	35,965	(490,009)	1,681,193
Construction in progress	4,035,200	4,344,780	(194,312)	8,185,668
Total nondepreciable capital assets	26,844,382	4,389,264	(710,065)	30,523,581
Depreciable capital assets				
Buildings & improvements	45,057,142	234,197	(40,292)	45,251,047
Improvements other than buildings	3,344,471	283,279	-	3,627,750
Machinery and equipment	16,610,578	1,818,633	(190,668)	18,238,543
Right-to-use leased assets*	15,632	100,044	-	115,676
Infrastructure	173,255,130	1,193,416	(54,945)	174,393,601
Total depreciable capital assets	238,282,953	3,629,569	(285,905)	241,626,617
Total capital assets	265,127,335	8,018,833	(995,970)	272,150,198
Less accumulated depreciation & amortization for:				
Buildings & improvements	(21,101,658)	(1,444,735)	36,121	(22,510,272)
Improvements other than buildings	(2,074,919)	(148,936)	-	(2,223,855)
Machinery and equipment	(11,251,613)	(1,382,048)	181,358	(12,452,303)
Right-to-use leased assets	-	(40,085)	-	(40,085)
Infrastructure	(122,936,578)	(3,120,445)	79,920	(125,977,103)
Total accumulated depreciation	(157,364,768)	(6,136,249)	297,399	(163,203,618)
Governmental activities capital assets, net	\$ 107,762,567	\$ 1,882,584	\$ (698,571)	\$ 108,946,580

*beginning balance re-stated

Business-Type Activities:	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Nondepreciable capital assets:				
Land	\$ 3,875,834	\$ -	\$ (766,706)	\$ 3,109,128
Intangible assets	6,672,462	70,000	-	6,742,462
Construction in progress	4,258,329	56,435	-	4,314,764
Total nondepreciable capital assets	14,806,625	126,435	(766,706)	14,166,354
Depreciable capital assets				
Buildings & improvements	1,389,479	-	-	1,389,479
Improvements other than buildings	4,997,480	-	-	4,997,480
Machinery and equipment	1,922,985	-	-	1,922,985
Right-to-use leased assets*	232,058	-	-	232,058
Total depreciable capital assets	8,542,002	-	-	8,542,002
Total capital assets	23,348,627	126,435	(766,706)	22,708,356
Less accumulated depreciation & amortization for:				
Buildings & improvements	(1,033,853)	(30,848)	-	(1,064,701)
Improvements other than buildings	(4,433,735)	(105,305)	-	(4,539,040)
Machinery and equipment	(1,685,746)	(57,367)	-	(1,743,113)
Right-to-use leased assets*	-	(35,982)	-	(35,982)
Total accumulated depreciation	(7,153,334)	(229,502)	-	(7,382,836)
Business-type activities capital assets, net	<u>\$ 16,195,293</u>	<u>\$ (103,067)</u>	<u>\$ (766,706)</u>	<u>\$ 15,325,520</u>

*beginning balance re-stated

B. DEPRECIATION EXPENSE

Depreciation expense was charged as follows:

Governmental Activities:

General Government	\$ 742,663
Judicial Services	35,715
Public Safety	526,582
Physical Environment	6,245
Transportation	4,317,822
Health & Human Services	73,145
Culture & Recreation	434,077
Total	<u>\$ 6,136,249</u>

Business-Type Activities

Solid Waste & Garbage	\$ 205,269
Community Development Services	24,233
Total	<u>\$ 229,502</u>

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(3,495,773)
Pension assets	\$7,750,357
Deferred outflows of resources	\$7,031,554
Deferred inflows of resources	\$(6,710,089)
Pension expense/expenditures	\$517,308

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September – December 2022		

PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies

Total	10.39%	6.36%
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The County’s actual PERS plan contributions were \$755,447 to PERS Plan 1 and \$1,081,386 to PERS Plan 2/3 for the year ended December 31, 2022.

Public Safety Employees’ Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial

accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%
September – December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.63%	6.60%

The County’s actual plan contributions were \$156,202 to PSERS Plan 2 and \$89,812 to PERS Plan 1 for the year ended December 31, 2022.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

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

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The County’s actual contributions to the plan were \$178,027 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$109,334.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is the result of recommendations from OSA’s biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the county proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$4,670,304	\$3,495,773	\$2,470,682
PERS 2/3	5,905,660	(5,014,865)	(13,986,767)
PSERS 2	589,950	(247,687)	(908,767)
LEOFF 1	(238,516)	(272,174)	(301,361)
LEOFF 2	(102,027)	(2,215,630)	(3,945,434)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, the County reported a total pension liability of \$3,495,773 and total pension assets of \$7,750,357 for its proportionate share of the net pension liabilities and assets as follows:

	Liability	Asset
PERS 1	\$3,495,773	-
PERS 2/3	-	5,014,865
PSERS 2	-	247,687
LEOFF 1	-	272,174
LEOFF 2	-	2,215,630
TOTAL	\$3,495,773	\$7,750,357

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	272,174	2,215,630
State's proportionate share of the net pension asset associated with the employer	1,840,978	1,435,237
TOTAL	2,113,152	3,650,868

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.122697%	.125550%	.002853%
PERS 2/3	.130241%	.135216%	.004975%
PSERS 2	.303583%	.346416%	.042833%
LEOFF 1	.008968%	.009488%	.000520%
LEOFF 2	.087953%	.081526%	(.006427%)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The State of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1

is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2022, the County recognized pension expense as follows:

	Pension Expense
PERS 1	\$1,680,324
PERS 2/3	(1,580,055)
PSERS 2	63,962
LEOFF 1	(24,855)
LEOFF 2	377,932
TOTAL	517,308

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	--	--
Net difference between projected and actual investment earnings on pension plan investments	--	\$579,352
Changes of assumptions	--	--
Changes in proportion and differences between contributions and proportionate share of contributions	--	--
Contributions subsequent to the measurement date	\$381,273	--
Total	\$381,273	\$579,352

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$1,242,566	\$113,524
Net difference between projected and actual investment earnings on pension plan investments	--	3,707,527
Changes of assumptions	2,795,095	731,856
Changes in proportion and differences between contributions and proportionate share of contributions	225,052	63,598
Contributions subsequent to measurement date	540,099	--
Total	\$4,802,812	\$4,616,505

PSERS 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$128,672	\$2,726

Net difference between projected and actual investment earnings on pension plan investments	--	173,702
Changes of assumptions	181,835	72,650
Changes in proportion and differences between contributions and proportionate share of contributions	3,855	33,912
Contributions subsequent to measurement date	78,489	--
Total	\$392,850	\$282,989

LEOFF 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	--	--
Net difference between projected and actual investment earnings on pension plan investments	--	33,985
Changes of assumptions	--	--
Changes in proportion and differences between contributions and proportionate share of contributions	--	--
Contributions subsequent to measurement date	--	--
Total	--	33,985

LEOFF 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$526,470	\$20,557
Net difference between projected and actual investment earnings on pension plan investments	--	741,878
Changes of assumptions	561,282	192,921
Changes in proportion and differences between contributions and proportionate share of contributions	274,046	241,902
Contributions subsequent to measurement date	92,819	--
Total	1,454,618	\$1,197,258

Deferred outflows of resources related to pensions resulting from the county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1
2023	(245,170)
2024	(222,678)
2025	(279,342)
2026	167,838
2027	--
Thereafter	--

Year Ended December 31:	PERS 2/3
2023	(1,075,257)
2024	(980,258)
2025	(1,208,290)
2026	1,723,701

2027	608,662
Thereafter	577,651

Year Ended December 31:	PSERS 2
2023	(59,336)
2024	(52,107)
2025	(66,806)
2026	81,245
2027	19,174
Thereafter	109,203

Year Ended December 31:	LEOFF 1
2023	(14,394)
2024	(13,032)
2025	(16,295)
2026	9,737
2027	--
Thereafter	--

Year Ended December 31:	LEOFF 2
2023	(230,767)
2024	(199,738)
2025	(266,558)
2026	322,240
2027	93,637
Thereafter	445,726

NOTE 6 - RISK MANAGEMENT

GENERAL LIABILITY & PROPERTY INSURANCE

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2022, 25 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management, education and claims administration. The Pool's liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. WCRP provides limits of \$20,000,000, and currently retains \$2,000,000 per occurrence. County deductibles range from \$10,000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may purchase an optional \$5,000,000 excess of \$20,000,000 layer of coverage. Allocated loss adjustment expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2022, Kittitas County selected a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the amount of the layer of coverage below. For

2021-22, the Pool's SIR was \$2,000,000. The reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30 million (lowest reinsured layer), and \$50 million (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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

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

During 2021-22, Kittitas County was also one of twenty-five (25) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. The Pool carries a \$100,000 per claim deductible, while each participating county is responsible for paying their selected deductible within the Pool's deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Kittitas County also participates in the jointly purchased cyber risk and security coverage from a highly-rated commercial insurer. This group-purchased cyber risk and security coverage provides limits of \$2,000,000 per claim and \$10,000,000 in the aggregate. For 2021, the Pool's SIR for cyber claims was \$100,000 from January 1 through September 30 and was \$250,000 from October 1 through December 31, with the County having no deductible.

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

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and review the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$100,000, c) to authorize by two-thirds majority vote commencement of lawsuits in the name of the Pool.

During 2020-21, the WCRP's assets decreased to \$54.7 million while its liabilities decreased to \$27.5 million. The Pool's net position was \$26.6 million. As of the drafting of the County's financial statements, WCRP's 2021-2022 Annual Report was not yet published. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2021 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Settlements have not exceeded coverage limits for any of the past three years.

NOTE 7 –NET POSITION

Net investment in capital assets is calculated as follows:

	Governmental Activities	Business- type Activities
Net investment in capital assets:		
Net capital assets	108,946,580	15,325,520
Less: capital related debt	(5,978,000)	-
Less: leases payable	(76,130)	(199,789)
Net investment in capital assets	<u>\$ 102,892,450</u>	<u>\$ 15,125,731</u>

Restricted net position includes the following components:

	Governmental Activities	Business- type Activities
Restricted net position:		
Debt service	195,755	-
Capital outlay	6,608,891	-
County roads	6,372,750	-
Flood control	2,950,120	-
Public safety	16,218,531	-
Tourism	5,550,019	-
Public facilities	3,506,948	-
Other purposes	2,962,261	-
Pension asset	7,737,821	532,080
Total restricted net position	<u>\$ 52,103,096</u>	<u>\$ 532,080</u>

NOTE 8 - LONG-TERM DEBT

A. LONG TERM DEBT – GOVERNMENTAL

LIMITED TAX G.O. & REFUNDING BONDS 2010 REDEMPTION CONVERTED TO NEW LIMITED TAX G.O. & REFUNDING BONDS 2020

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 2010 Bonds were subject to redemption, at the option of the County, prior to their stated maturity, on any date on or after June 1, 2020. On January 21, 2020, resolution 2020-010 was passed for the redemption of the 2010 bonds on June 1, 2020. The Board determined there would be debt service savings by refunding the 2010 Bonds through the

issuance of a new limited tax general obligation refunding bond. Therefore, the County issued bonds in the amount of \$6,643,000.

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation and Refunding Bonds, 2020	10 years June 2020-2030	1.910%	\$6,643,000	\$561,000

LIMITED TAX G.O. & REFUNDING BONDS 2016C

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

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Limited Tax General Obligation Bond Series 2016C (Mobile Home Park)	16 years Dec 2016-2032	1.660%- 2.890%	\$1,511,000	\$85,000

The bond debt service requirements to maturity for the general obligation bonds are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2023	669,000	125,190	794,190
2024	676,000	110,996	786,996
2025	698,000	96,312	794,312
2026	714,000	80,918	794,918
2027	725,000	64,968	789,968
2028-2032	2,496,000	115,854	2,611,854
Total	\$ 5,978,000	\$ 594,238	\$ 6,572,238

NOTE 9 – LEASES

A. LESSEE

The County leases three copiers which qualify for reporting. These agreements have terms ranging from 60-120 months, staggered expiration dates, and are non-cancellable. The County has two separate real property leases, one with a 10-year non-cancellable term ending in 2028; and the other with a 22-month non-cancellable term ending in 2023.

Leased assets for the year ended December 31, 2022, are summarized as follows:

Description	Governmental Activities			
	Beginning	Increases	Decreases	Ending
Land	-	60,960	-	60,960
Copiers	15,632	39,084	-	54,716
Total	15,632	100,044	-	115,676
Accumulated depreciation	-	(40,085)	-	(40,085)
Total	\$ 15,632	\$ 59,959	\$ -	\$ 75,591

Description	Business-Type Activities			
	Beginning	Increases	Decreases	Ending
Land	218,062	-	-	218,062
Copiers	13,996	-	-	13,996
Total	232,058	-	-	232,058
Accumulated depreciation	-	(35,982)	-	(35,982)
Total	\$ 232,058	\$ (35,982)	\$ -	\$ 196,076

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2023	46,355	886	47,241
2024	13,102	389	13,491
2025	7,932	213	8,145
2026	8,063	82	8,145
2027	678	1	679
Total	\$ 76,130	\$ 1,571	\$ 77,701

Year	Business-Type Activities		
	Principal	Interest	Total
2023	33,547	7,222	40,769
2024	34,877	5,893	40,770
2025	36,260	4,509	40,769
2026	37,700	3,070	40,770
2027	38,543	1,576	40,119
2028-2032	18,862	221	19,083
Total	\$ 199,789	\$ 22,491	\$ 222,280

B. LESSOR

The County is the lessor in numerous airport and other real property space leases, under non-cancellable agreements of varying lengths and termination dates. In 2022, the County received \$115,942 in principal and \$41,954 in interest on governmental leases and \$11,154 in principal and \$7,792 in interest on business-type leases.

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2023	120,034	37,862	157,896
2024	124,364	33,532	157,896
2025	111,742	29,078	140,820
2026	113,066	24,509	137,575
2027	54,965	20,392	75,357
2028-2032	201,432	80,628	282,060
2033-2037	167,578	49,901	217,479
2038-2042	145,916	31,340	177,256
2043-2047	76,604	20,767	97,371
2048-2052	76,870	16,910	93,780
2053-2057	80,996	12,784	93,780
2058-2062	85,438	8,342	93,780
2063-2067	88,097	3,558	91,655
2068-2070	36,078	338	36,416
Total	<u>\$ 1,483,180</u>	<u>\$ 369,941</u>	<u>\$ 1,853,121</u>

Year	Business-Type Activities		
	Principal	Interest	Total
2023	11,894	7,471	19,366
2024	12,277	7,140	19,417
2025	12,672	6,799	19,470
2026	13,079	6,446	19,526
2027	12,034	6,086	18,119
2028-2032	43,236	26,350	69,586
2033-2037	52,449	18,967	71,416
2038-2042	48,586	11,068	59,654
2043-2047	36,753	3,958	40,710
2048-2052	16,873	1,633	18,506
2053-2057	21,865	650	22,515
2058	2,933	18	2,951
Total	<u>\$ 284,650</u>	<u>\$ 96,585</u>	<u>\$ 381,236</u>

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities are shown in the table below.

	Outstanding 1/1/2022	Additions	Reductions	Outstanding 12/31/2022	Amounts Due in One Year
Governmental Activities					
Bonds payable	6,624,000	-	646,000	5,978,000	669,000
Leases*	15,632	100,044	39,546	76,130	46,355
Compensated absences	1,676,300	48,408	-	1,724,708	131,631
Net pension liability	1,323,252	1,814,903	-	3,138,155	-
Total OPEB liability	3,292,395	-	558,879	2,733,516	155,253
Total Governmental Activities	\$ 12,931,579	\$ 1,963,355	\$ 1,244,425	\$ 13,650,509	\$ 1,002,239
Business-Type Activities					
Leases*	232,058	-	32,269	199,789	33,547
Compensated absences	166,764	-	17,423	149,341	14,518
Net pension liability	175,165	182,453	-	357,618	-
Landfill closure liability	1,237,641	43,644	-	1,281,285	60,000
Total Business-Type Activities	\$ 1,811,628	\$ 226,097	\$ 49,692	\$ 1,988,033	\$ 108,065

*Beginning balance re-stated

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

Asset Retirement Obligations

The County has identified certain assets which may have external retirement obligations, including ten pit/quarry properties and two x-ray machines. The remaining estimated useful life and retirement costs cannot be reasonably estimated at this time.

NOTE 11 – CONTINGENCIES AND LITIGATIONS

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

As discussed in Note 8, Long-Term Debt, the County is contingently liable for repayment of refunded debt.

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

Kittitas County is named as the defendant in a few legal actions. Claims which have been classified as "reasonably possible" by the Prosecuting Attorney's office for 2022 are expected to be immaterial at this time.

LAWSUITS PENDING IN WHICH KITTITAS COUNTY, ITS OFFICERS AND/OR AGENTS ARE PARTIES AND MONEY DAMAGES ARE SOUGHT AS OF DECEMBER 31, 2022

1. Kittitas County v. Sky Allphin, Chem-Safe Environmental, Inc. and the Washington State Department of Ecology
Kittitas County Superior Court Case No. 13-2-00074-4

Sky Allphin submitted a broad public records request in October of 2012 to the County. The County filed a complaint for declaratory judgment and injunctive relief to enjoin disclosure of confidential work product

and to protect attorney-client privileged records. The appeal was concluded and remanded back to Kittitas County Superior Court where \$9,240.00 was ordered and paid to defense counsel William Crittenden. Another Notice of Appeal was filed by Sky Allphin and the matter is currently in the Court of Appeals. The matter is being handled by Menke Jackson Beyer, LLP.

2. Lambert v. Kittitas County, et al.
Yakima County Superior Court
Cause No. 20-2-00874-39

This is a Complaint for Declaratory and Injunctive relief regarding the medical debt of an individual incarcerated in the Kittitas County Corrections Center. Specifically, Plaintiff asks for his medical debt, believed to approximately \$11,000, to be extinguished. This case is being handled by the Kittitas County Prosecutor's Office.

3. Sky Allphin v. Kittitas County
Kittitas County Superior Court
Cause No. 21-2-00027-19

Motion for Relief Under RCW 42.56.550; Action for Declaratory Relief filed on February 3, 2021 in regards to ongoing PRA request. No documents have been filed since February 19, 2021. The case is being litigated by the Kittitas County Prosecutor's Office.

4. J.H., et al v. Kittitas County, et al
United States District Court, Eastern District of Washington
Cause No. 1:22-cv-03118

Complaint filed against the county, an elected official, as well as current and previous employees alleging a wrongful death of an inmate including negligence and violation of the decedents civil rights. Plaintiffs are seeking punitive damages, attorneys' fees and costs and a judgment against the Defendants awarding both economic and noneconomic damages in an amount to be determined. The case is being litigated by John E. Justice by special deputy appointment.

5. Janie Avey v. Kittitas County, et al
Yakima County Superior Court
Cause No. 22-2-00654-39

Complaint filed against the County and the Sheriff's Office alleging the county was negligent in its hiring and continued employment of a previous employee leading to the Plaintiff being placed in harms way and resulting in significant injuries, harm, and other damages. The Plaintiff is requesting damages in an amount to be determined at a later date as well as attorneys' fees and costs. The case is being litigated by the Kittitas County Prosecutor's Office and John E. Justice by special deputy appointment.

6. Foreman, Kristine v. Kittitas County Board of County Commissioners
Equal Employment Opportunity Commission
WSHRC No. 19ED-0110-22-3
EEOC No. 38G-2023-00014

Complaint of discrimination filed by a previous employee alleging violation of the Title VII of the Civil Rights Act, The Americans with Disabilities Act and the Washington Law Against Discrimination. Investigation is ongoing and Elizabeth R. Kennar has been retained to represent the BOCC in this matter.

7. Confederated Tribes and Bands of the Yakama Nation v. Kittitas County, et al
Thurston County Superior Court
Cause No. 22-2-02784-34

Plaintiffs filed a Petition for Review challenging a review of the Growth Management Hearings Board decision. Plaintiffs are requesting costs for pursuing action, attorney fees and any other additional relief deemed fit. The case is being litigated by the Kittitas County Prosecutor's Office.

8. Haybrook Land Holdings v. Kittitas County, et al
Kittitas County Superior Court
Cause No. 22-2-00273-19

Plaintiffs filed a Land Use Petition and Complaint for Declaratory Relief and requesting a review of Kittitas County Land Use Hearing Examiner's decision. Plaintiffs are requesting an award of statutory costs and fees along with any other additional relief deemed fit. The case is being litigated by the Kittitas County Prosecutor's Office.

PENDING CLAIMS FOR DAMAGES AGAINST KITTITAS COUNTY THROUGH DECEMBER 31, 2022

1. Shawn Headland

Claim for damages alleging the County's negligence in preventing the death of an inmate in its custody. Claim has been referred to Risk Pool assigned to Risk Pool retained counsel. Claim is seeking damages of \$15 million. A wrongful death complaint has since been filed with the United States District Court, Eastern District of Washington and is currently pending.

2. Douglas Benson

Claim for damages and notice to sue filed, alleging multiple occasions when his rights to due process of law were violated. He is requesting relief of damages in the amount of \$20 million and relief of the county code infractions. Referred to WCRP.

3. State Farm Mutual (a/s/o Tiffany Gorski)

Claim for damages alleging Sheriff's Deputy failed to control her vehicle and caused damage to Gorski's vehicle in the amount of \$4353.10. Matter was referred to WCRP and resolved with payment to be made to State Farm in the amount of \$2,263.71.

4. Arielle Blum

Claim for Damages alleging a county owned vehicle caused gravel to damage the claimant's windshield and the need for the windshield to be replaced. Amount of damages claimed is \$250.00. The matter is being referred to WCRP.

5. Sarah Lesverton

Claim for damages alleging a county owned snowplow caused damage to her vehicle. Amount of damages claimed is \$4,287.97. The matter is being referred to WCRP.

6. Gene Camarata

Claim for damages alleging the county released emails causing breach of privacy and confidentiality. Amount of damages is \$500,000. The matter is being referred to WCRP.

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

A. INTERFUND BALANCES

Interfund balances at December 31, 2022 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 TO	DUE FROM									Total
	General Fund	County Road	SLFRF	Other Governmental Funds	Solid Waste Fund	Community Development Services Fund	Water Mitigation Fund	Internal Service Funds		
General Fund	\$ -	\$ 247,186	\$ -	\$ 242,808	\$ 52,567	\$ 76,232	\$ 9,757	\$ 51,793	\$ -	\$ 680,343
County Road Fund	-	-	656,900	32,731	-	-	-	-	-	689,631
Other Governmental Funds	52,168	-	-	-	-	-	-	-	-	52,168
Internal Service Funds	-	518,842	-	-	-	-	-	-	-	518,842
Total	\$ 52,168	\$ 766,028	\$ 656,900	\$ 275,539	\$ 52,567	\$ 76,232	\$ 9,757	\$ 51,793	\$ -	\$ 1,940,984

B. INTERFUND TRANSFERS

Interfund transfers processed during 2022 are as follows:

TRANSFERS OUT	TRANSFERS IN			
	County Road	Other Governmental Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 704,250	\$ -	\$ 704,250
SLFRF	656,900	-	-	656,900
County Road	-	-	42,397	42,397
Total	\$ 656,900	\$ 704,250	\$ 42,397	\$ 1,403,547

NOTE 13 - JOINT VENTURES

A. City of Ellensburg

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

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

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2022 operations are as follows:

	BUDGET	ACTUAL
Kittitas County	\$49,000	\$55,195
City of Ellensburg	90,513	83,151
Tour Fees	10,000	5,942
Other Revenues	37,880	21,742
Total Support	\$187,393	\$166,030

B. Snoqualmie Pass Utility District

The E. R. & R. Fund and the Snoqualmie Pass Utility District constructed a joint shop at Hyak in 2014. Both parties own ½ of the building and have joint responsibility for the small common entrance area. An Interlocal Agreement has been drafted to materialize the relationship between the Public Works ER&R fund and Snoqualmie PUD. Snoqualmie PUD handles shared expenses including insurance and utilities, billing the Public Works ER&R fund annually. The ER&R Fund collects quarterly payments for a reserve fund to cover Roofing (45 year warranty), Siding (20 year warranty), Driveway & Parking Lot Maintenance, Mechanical and Heating Unit, and Garage doors with openers. At the end of 2022 the fund total held by Public Works ER&R for the Hyak joint shop reserve was \$67,459.

C. Related Parties

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

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements for GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts-LEOFF 1	
OPEB liabilities	\$2,733,516
OPEB assets	-
Deferred outflows of resources	\$77,626
Deferred inflows of resources	-
OPEB expenses/expenditures	(\$402,326)

A. PLAN DESCRIPTION

As required by RCW 41.26, the County provides lifetime medical care for LEOFF 1 retirees. The County provides medical insurance and reimbursements for all necessary hospital, medical and nursing care expenses not payable by workers compensation, social security, insurance provided by another employer, other pension plan, or any other similar source. The County provides supplemental medical insurance for retirees. Under authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical benefit provisions.

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
Total	6

In 2022, expenditures of \$41,689 for medical premiums and billings were recognized for post-employment health benefits in the General Fund. The program is funded “pay as you go” there is no qualifying trust.

B. ASSUMPTIONS AND OTHER INPUTS

The County’s net OPEB liability was calculated using the alternative measurement method in accordance with the parameters of GASB 75 for employers in plans with fewer than one hundred total plan members utilizing the interactive tool developed by the Office of the State Actuary (OSA) for use by local governments. The following assumptions were used to measure the total OPEB liability, using a measurement and actuarial valuation date of June 30, 2022:

Discount Rate	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Healthcare Trend Rates	
Medical Costs	Approximately 5.0%, varies by year
Long-Term Care	4.5%
Medicare Part B Premiums	Approximately 5.5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	PubS.H-2010 (Public Safety) Blended 50%/50% healthy/disabled
Age Setback	-1 year Healthy / 0 years Disabled
Mortality Improvements	MP-2017 Long-Term Rates
Project Period	Generational

Medical Participation Rate	100%
----------------------------	------

The following presents the total OPEB liability calculated using the current healthcare cost trend rate as well as what the OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$2,506,128	\$2,733,516	\$2,990,969

The following presents the total OPEB liability calculated using the current discount rate as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$3,009,364	\$2,733,516	\$2,495,417

C. CHANGES IN THE TOTAL OPEB LIABILITY

A schedule of changes in the total OPEB liability is presented below:

LEOFF 1	
Total OPEB Liability at 01/01/2022	\$3,292,395
Interest	69,434
Changes of experience data and assumptions	(471,760)
Benefit payments	(156,553)
Total OPEB Liability at 12/31/2022	\$2,733,516

At December 31, 2022, the County’s reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$77,626	\$0
TOTAL	\$77,626	\$0

NOTE 15 – CLOSURE AND POST-CLOSURE CARE COSTS

Kittitas County owns and operates a single landfill site, the Ryegrass Landfill, which was established in 1980 on a 640-acre parcel. The site consists of two separate landfills: the Municipal Solid Waste Landfill (“Ryegrass MSW”), and the Limited Purpose / Construction Debris Landfill (“LPL/CDL”).

A. CLOSURE AND POST-CLOSURE COSTS: RYEGRASS MSW

Ryegrass MSW was closed to new/additional solid waste material in 1998 following an “Agreed Order” from the Washington Department of Ecology (“DOE”). The original order stipulated placement of final cover material on the site, and ongoing maintenance and monitoring for thirty years, through 2028. Management acknowledges the possibility of ongoing revision to the post-closure end-date, based on changes to the underlying legal and regulatory environment, and apprises BOCC of such changes and resourcing requirements ongoing.

The DOE awarded a remedial action grant to assist with 75% of the costs of closure, which concluded in 2000. To ensure adequate resources for post-closure costs, the BOCC established a set-aside of solid waste fee revenues via resolution in 2000. The resolution stipulates a \$1.55 per ton fee to be reserved for Ryegrass MSW post-closure costs,

which generated \$65,445 in 2022. The balance of the Ryegrass MSW post-closure reserve is \$1,017,533 as of year-end 2022. Post-closure costs incurred during 2022 were \$32,909.

B. CLOSURE AND POST-CLOSURE COSTS: LPL / CDL

The LPL/CDL continues to accept material. This landfill is at 80% of capacity as of the end of 2022, and will reach its capacity at the end of 2024 based on management estimates. The current permit stipulates twenty-years of maintenance and monitoring following closure.

In 2005 the BOCC established via resolution a separate LPL/CDL post-closure reserve, initially funded with \$200,000 from the Ryegrass MSW post-closure reserve. The resolution also stipulated an ongoing fee of \$2.44 per ton for construction debris to be added to this reserve account, and which generated \$23,462 in 2022. The balance of the LPL/CDL post-closure reserve is \$456,243 as of year-end 2022.

The LPL/CDL closure and post-closure liability is \$981,286 as of year-end 2022, and reflects 20% capacity remaining on an estimated combined closure and post-closure cost of \$1.15MM, per 2019 analysis conducted by RW Beck, Inc., and management estimates since the publication of that document.

Management is currently pursuing a new permit based on a revised site-grading plan which would increase capacity to allow for operations through 2043. The site plan was under review as of the end of 2022, and if approved and implemented, would alter all underlying closure and post-closure figures.

NOTE 16 – OTHER DISCLOSURES

A. NEW ACCOUNTING STANDARDS

In 2022, the County implemented Governmental Accounting Standards Board (GASB) Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of the information about governments' leasing activities.

B. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of (\$585,313) is reported in the governmental column on the Statement of Activities. This adjustment is comprised of:

- An increase of \$50,635 to adjust previously reported lease liabilities.
- An increase of \$200,000 to adjust grant revenue which should have been reported in 2021.
- An increase of \$713,593 to record the correct beginning pre-paid insurance balance.
- A decrease of \$1,941,838 to correct an overstatement of interest revenue reported in 2021.
- An increase of \$68,926 to correct admissions tax revenue which should have been reported in 2021.
- An increase of \$323,371 to adjust motor vehicle taxes which should have been reported in 2021.

A prior period adjustment of (\$959,319) is reported on the Statement of Revenues, Expenditures and Changes in Fund Balance in the General Fund. This adjustment is comprised of:

- An increase of \$200,000 to adjust grant revenue which should have been reported in 2021.
- An increase of \$713,593 to record the correct beginning pre-paid insurance balance.
- A decrease of \$1,941,838 to correct an overstatement of interest revenue reported in 2021.
- An increase of \$68,926 to correct admissions tax revenue which should have been reported in 2021.

A prior period adjustment of \$323,371 is reported on the Statement of Revenues, Expenditures and Changes in Fund Balance in the County Road fund to adjust motor vehicle taxes which should have been reported in 2021.

C. SUBSEQUENT EVENTS

During 2022 the County was approved for a \$10MM loan from the Washington Public Works Trust Fund for construction of a new transfer station site. As of the end of 2022, the County had not yet requested any of the approved funds.

Kittitas County, Washington
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes	\$ 9,330,000	\$ 9,330,000	\$ 9,357,332	\$ 27,332
Sales taxes	7,590,000	7,590,000	13,138,987	5,548,987
Other taxes	319,500	319,500	180,820	(138,680)
Licenses and permits	288,250	288,250	356,801	68,551
Intergovernmental revenues	5,738,888	5,738,888	5,502,893	(235,995)
Charges for services	4,858,486	4,858,486	3,555,670	(1,302,816)
Fines and forfeitures	1,453,135	1,453,135	989,502	(463,633)
Investment earnings	909,100	909,100	(2,019)	(911,119)
Rents and concessions	923,077	923,077	930,486	7,409
Miscellaneous	288,052	288,052	364,465	76,413
Total Revenues	31,698,488	31,698,488	34,374,937	2,676,449
Expenditures				
Current:				
General government	13,205,374	13,205,374	9,892,755	3,312,619
Economic Environment	100	100	460	(360)
Judicial	3,217,438	3,217,438	2,816,202	401,236
Physical Environment	153,000	153,000	154,237	(1,237)
Culture and recreation	3,512,211	3,512,211	2,258,143	1,254,068
Public safety	15,348,161	15,348,161	13,248,332	2,099,829
Health and human services	1,257,478	1,257,478	909,944	347,534
Transportation	10,246	10,246	-	10,246
Debt service:				
Principal	51,778	51,778	39,546	12,232
Interest	6,050	6,050	1,391	4,659
Capital Outlay	1,111,784	1,111,784	1,364,937	(253,153)
Total Expenditures	37,873,620	37,873,620	30,685,947	7,187,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,175,132)	(6,175,132)	3,688,990	9,864,122
Other Financing Sources (Uses)				
Transfers (out)	(1,254,686)	(1,254,686)	(704,250)	550,436
Proceeds from lease	-	-	100,044	100,044
Proceeds from disposition of capital assets	1,550	1,550	10,513	8,963
Net Changes in Fund Balances	(7,428,268)	(7,428,268)	3,095,297	10,523,565
Fund Balances Beginning of Year	22,125,326	22,125,326	30,650,143	8,524,817
Prior Period Adjustment	-	-	(959,319)	(959,319)
Fund Balances End of Year	\$ 14,697,058	\$ 14,697,058	\$ 32,786,121	\$ 18,089,063

Kittitas County, Washington
County Road Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes	\$ 7,877,965	\$ 7,877,965	\$ 7,879,544	\$ 1,579
Other taxes	9,500	9,500	18,753	9,253
Licenses and permits	206,404	206,404	301,479	95,075
Intergovernmental revenues	7,964,228	7,964,228	6,205,521	(1,758,707)
Charges for services	603,281	603,281	1,114,583	511,302
Investment earnings	50,000	50,000	(475,332)	(525,332)
Miscellaneous	29,896	29,896	66,181	36,285
Total Revenues	<u>16,741,274</u>	<u>16,741,274</u>	<u>15,110,729</u>	<u>(1,630,545)</u>
Expenditures				
Current:				
General government	435,090	435,090	796,629	(361,539)
Transportation	10,290,766	10,290,766	10,326,433	(35,667)
Capital Outlay	<u>6,918,730</u>	<u>6,918,730</u>	<u>5,258,151</u>	<u>1,660,579</u>
Total Expenditures	<u>17,644,586</u>	<u>17,644,586</u>	<u>16,381,213</u>	<u>1,263,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(903,312)	(903,312)	(1,270,484)	(367,172)
Other Financing Sources (Uses)				
Transfers in	-	-	656,900	
Transfers out	(370,000)	(370,000)	(42,397)	327,603
Proceeds from disposition of capital assets	-	-	9	9
Net Changes in Fund Balances	(1,273,312)	(1,273,312)	(655,972)	617,340
Fund Balances Beginning of Year	<u>6,715,000</u>	<u>6,715,000</u>	<u>7,094,976</u>	<u>379,976</u>
Prior Period Adjustment	-	-	323,371	323,371
Fund Balances End of Year	<u>\$ 5,441,688</u>	<u>\$ 5,441,688</u>	<u>\$ 6,762,375</u>	<u>\$ 1,320,687</u>

Kittitas County, Washington
SLFRF
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Intergovernmental revenues	\$ 5,879,196	\$ 4,655,406	\$ 1,077,182	\$ (3,578,224)
Investment earnings	20,000	20,000	(609,958)	(629,958)
Total Revenues	<u>5,899,196</u>	<u>4,675,406</u>	<u>467,224</u>	<u>(4,208,182)</u>
Expenditures				
Current:				
General government	25,000	25,000	207,514	(182,514)
Capital Outlay	<u>2,286,845</u>	<u>2,286,845</u>	<u>212,770</u>	<u>2,074,075</u>
Total Expenditures	<u>2,311,845</u>	<u>2,311,845</u>	<u>420,284</u>	<u>1,891,561</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,587,351	2,363,561	46,940	(2,316,621)
Other Financing Sources (Uses)				
Transfers out	<u>(656,900)</u>	<u>(656,900)</u>	<u>(656,900)</u>	<u>-</u>
Net Changes in Fund Balances	2,930,451	1,706,661	(609,960)	(2,316,621)
Fund Balances Beginning of Year	<u>4,287,538</u>	<u>4,387,538</u>	<u>45,048</u>	<u>(4,342,490)</u>
Fund Balances End of Year	<u>\$ 7,217,989</u>	<u>\$ 6,094,199</u>	<u>\$ (564,912)</u>	<u>\$ (6,659,111)</u>

KITTITAS COUNTY

Required Supplementary Information

2022 Annual Report

Information about Infrastructure Assets Reported Using the Modified Approach

Asset Management System

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

Required Documentation

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

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

Condition Assessment Methods

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

Gravel Roads in Kittitas County

Kittitas County owns and maintains over 80 miles of gravel roads, of which about 20 miles are standard gravel roads (non-primitive) and about 60 miles are primitive gravel roads. The standard gravel roads (non-primitive) are those roads that have an average of 101 or more annual daily vehicles and have road signs and warning signs placed along the roadway in accordance with the Manual on Uniform Traffic Control Devices. Primitive gravel roads have 100 or less annual daily vehicles and no design, signing, or maintenance standards are required other than the requirement that warning signs be placed that apply to primitive roads.

Budgeted and Estimated Costs to Maintain Infrastructure

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

Table A		
Costs to Maintain Gravel Roads in Kittitas County		
<i>Fiscal Year</i>	<i>Estimated Spending</i>	<i>Actual Spending</i>
2015	\$457,378	\$299,906
2016	\$555,756	\$391,388
2017	\$333,582	\$449,649
2018	\$500,000	\$281,399
2019	\$350,000	\$343,888
2020	\$190,767	\$298,834
2021	\$322,463	\$484,662
2022	\$292,618	\$328,044

Condition Level Description

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

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

Established Condition Level

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

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

Detailed documentation of disclosed assessment levels is kept on file.

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

**Table D
Condition Rating of
Standard Gravel Roads (non-primitive) in Kittitas County**

Year	Total Miles	Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	22.69	.09mi 0.44%	0.26mi 1.15%	1.68mi 7.40%	15.03mi 66.24%	5.63mi 24.77%	22.34mi 98.41%
2013	23.16	0	0.05mi 0.22%	4.06mi 17.53%	16.06mi 69.34%	2.45mi 10.57%	22.57mi 97.44%
2014	22.52	0	.05 mi 0.22%	1.12mi 4.97%	7.91mi 35.12%	13.44mi 59.68%	22.47mi 99.78%
2015	20.63	.05 mi 1 %	0	.07 mi 1%	3.85 mi 18%	16.54mi 80%	20.46mi 99%
2016	20.04	0	0	1.01mi 5.039%	10.92mi 54.491%	8.11mi 40.469%	20.04mi 100%
2017	20.11	0.22mi 1.09%	.08mi 0.4%	4.43mi 22.03%	5.28mi 26.26%	10.10mi 50.22%	19.81mi* 98.51%
2018	19.09	0	0.15mi 0.79%	1.22mi 6.39%	10.69mi 56.00%	7.03mi 36.83%	18.94mi 99.21%
2019	20.26	0	0.08mi 0.4%	5.57mi 27.49%	9.8mi 48.37%	4.81mi 23.74%	20.18mi 99.6%
2020	20.26	0	0.08mi 0.4%	3.21 15.84%	16.66 82.23%	0.31 1.53%	20.18mi 99.6%
2021	20.53	0.0	0.25mi 1.2%	0.59mi 2.8%	16.77mi 81.69%	2.92mi 14.22%	20.28mi 98.78%
2022	19.36	0	0.08 .41%	4.18mi 21.59%	12.75mi 65.86%	2.35mi 12.14%	19.28 99.59%

*Corrected value from previous report

NOTE: Due to early snow, 1.42 miles of Non-Primitive Road in 2022 was rated using 2021 ratings.

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

Year	Total Miles	Primitive Gravel Road Condition Rating Scores as a Percentage					
		1	2	3	4	5	% Rated 3 +
2012	44.13	2.87mi 6.50%	15.02mi 34.03%	8.82mi 19.99%	11.56mi 26.20%	5.86mi 13.28%	26.24mi 59.47%
2013	42.76	1.81mi 4.25%	17.57mi 41.29%	13.29mi 31.22%	9.27mi 21.79%	0.62mi 1.45%	23.18mi 54.46%
2014	43.40*	0.87mi 2.01%	13.5mi 31.25%	3.47mi 8.26%	12.42mi 28.75%	12.84mi 29.72%	28.83mi 66.74%
2015	43.40	.87mi 2%	13.5mi 31%	1.49mi 3%	11.47mi 26%	16.07mi 38%	29.03mi 67%
2016	43.40	0	20.64mi 47.55%	3.06mi 7.05%	4.15mi 9.56%	15.55mi 35.82%	26.91mi 62%
2017	43.20*	0	19.48mi 45.09%	5.41mi 12.52%	9.17mi 21.23%	9.14mi 21.16%	23.72mi* 54.91%
2018	45.45	0	26.08mi 58.97%	3.91mi 8.60%	9.28mi 20.42%	5.46mi 12.01%	18.65mi 41.03%
2019	43.29	18.59mi 42.94%	1.67mi 3.85%	8.06mi 18.61%	13.51mi 31.2%	1.46mi 3.37%	23.03mi 53.19%
2020	60.59	21.37mi 35.26%	0.1mi 0.1%	27.55mi 45.47%	10.75mi 17.74%	0.82mi 1.43%	39.12mi 64.56%
2021	60.67	21.37mi 35.22%	0.10mi 0.16%	23.65mi 38.98%	15.01mi 24.74%	0.54mi 0.89%	39.2mi 64.61%
2022	60.89	20.41mi 33.52%	2.72mi 4.47%	25.91mi 42.55%	9.41mi 15.45%	2.44mi 4.01%	37.76 62.01%

*Corrected value from previous report

NOTE: Due to early snow, 32.77 miles of Primitive Road in 2022 was rated using 2021 ratings.

**Attachment A
Gravel Road Condition Rating Form**

**Kittitas County
Department of Public Works 1/20/2023
Gravel Road Rating Worksheet**

Road Name: _____ Road No. _____

From: _____ to _____

ADT _____ FFC _____ Posted Speed Limit _____ Scorer _____

Check the following:

CROWN

DRAINAGE

GRAVEL LAYER

SURFACE DEFORMATION

SURFACE DEFECTS

ROUTES :

US Mail Route ?

School Bus Route?

CONNECTOR

MAINTENANCE COSTS

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

TOTAL PROJECT RATING _____ DATE _____

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

	2018	2019	2020	2021	2022
Total OPEB liability - beginning	\$ 3,179,140	\$ 3,058,708	\$ 3,473,105	\$ 3,588,724	\$ 3,292,395
Interest	111,355	116,296	118,822	77,181	69,434
Changes of assumptions	-93,264	406,431	154,516	-179,684	-471,760
Benefit payments	-138,523	-108,330	-157,719	-193,826	-156,553
Total OPEB liability - ending	<u>\$ 3,058,708</u>	<u>\$ 3,473,105</u>	<u>\$ 3,588,724</u>	<u>\$ 3,292,395</u>	<u>\$ 2,733,516</u>
Covered-employee payroll	0	0	0	0	0
Total OPEB liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON

**Schedule of Proportionate Share of the Net Pension Liability/Asset - PERS 1, PERS 2/3, PSERS 2, LEOFF 1, LEOFF 2
As of June 30**

	2015	2016	2017	2018	2019	2020	2021	2022
PERS 1								
Employer's proportion of the net pension liability (asset)	0.110864%	0.106396%	0.112327%	0.111934%	0.111655%	0.113936%	0.122697%	0.125550%
Employer's proportionate share of the net pension liability (asset)	5,799,218	5,713,966	5,330,004	4,999,010	4,293,531	4,022,556	1,498,417	3,495,773
Covered payroll	12,275,361	12,751,139	13,743,477	14,220,577	15,107,518	16,629,062	18,110,192	19,508,420
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	47.24%	44.81%	38.78%	35.15%	28.42%	24.19%	8.27%	17.92%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%
PERS 2 & 3								
Employer's proportion of the net pension liability (asset)	0.118491%	0.111397%	0.118686%	0.118055%	0.118637%	0.121014%	0.130241%	0.135216%
Employer's proportionate share of the net pension liability (asset)	4,233,751	5,608,751	4,123,771	2,015,684	1,152,369	1,547,700	(12,974,099)	(5,014,865)
Covered payroll	10,519,395	10,975,818	11,826,723	12,244,306	12,970,955	14,308,629	15,585,602	16,766,461
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	40.25%	51.10%	34.87%	16.46%	8.88%	10.82%	-83.24%	-29.91%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%
PSERS 2								
Employer's proportion of the net pension liability (asset)	0.424215%	0.362730%	0.401565%	0.390713%	0.363890%	0.291763%	0.303583%	0.346416%
Employer's proportionate share of the net pension liability (asset)	77,428	154,153	78,679	4,841	(47,320)	(40,147)	(697,449)	(247,687)
Covered payroll	1,242,054	1,288,743	1,441,466	1,547,780	1,686,004	1,822,418	2,057,767	2,345,406
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	6.23%	11.96%	5.46%	0.31%	-2.81%	-2.20%	-33.89%	-10.56%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	90.41%	96.26%	99.79%	101.85%	101.86%	123.67%	105.96%
LEOFF 1								
Employer's proportion of the net pension liability (asset)	0.009538%	0.009641%	0.009552%	0.008598%	0.008500%	0.008840%	0.008968%	0.009488%
Employer's proportionate share of the net pension liability (asset)	(114,954)	(99,330)	(144,925)	(156,097)	(170,977)	(166,944)	(307,204)	(272,174)
State's proportionate share of the net pension liability (asset) associated with the employer	(777,546)	(671,866)	(980,269)	(1,055,836)	(1,156,484)	(1,129,205)	(2,077,923)	(1,840,978)
TOTAL	(892,500)	(771,196)	(1,125,194)	(1,211,933)	(1,327,461)	(1,296,149)	(2,385,127)	(2,113,152)
Covered payroll								
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%	169.62%
LEOFF 2								
Employer's proportion of the net pension liability (asset)	0.0095703%	0.078567%	0.078824%	0.083794%	0.79493%	0.074422%	0.087953%	0.081526%
Employer's proportionate share of the net pension liability (asset)	(1,024,747)	(456,969)	(1,093,822)	(1,701,201)	(1,841,609)	(1,518,100)	(5,108,674)	(2,215,650)
State's proportionate share of the net pension liability (asset) associated with the employer	(58,166)	(297,911)	(709,542)	(1,101,495)	(1,206,007)	(970,710)	(3,295,653)	(1,435,237)
TOTAL	(1,082,913)	(754,880)	(1,803,364)	(2,802,696)	(3,047,616)	(2,488,810)	(8,404,327)	(3,650,867)
Covered payroll	2,894,005	2,364,248	2,487,299	2,687,908	2,742,218	2,848,298	3,302,098	3,254,865
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-35.41%	-19.33%	-43.98%	-63.29%	-67.16%	-53.30%	-154.71%	-68.07%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%	116.09%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KITTITAS COUNTY, WASHINGTON

Schedule of Employer Contributions - PERS 1, PERS 2/3, PSERS 2, LEOFF 1, LEOFF 2

As of December 31

	2015	2016	2017	2018	2019	2020	2021	2022
PERS 1								
Statutorily or contractually required contributions	566,744	638,541	718,780	778,452	806,157	885,130	855,962	755,447
Contributions in relation to the statutorily or contractually required contributions	(566,744)	(638,541)	(718,780)	(778,452)	(806,157)	(885,130)	(855,962)	(755,447)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	12,275,361	12,751,139	14,048,798	14,688,420	15,582,618	17,639,940	18,791,843	19,660,161
Contributions as a percentage of covered employee payroll	4.62%	5.01%	5.12%	5.30%	5.17%	5.02%	4.55%	3.84%
PERS 2 & 3								
Statutorily or contractually required contributions	593,742	683,790	831,911	945,949	1,026,501	1,199,547	1,170,347	1,081,386
Contributions in relation to the statutorily or contractually required contributions	(593,742)	(683,790)	(831,911)	(945,949)	(1,026,501)	(1,199,547)	(1,170,347)	(1,081,386)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	10,547,981	10,975,818	12,132,058	12,617,276	13,430,653	15,153,072	16,133,932	17,002,883
Contributions as a percentage of covered employee payroll	5.63%	6.23%	6.86%	7.50%	7.64%	7.92%	7.25%	6.36%
PSERS 2								
Statutorily or contractually required contributions	78,916	84,928	98,035	112,323	119,202	143,664	151,235	156,202
Contributions in relation to the statutorily or contractually required contributions	(78,916)	(84,928)	(98,035)	(112,323)	(119,202)	(143,665)	(151,235)	(156,202)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	1,219,050	1,288,743	1,470,961	1,638,087	1,678,150	1,995,175	2,193,143	2,390,911
Contributions as a percentage of covered employee payroll	6.47%	6.59%	6.66%	6.86%	7.10%	7.20%	6.90%	6.53%
LEOFF 2								
Statutorily or contractually required contributions	130,605	119,395	140,709	143,682	144,507	167,524	170,181	178,027
Contributions in relation to the statutorily or contractually required contributions	(130,605)	(119,395)	(140,709)	(143,682)	(144,507)	(167,524)	(170,181)	(178,027)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	2,586,232	2,364,248	2,666,191	2,671,628	2,697,044	3,162,848	3,221,921	3,463,732
Contributions as a percentage of covered employee payroll	5.05%	5.05%	5.28%	5.38%	5.36%	5.30%	5.28%	5.14%

Kittitas County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
AGRICULTURAL MARKETING SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Dept of Agriculture)	Specialty Crop Block Grant Program - Farm Bill	10.170	K2871	57,103	-	57,103	-	4
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Dept of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH31015 SNAP-Education	45,700	-	45,700	-	3
			Total SNAP Cluster:	45,700	-	45,700	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665		-	316,966	316,966	-	5
			Total Forest Service Schools and Roads Cluster:	-	316,966	316,966	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	21-62210-008	47,532	-	47,532	45,782	4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-115	224,143	-	224,143	224,143	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	22-62210-008	46,366	-	46,366	44,616	
			Total ALN 14.228:	318,041	-	318,041	314,541	

OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF	National Clearinghouse on Sexual Assault of American Indian and Alaska Native Women	16.027	-	7,373	7,373	-	4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Dept of Commerce)	Crime Victim Assistance	16.575	16,668	-	16,668	-	4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Dept of Commerce)	Crime Victim Assistance	16.575	16,668	-	16,668	-	4
			Total ALN 16.575:	-	33,336	-	
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via Comprehensive Healthcare)	Violence Against Women Formula Grants	16.588	11,395	-	11,395	-	4
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	-	86,708	86,708	-	4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Comprehensive Opioid, Stimulant, and other Substances Use Program	16.838	-	140,936	140,936	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	50,437	50,437	-	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	18,812	18,812	-	
			Total ALN 20.106:	-	69,249	-	
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	2,003,327	-	2,003,327	-	

FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(564) LA-9949	672	-	672	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(607) LA-10253	33,500	-	33,500	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	BROS-2019(032) LA-10466	17,520	-	17,520	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	BROS-2019(033) LA-10467	18,588	-	18,588	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(608) LA-10254	22,167	-	22,167	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	STBGR-STBG-D190(001) LA-10400	633,442	-	633,442	-
Total ALN 20.205:				2,729,216	-	2,729,216	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Federal Lands Access Program	20.224	FLAP-19DE(001) LA-10049	23,616	-	23,616	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Federal Lands Access Program	20.224	FLAP-2019(031) LA-10327	79,425	-	79,425	-
Total ALN 20.224:				103,041	-	103,041	-

Total Highway Planning and Construction Cluster:					2,832,257	-	2,832,257	-
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	20.600	SH21-033	State and Community Highway Safety	9,189	-	9,189	-	4
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	20.600	SH22-029	State and Community Highway Safety	2,525	-	2,525	-	
Total Highway Safety Cluster:					11,714	-	11,714	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	20.608	SH21-033	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	6,047	-	6,047	-	4
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Dept of Health)	21.027	(Covid-19) LJH Vaccination ARPA-CLH31015	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	1,032	-	1,032	-	3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	21.027		COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	-	1,077,184	1,077,184	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Dept of Health)	21.027	(Covid-19) CLH31015-CSFRF CTS LJH Allocation	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	189,768	-	189,768	-	3
Total ALN 21.027:					190,800	1,077,184	1,267,984	-
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	93.069	CLH31015-Emergency Preparedness & Response	Public Health Emergency Preparedness	53,046	-	53,046	-	3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	93.070	CL31015 Envir Health Capacity CDC)	Environmental Public Health and Emergency Response	107,359	-	107,359	-	3,4

CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	Immunization Cooperative Agreements	93.268	CL31015 Immunization VFC Ops	496	-	496	-	3,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	Immunization Cooperative Agreements	93.268	CLH18249	129,065	-	129,065	-	3
Total ALN 93.268:				129,561	-	129,561	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Covid Cares ELC \$4 EDE/LJH CLH18249-19	266,046	-	266,046	-	3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	SH22-020 Detection & Mitigation Covid-19 Jails	68,360	-	68,360	-	
Total ALN 93.323:				334,406	-	334,406	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via National Association of County and City Health Officials (NACCHO))	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation?s Health	93.421	2021-012106	16,175	-	16,175	-	3,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	State Physical Activity and Nutrition (SPAN)	93.439	CLH31015- LSPAN-Local Strategies Physical Activity & Nutrition	64,241	-	64,241	-	3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Social and Health Services)	Child Support Enforcement	93.563	2110-80579	4,756	-	4,756	-	4

CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	Medical Assistance Program	93.778	K4649-Medicaid Administrative Match	4,915	-	4,915	-	3,4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K2747-04 ABCD Dental	7,379	-	7,379	-	3
Total Medicaid Cluster:				12,294	-	12,294	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH31015-Maternal & Child Health Block Grant	39,613	-	39,613	-	3
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks)	Boating Safety Financial Assistance	97.012	MLE122-122	20,228	-	20,228	-	4
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks)	Boating Safety Financial Assistance	97.012	MLE123-407	2,659	-	2,659	-	
Total ALN 97.012:				22,887	-	22,887	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E22-217	16,913	-	16,913	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E22-264 and E22-264-1	13,919	-	13,919	-	
Total ALN 97.042:				30,832	-	30,832	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Cooperating Technical Partners	97.045		-	2,959	-	2,959	

FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E21-082	11,499	-	11,499	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E22-131	14,507	-	14,507	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E22-260	13,305	-	13,305	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E22-187	2,994	-	2,994	-	
Total ALN 97.067:				42,305	-	42,305	-	
Total Federal Awards Expended:				4,363,868	1,701,375	6,065,243	314,541	

KITTITAS COUNTY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

The 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. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

County: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 15.00 percent.

Public Health: The amount expended includes an indirect cost recovery using an approved indirect cost rate of 21.00 percent.

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

Note 4 – Project has been completed or expired

Project has been completed or expired.

Note 5 – In-Lieu of Taxes/Unrestricted Funds

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



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

**Kittitas County
 January 1, 2022 through December 31, 2022**

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

Finding ref number: 2022-001	Finding caption: The County’s internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.
Name, address, and telephone of County contact person: Brian Carlson, Budget and Finance Director; 205 W. 5th Ellensburg, WA 98926; (509) 962-7502	
Corrective action the auditee plans to take in response to the finding: <i>As of April, 2023, County has fully corrected this internal process to ensure that staff verifies sub-recipient status via SAM.gov, prints and archives same, and attests to this procedure on County’s internal contracts-transmittal prior to execution.</i>	
Anticipated date to complete the corrective action: status is “fully implemented”	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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