



Washington State Auditor's Office

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Financial Statements Audit Report **Kittitas County Conservation District**

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

Published August 29, 2016

Report No. 1017337





Washington State Auditor's Office

August 29, 2016

Board of Supervisors
Kittitas County Conservation District
Ellensburg, Washington

Report on Financial Statements

Please find attached our report on the Kittitas County Conservation District's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Kittitas County Conservation District January 1, 2015 through December 31, 2015

2015-001 Kittitas County Conservation District did not have adequate internal controls in place to ensure accurate reporting of the Schedule of Expenditures of Federal Awards.

Background

Board members, state and federal agencies, and the public rely on the information included in the financial statements and schedules to make decisions. It is the responsibility of the District to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure financial events are properly presented and that criteria and accounting methodology applied to financial events is accurate.

All local governments in Washington that spend federal funds are required to prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. The Uniform Guidance requires grantees to identify, in its accounts, all Federal program awards expended and to report all Federal expenses on the SEFA each fiscal year. Grantees with expenditures of \$750,000 or more are required to have a single audit. The SEFA should be prepared using the same basis of accounting as the financial statements.

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness.

- The District reports its financial statements on the cash basis of accounting in accordance with the *Budgeting, Accounting and Reporting System* (BARS) manual. However, the District reported the SEFA using the accrual basis of accounting.
- The District's financial statement review was not adequate to detect and correct errors prior to the audit.

Cause of Condition

District staff did not have a clear understanding of the SEFA reporting requirements and did not follow guidance provided in the BARS manual.

Effect of Condition

The District's Schedule of Expenditures of Federal Awards contained a material misstatement that was not detected by staff. The District over reported federal expenditures by \$241,398.

The SEFA is used for audit planning and grantor oversight. An incorrect SEFA can affect the amount of audit coverage required or the selection of major programs for audit. The District originally reported federal expenditures of \$944,373, requiring a single audit. We identified this error during the course of the audit and determined the District was below the \$750,000 threshold. As a result, the District was not required to receive a single audit.

The District subsequently corrected this error.

Recommendation

We recommend District establish ongoing, consistent internal controls over its financial reporting, to include the following:

- Establish an effective review process of the financial statements by a person knowledgeable of BARS reporting requirements to ensure accurate reporting of the District's financial statements.
- Establish and implement monitoring and oversight procedures to ensure staff responsible for reviewing the financial statements verifies the statements are in compliance with BARS reporting requirements.

District's Response

District staff prepare the Schedule of Expenditures of Federal Awards utilizing a combination of reports from Quickbooks and excel spreadsheets that detail each federal grant's specific reimbursement requests in order to determine when Federal Awards were expended. For the last several years District staff have reported expenditures of Federal Awards based on when those expenditures were incurred. Staff believes this method was prescribed during an SAO audit in 2009.

The District requested A-133 audits for years 2010 through 2015. Each year, the methodology (reporting federal expenses when incurred not when paid) was explained to the Audit Lead and the excel spreadsheets shared.

We acknowledge that the preparation of the Schedule of Expenditures of Federal Awards has been incorrect. We further acknowledge that this year, during a staff transition to a new Financial Manager, we specifically asked the SAO Helpdesk how the SEFA should be prepared, the Helpdesk provided the correct answer, and we still failed to correctly prepare the SEFA for 2015.

We'd like to thank the audit team for their patience and assistance as we reviewed our process for preparing the SEFA to determine the proper reporting and correction of these errors.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improvements. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based on the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

- a. Significant deficiency: 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.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that

there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Budgeting, Accounting and Reporting System (BARS) manual – Accounting, Accounting Principles and General Procedures, Internal Control, states in part:

Management and the governing body are responsible for the government's performance, compliance, and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

2 CFR 200 Section 200.510 Financial statements, states in part:

(b) *Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the non-Federal entity elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

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

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

Board of Supervisors
Kittitas County Conservation District
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 Kittitas County Conservation District, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated August 22, 2016.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 District'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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

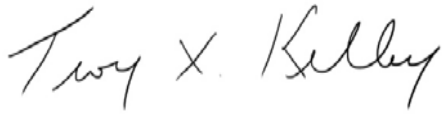
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

August 22, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kittitas County Conservation District January 1, 2015 through December 31, 2015

Board of Supervisors
Kittitas County Conservation District
Ellensburg, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Kittitas County Conservation District, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Kittitas County Conservation District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Kittitas County Conservation District, for the year ended December 31, 2015, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Kittitas County Conservation District, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

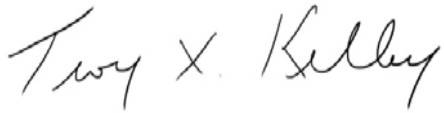
Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

August 22, 2016

FINANCIAL SECTION

Kittitas County Conservation District January 1, 2015 through December 31, 2015

FINANCIAL STATEMENTS

Revenues and Expenses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

Kittitas County Conservation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

Beginning Cash and Investments

30810	Reserved	110,169
30880	Unreserved	26,290
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

330	Intergovernmental Revenues	2,083,455
340	Charges for Goods and Services	4,384
350	Fines and Penalties	-
360	Miscellaneous Revenues	197,749
Total Operating Revenues:		<u>2,285,588</u>

Operating Expenditures

550	Natural and Economic Environment	2,200,273
598	Miscellaneous Expenses	-
Total Operating Expenditures:		<u>2,200,273</u>
Net Operating Increase (Decrease):		<u>85,315</u>

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	351
391-393	Debt Proceeds	-
Total Nonoperating Revenues:		<u>351</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	598
591-593	Debt Service	50,355
594-595	Capital Expenditures	2,939
Total Nonoperating Expenditures:		<u>53,892</u>

Net Increase (Decrease) in Cash and Investments: **31,774**

Ending Cash and Investments

5081000	Reserved	94,452
5088000	Unreserved	73,781
Total Ending Cash and Investments		<u>168,233</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Kittitas County Conservation District was incorporated on May 26, 1942 and operates under the laws of the state of Washington applicable to a political subdivision of the state.

The Kittitas County Conservation District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

a. Fund Accounting

The Kittitas County Conservation District is a special purpose government and provides technical and financial assistance to the general public and is supported primarily through grants from various state, local and federal agencies.

b. Basis of Accounting and Measurement Focus

The accounting records of the Kittitas County Conservation District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Kittitas County Conservation District uses the *Budgeting, Accounting and Reporting System for Conservation Districts in the State of Washington*.

The accounts of the Kittitas County Conservation District are maintained on the basis of funds. For reporting purposes, the activities of the Kittitas County Conservation District's funds are combined.

The Kittitas County Conservation District uses the cash basis of accounting where revenues are recognized only when received and expenditures are recognized when paid.

c. Cash & Investments

See Note 2, *Deposits & Investments*.

d. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 2 years. The capital assets of the Kittitas County Conservation District are recorded as expenditures when purchased.

e. Reserved Portion of Ending Cash and Investments

Adequate fund balance and reserve levels are a necessary component of the District's overall financial management strategy and a key factor in external agencies' measurement of the District's financial strength.

Maintenance of fund balance for each accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages. Reserve funds are necessary to enable the District to deal with unforeseen emergencies or changes in condition.

The District shall maintain reserves required by law, ordinance and/or resolution. All expenditures drawn from reserve accounts shall require prior Board of Supervisors approval unless previously authorized by the Board of Supervisors for expenditure within the District's annual budget.

If reserves and/or fund balances fall below required levels as set by this policy, the District shall include within its annual budget a plan to restore reserves and/or fund balance to the required levels. All reserves will be presented in the District's annual financial report.

The District will maintain a General Fund Operating Reserve to provide for adequate cash flow, budget contingencies, and insurance reserves. The General Fund Operating Reserves will be determined as follows:

The District will maintain a cash flow reserve in an amount at least equal to two months of operating expenditures and in an amount at least equal to the annual leave liability for all staff. The District will review annually the required cash flow reserve level that is necessary to meet the District's cash flow needs. If it is determined that the two months of operating expenditure reserves and the leave liability amount is not adequate, the District Manager shall propose an amendment to these policies.

The District will maintain a Fund to provide for reimbursement of operations and maintenance costs for the Manastash Creek fish screen and passage facilities (MWDA/Consolidated, Keach/Jensen and Barnes Road diversions). The amount of this fund is equal to the current balance of the account established for this specific purpose.

As of December 31, 2015, the district's reserve account balance was \$94,451.99.

f. Compensated Absences

Vacation pay (annual leave) may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement. The maximum number of annual leave hours cannot be more than 240 hours per calendar year. Kittitas County Conservation

District employees can accrue more than 240 hours during any given year, but the excess over 240 hours must be used prior to the end of each calendar year or the excess will be forfeited without compensation.

Medical/family leave may accumulate indefinitely. In the event of termination for whatever reason, the employee shall not receive compensation for any accrued medical/family leave.

NOTE 2 – DEPOSITS & INVESTMENTS

It is the Kittitas County Conservation District's practice to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments.

The Kittitas County Conservation District deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

The Kittitas County Conservation District's investments are either insured, registered, or held by the Kittitas County Conservation District or its agent in the Kittitas County Conservation District's name.

Investments by type at December 31, 2015 are as follows:

<u>Type of Investments</u>	<u>Balance</u>
<u>Checking Account</u>	<u>\$ 71,787.98</u>
<u>Building Checking Account</u>	<u>\$ 1,943.39</u>
<u>Savings Account</u>	<u>\$ 31,054.22</u>
<u>Long Term CD</u>	<u>\$ 32,238.54</u>
<u>O&M Fund</u>	<u>\$ 31,159.23</u>
<u>Petty Cash</u>	<u>\$ 50.00</u>
<i>Total</i>	<i>\$ 168,233.36</i>

NOTE 3 – ASSESSMENTS

Special assessments are authorized by RCW 89.08.400 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed.

A special assessment to finance programs that implement the Kittitas County Conservation District's long range plan was approved by the Kittitas Board of County Commissioners and is available at www.kccd.net. The special assessment of the Kittitas County Conservation District has been imposed for the period of 10 years. The assessment is \$5/parcel per year, plus \$0.10 per acre for lands in the irrigated zone, \$5/parcel and \$0.005/acre for lands outside the irrigated zone

and approximately \$0.014/acre and \$3/landowner for commercial forest. The fees are paid by the landowners within the Kittitas County Conservation District's boundaries and appear on the same bill as their property tax.

NOTE 4 – LONG-TERM DEBT

On March 4, 2014, the Board of Supervisors of the Kittitas County Conservation District approved the purchase of real property and improvements at 2211 W Dolarway Road through a purchase and sales agreement. The 4024 square foot building on one acre was purchased to provide office space for the District and included existing private tenants and leases assumed on purchase of the property. The purchase price was \$750,000 and the agreement included a down payment of \$150,000, an interest rate of 5.25% and monthly payments amortized over 25 years with a balloon payment in 12 years.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$18,886	\$29,114	\$48,000
2017	\$19,978	\$28,022	\$48,000
2018	\$21,044	\$26,956	\$48,000
2019	\$22,166	\$25,834	\$48,000
2020	\$23,275	\$24,725	\$48,000
2021 – 2025	\$136,777	\$103,223	\$240,000
TOTALS	<u>\$ 242,126</u>	<u>\$237,874</u>	<u>\$480,000</u>

NOTE 5 – SHORT-TERM DEBT

Effective June 12, 2014, the Kittitas County Conservation District entered into a lease agreement with Canon Solutions America for a Canon C5240A copy machine. The lease term is 60 months, ending June 12, 2019. The lease payment is \$191.27 per month.

NOTE 6 - PENSION PLANS

Substantially all of the Kittitas County Conservation District's full-time employees participate in the Public Employee's Retirement Plan administered by the Department of Retirement Systems, under the cost-sharing multiple-employer public employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Kittitas County Conservation District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. As of 2015 the District reports total net pension liability on schedule 09.

At June 30, 2015 (the measurement date of the plans), the Kittitas County Conservation District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	%0.003272	\$171,156
PERS 2/3	%0.004226	\$150,997
SERS 2/3		
PSERS 2		
LEOFF 1		
LEOFF 2		
VFFRPF		

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

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

NOTE 7 – POOL MEMBERSHIP AND SELF-INSURANCE

Kittitas County Conservation District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is

for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Kittitas County Conservation District
Schedule of Liabilities
For the Year Ended December 31, 2015

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.61	Escrow Account - Building	3/3/2026	584,409	-	17,990	566,419
263.51	Copy Machine Lease	6/12/2019	10,328	-	2,295	8,033
Total General Obligation Debt/Liabilities:			594,737	-	20,285	574,452
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Annual Leave - Anna Lael		8,667	-	242	8,425
259.12	Annual Leave - Suzanne Wade		3,835	-	46	3,789
259.12	Annual Leave - Sara Leist		1,260	-	722	538
259.12	Annual Leave - Mark Crowley		5,938	-	479	5,459
259.12	Annual Leave - Ryan Roberts		10,598	137	-	10,735
259.12	Annual Leave - Sherry Swanson		5,268	-	1,641	3,627
259.12	Annual Leave - Brent Dixon		1,240	-	1,240	-
259.12	Annual Leave - Lance Downing		-	-	-	-
264.30	Net Pension Liability		-	322,153	-	322,153
Total Revenue and Other (non G.O.) Debt/Liabilities:			36,806	322,290	4,370	354,726
Total Liabilities:			631,543	322,290	24,655	929,178

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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