Washington State Auditor's Office

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Financial Statements Audit Report

Kittitas Reclamation District

Kittitas County

For the period January 1, 2013 through December 31, 2014

Published March 3, 2016

Report No. 1016276

Washington State Auditor's Office

March 3, 2016

Board of Directors
Kittitas Reclamation District
Ellensburg, Washington

Report on Financial Statements

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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Kittitas Reclamation District
Kittitas County
January 1, 2013 through December 31, 2014

Board of Directors
Kittitas Reclamation 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 Reclamation District, Kittitas County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2016. As discussed in Note 14 to the financial statements, during the year ended December 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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.

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.

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

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*.

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.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

February 25, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kittitas Reclamation District
Kittitas County
January 1, 2013 through December 31, 2014

Board of Directors
Kittitas Reclamation District
Ellensburg, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Kittitas Reclamation District, Kittitas County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kittitas Reclamation District, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 14 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 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.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

February 25, 2016

FINANCIAL SECTION

Kittitas Reclamation District
Kittitas County
January 1, 2013 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Kittitas Reclamation District ("KRD") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the KRD's financial activity, (c) identify changes in the KRD's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the KRD's financial statements.

Financial Highlights

- The KRD's net position increased by $104,030 (or 2.0%) during 2014.
  The KRD's net position increased by $85,729 (or 1.7%) during 2013.
  The KRD's net position decreased by $338,141 (or 9.4%) during 2012.

- Total Operating Revenues decreased by $212,795 (or 6.25%) during 2014.
  Total Operating Revenues increased by $670,976 (or 24.6%) during 2013.
  Total Operating Revenues increased by $163,628 (or 6.4%) during 2012

- The Total Operating Expenses of KRD decreased $225,201 (or 6.7%) during 2014.
  The Total Operating Expenses of KRD increased $247,120 (or 8.0%) during 2013.
  The Total Operating Expenses of KRD decreased $80,838 (or 2.5%) during 2012

The Kittitas Reclamation District's financial condition continues to remain strong in 2014, 2013 and 2012. The Kittitas Reclamation District's cash and investment accounts continue to show healthy balances at year-end for 2014, 2013 and 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Notes to Financial Statements
- Fund Financial Statements

BASIC FINANCIAL STATEMENTS

The Kittitas Reclamation District is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Basic Financial Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position presents information on Kittitas Reclamation District assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as Net Position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Kittitas Reclamation District. Net Position (formerly equity) are reported in three broad categories:

Net Position, Invested in Capital Assets, Net of Related Debt: This component of Net Position consists of all Capital Assets, reduced by depreciation, the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when external constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

The Kittitas Reclamation District financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an Income Statement). This Statement shows operations for the year and includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

The Kittitas Reclamation District is formed and operates under the Revised Code of Washington Title 87.

KITTITAS RECLAMATION DISTRICT

Assessments – The Kittitas Reclamation District Treasurer acts as agent to collections levied for the Kittitas Reclamation District. Assessments are levied annually on January 1st and are based on irrigable acres. Irrigable acres are determined by soil classifications as established by the Bureau of Reclamation. Assessments are levied annually by the Kittitas Reclamation District Board of Directors.

USBR Reimbursement Contract – The Kittitas Reclamation District entered into an "Agreement for Maintenance Service to Certain Yakima River Basin Fish Passage and Protective Facilities" with the United States Department of the Interior Bureau of Reclamation on April 21, 1989. Under this Agreement the KRD receives reimbursement for services provided with in-direct costs submitted annually for approval.

Kittitas County Water Purveyors – The Kittitas County Water Purveyors ("KCWP") was formed in 1999. The Kittitas Reclamation District is the recipient of all grant funding and contributions for the KCWP. KRD receives and disburses all funds. Members of the KCWP sign an Inter Local Agreement with KRD and per acre contributions are approved annually by the KCWP Board of Directors to support activities and reimburse KRD 100% for all applicable KCWP expenses. All personnel are KRD employees with applicable benefits. The KRD receives 100% reimbursement of all applicable KCWP expenses through grant funding and/or KCWP contributions. The continuation of KCWP is contingent on continued grant funding and contributions.

Washington State Department of Ecology - The Kittitas Reclamation District entered into a Funding Agreement with the Washington State Department of Ecology. Kittitas Reclamation District (KRD) shall decrease turbidity, bacteria and temperature at compliance points to meet Total Maximum Daily Load (TMDL) goals by 1) using technology to target specific egregious problems and assisting Ecology with other monitoring activities; 2) providing in-house lab work and data analysis 3) educating targeted population segments; and 4) providing Best Management Practices (BMP) assistance as an incentive and aid to landowners in order to increase the quantity and quality of riparian areas. The KRD will use this grant opportunity to work collaboratively with various agencies to build upon past work, and improve water quality in Kittitas County.

Washington State Department Of Ecology– The Kittitas Reclamation District entered into a Funding Agreement with the Department of Ecology for Design and Construction Services for the Lateral SB 13.8 Rehabilitation Project including the consolidated pipeline which has been designed by the Kittitas County Conservation District. The professional services will provide planning and design work to replace the existing Lateral SB 13.8 head gate and approximately 3.7 miles of gravity piping and open canal with gravity pressurized piping.

Washington State Department Of Ecology – U.S. Bureau of Reclamation -The Kittitas Reclamation District entered into a Funding Agreement with the Department of Ecology and the U.S. Bureau of Reclamation for a Feasibility Study for implementing the Kittitas Reclamation District water conservation plan.

STATEMENTS

The following table reflects the condensed Statement of Net Position. The Kittitas Reclamation District is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET POSITION

	2014	2013	2012
Current and Other Assets	$4,983,761	$4,888,500	$4,760,872
Restricted Assets	2,332,023	2,448,898	2,569,767
Capital Assets, Net Accum. Depreciation	522,128	571,922	621,227
Total Assets	$7,837,912	$7,909,320	$7,951,866
Current Liabilities	$ 272,373	$ 324,175	$ 324,822
Long Term Liabilities	2,187,660	2,311,296	2,438,924
Total Liabilities	$2,460,033	$ 2,635,471	$ 2,763,746
Net Position:			
Invested in Capital Assets,			
Net of Related Debt	$ 522,128	$ 571,922	$ 621,227
Restricted	175,000	175,000	175,000
Unrestricted	4,680,751	4,526,927	4,391,893
Total Net Position	$5,377,879	$5,273,849	$ 5,188,120

For more detailed information see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

The KRD uses capital assets to provide current operation and maintenance for the district. Consequently these assets are not available for future spending. The unrestricted net position of the KRD are available for future use to provide operation and maintenance.

The largest portion of the KRD total liabilities is 93% in 2014, 93% in 2013 and (92%) in 2012. This is from long-term debt which consists of payments to the United States Department of The Interior Bureau of Reclamation for canal construction loan repayment. Any significant increase or decrease in total assets or total liabilities will have a correlating affect on the Statement of Net Position.

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule indicates the revenues and expenses for the current fiscal year. The KRD is engaged only in Business-Type Activities.

	2014	2013	2012
Operating Revenues			
Charges for Services, etc	$3,193,478	$3,406,273	$2,735,296
Total Operating Revenue	$3,193,478	$3,406,273	$2,735,296
Non-Operating Revenue			
Investment Income	$ 34,990	$ 31,766	$ 29,424
Gain/Loss on Sale of Assets		(2,669)	(336)
Over and Short – O & M	4	2	
Total Non-Operating Revenue	$ 34,994	$ 29,099	$ 29,087
Total Revenue	$3,228,472.	$3,435,372	$2,764,383
Operating Expenses			
Operation and Maintenance	$2,213,197	$2,240,882	$2,313,049
General	514,489	468,633	485,253
Depreciation	94,816	93,101	94,485
Contract Work	301,941	547,027	209,787
Total Operating Expense	$3,124,443	$3,349,644	$3,102,524
Non-Operating Expense			
Miscellaneous Expense			
Total Expense	$3,124,443	$3,349,644	$3,102,524
Net Increase	$ 104,029	85,729	(338,140)
Total Net Position, January 1	$ 5,273,849	$5,188,120	$5,526,260
Prior Period Adjustment			
Total Net Position, December 31	$ 5,377,878	$5,273,849	$ 5,188,120

Major Factors Affecting the Statement of Revenue, Expenses and Changes In Net Position

The majority of revenue received by the Kittitas Reclamation District; 99% in 2014; 99% in 2013 and 98% in 2012 was collected from assessments levied annually by the Kittitas Reclamation District Board of Directors. Other revenue consists of investment interest, miscellaneous fees and charges and gain/loss on sale of assets. Revenue can be affected by various factors, including but not limited to, the assessments receivable experienced throughout the year and the investment market.

Expenses can be affected by numerous factors. Inflationary pressure in utility rates, fuel costs, medical insurance premiums, liability insurance rates, unemployment insurance costs, industrial insurance costs and lumber and building materials impact the total expenses of the KRD. Water quality standards and Endangered Species Act requirements imposed by State and Federal Agencies also impact the total expenses of the Kittitas Reclamation District.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end 2014 the KRD had $522,128.; 2013 the KRD had $571,922.; 2012 the KRD had $ 621,227. invested in a variety of capital assets as reflected in the following schedule.

TABLE 4

CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)

	2014	2013	2012
Land	$ 12,103	$ 12,103	$ 12,103
Buildings	222,840	$ 218,021	$ 215,409
Equipment	1,459,503	$1,419,299	$ 1,433,727
Accumulated Depreciation	(1,172,318)	(1,077,502)	(1,040,012)
Total	$ 522,128	$ 571,922	$ 621,227

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the footnotes.

TABLE 5

CHANGE IN CAPITAL ASSETS

	2014		
Beginning Balance, January 1	$1,649,424	$1,661,239	$ 1,548,795
Net	45,022	(11,815)	112,444
Depreciation and Amortization	(1,172,318)	(1,077,502)	(1,040,012)
Ending Balance, December 31	$ 522,128	$ 571,922	$ 621,227

Debt Outstanding

As of year-end 2014 the Kittitas Reclamation District has $2.4 million in debt (loans payable, contracts payable, etc.). As of year-end 2013 the Kittitas Reclamation District has $ 2.5 million in debt (loans payable, contracts payable, etc.). As of year-end 2012 the Kittitas Reclamation District has $ 2.6 million in debt (loans payable, contracts payable, etc.) Additional information regarding debt can be found in the Kittitas Reclamation District footnotes to the financial statements under Long Term Debt.

TABLE 6

OUTSTANDING DEBT, AT YEAR-END

	2014	2013	2012
Contract Payable – USBR	$2,157,022	$2,273,898	$2,394,767
Deferred Revenue – Army	144,272	151,032	157,791
Loans Payable	-0-	-0-	-0-
¤ Total	$2,301,294	$2,424,930	$2,552,558

ECONOMIC FACTORS

Significant economic factors affecting the District are as follows:

- United States Department of the Interior Bureau of Reclamation Allocation of Yakima River Basin Water Supply. The District receives a pro-ratable water supply based on Yakima River Basin total water supply available
- United States Department of the Interior Bureau of Reclamation contract requirements for special projects
- Value of the U.S. dollar in the world economy
- Commodity Supply and Demand
- Investment Market
- North American Free Trade Agreement
- Federal and State Grant/Loan Funding
- Local, State and Federal rules and regulations can impact labor and other costs
- Water quality standards and Endangered Species Act requirements imposed by State and Federal Agencies
- Inflationary pressure on utility rates, supplies and other costs

- Increased fuel costs in 2014, 2013 and 2012 had a significant impact on operation and maintenance.
- The Food Safety Modernization Act if adopted as proposed in January, 2013 will have a negative impact on the Kittitas Reclamation District.
- Proposed US EPA and US Army Corps of Engineers rule made to clarify protection under the Clean Water Act for streams and wetlands.

- National Disasters
- Bank Failures
- Climate Change

FINANCIAL CONTACT

The Management Discussion and Analysis is designed to provide a general overview of the Kittitas Reclamation District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kenneth J. Hasbrouck
Secretary-Manager
Kittitas Reclamation District
315 N. Water Street
P.O. Box 276
Ellensburg, Washington 98926
Phone: 509-925-6158

Barbara M. Pettit
Office Manager/Treasurer
Kittitas Reclamation District
315 N. Water Street
P.O. Box 276
Ellensburg, Washington 98926
Phone: 509-925-6158
krd.barb@fairpoint.net

KITTITAS RECLAMATION DISTRICT
ELLENSBURG, WASHINGTON

COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013

ASSETS		2014		2013
Current Assets:				
Cash	$	119,233	$	185,236
Receivables:				
Assessments Receivable	$	239,145	$	267,693
Accounts Receivable	$	2,575	$	2,759
Grants Receivable	$	65,848	$	136,838
Inventory	$	56,261	$	52,528
Prepaid Expenses	$	90,985	$	52,645
Investments	$	4,409,714	$	4,190,801
Restricted Assets:				
Cash	$	904	$	649
Receivables:				
Assessments Receivable	$	2,840	$	4,528
Investments	$	199,502	$	192,501
Assessments Receivable	$	113,634	$	113,634
TOTAL CURRENT ASSETS	$	5,300,641	$	5,199,812
Non-Current Assets:				
Capital Assets				
Land	$	12,103	$	12,103
Buildings	$	222,840	$	218,021
Machinery and Construction	$	514,120	$	500,619
Transportation	$	544,775	$	520,745
Operation and Maintenance	$	300,469	$	298,474
Office Equipment	$	100,139	$	99,461
	$	1,694,446	$	1,649,424
Less Accumulated Depreciation	$	1,172,318	$	1,077,502
Total Capital Assets Net of Depreciation	$	522,128	$	571,922
ASSESSMENTS RECEIVABLE	$	2,015,143	$	2,137,586
TOTAL NON-CURRENT ASSETS	$	2,537,271	$	2,709,508
TOTAL ASSETS	$	7,837,912	$	7,909,320
DEFERRED OUTFLOWS OF RESOURCES	$	-	$	-

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

KITTITAS RECLAMATION DISTRICT
ELLENSBURG, WASHINGTON
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013

LIABILITIES		2014		2013
Current Liabilities:				
Accounts Payable	$	106,540	$	162,445
Accrued Payables	$	1,514	$	1,046
Compensated Absences	$	50,685	$	47,050
CURRENT PAYABLE FROM RESTRICTED ASSETS				
Contract Payable USBR	$	113,634	$	113,634
TOTAL CURRENT LIABILITIES	$	272,373	$	324,175
Non Current Liabilities:				
Contract Payable - Equipment				
Loan Payable-DOE	$	-	$	-
Loan Payable-DOE-LID	$	-	$	-
NON CURRENT PAYABLE FROM RESTRICTED ASSETS				
Contract Payable USBR	$	2,043,388	$	2,160,264
TOTAL NON CURRENT LIABILITIES	$	2,043,388	$	2,160,264
TOTAL LIABILITIES	$	2,315,761	$	2,484,439
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue - Army	$	144,272	$	151,032
NET POSITION				
Invested in Capital Assets, Net of Related Debt	$	522,128	$	571,922
Restricted Net Position	$	175,000	$	175,000
Unrestricted Net Position	$	4,825,023	$	4,677,959
TOTAL NET POSITION	$	5,522,151	$	5,273,849

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

KITTITAS RECLAMATION DISTRICT
ELLENSBURG, WASHINGTON
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
Operating Revenue - Charges for Services and Fees	$ 3,148,392	$ 3,361,167
Other	$ 45,086	$ 45,106
TOTAL OPERATING REVENUES	$ 3,193,478	$ 3,406,273
O & M	$ 2,213,197	$ 2,240,882
General	$ 514,489	$ 468,633
Amortization and Depreciation	$ 94,816	$ 93,101
Contract Work	$ 301,941	$ 547,027
TOTAL OPERATING EXPENSES:	$ 3,124,443	$ 3,349,644
TOTAL OPERATING INCOME/(LOSS):	$ 69,035	$ 56,630
Non-Operating Revenues:		
Interest	$ 34,990	$ 31,766
Gain/Loss on Sale of Assets	$ -	$ (2,669)
Over and Short - O & M	$ 4	$ 2
TOTAL NON-OPERATING REVENUES:	$ 34,994	$ 29,099
Non-Operating Expenses		
Miscellaneous		
TOTAL NON-OPERATING EXPENSES:		
CHANGE IN NET POSITION	$ 104,029	$ 85,729
Total Net Position January 1	$ 5,273,849	$ 5,188,120
Prior Period Adjustment		
TOTAL NET POSITION DECEMBER 31:	$ 5,377,878	$ 5,273,849

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

KITTITAS RECLAMATION DISTRICT
ELLENSBURG, WASHINGTON
STATEMENT OF CASH FLOW
DECEMBER 31, 2014 AND 2013

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$	3,294,888	$	3,327,613
Payments to suppliers and employees	$	(3,123,502)	$	(3,265,065)
Payments to employees				
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	171,386	$	62,548
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES				
CHANGE IN RETRICTED ASSETS				
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:				
ACQUISITION OF CAPITAL ASSETS	$	(45,023)	$	(43,795)
PROCEEDS FROM DISPOSITION OF ASSETS	$	-	$	(2,669)
PROCEEDS FROM LEASE /CONTRACT	$	(123,635)	$	(127,628)
DISPOSITION OF FIXED ASSETS	$	-		
INCREASE/DECREASE IN ASSETS	$	122,443	$	123,546
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	$	(46,215)	$	(50,546)
CASH FLOWS FROM INVESTING ACTIVITIES:				
PURCHASE OF INVESTMENT SECURITIES	$	(225,914)	$	(15,190)
PROCEEDS FROM SALE AND MATURATES OF INVESTMENT SECURITIES				
INTEREST DIVIDENDS	$	34,989	$	31,766
NET CASH USED FOR INVESTING ACTIVITIES	$	(190,924)	$	16,576
PRIOR PERIOD ADJUSTMENT				
NET INCREASE IN CASH AND CASH EQUIVALENTS	$	(65,754)	$	28,578
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	$	185,885	$	157,306
CASH & CASH EQUIVALENTS AT END OF YEAR	$	120,131	$	185,884
Cash and Cash Equivalents consists of				
Unrestricted Cash and Cash Equivalents	$	119,233	$	185,236
Restricted Cash and Cash Equivalents	$	904	$	649
Total Cash and Cash Equivalents	$	120,137	$	185,885

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

KITTITAS RECLAMATION DISTRICT
ELLENSBURG, WASHINGTON
STATEMENT OF CASH FLOW
DECEMBER 31, 2014 AND 2013

	2014	2013
Reconciliation of Operating Income to Net Cash Provided from Operating Activities		
NET OPERATING INCOME (LOSS)	$ 69,036	$ 56,631
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH TO PROVIDE OPERATING ACTIVITIES:		
DEPRECIATION, AMORTIZATION/DEPRECIATION	$ 94,816	$ 93,101
CHANGES IN ASSETS & LIABILITIES		
INCREASE/DECREASE IN RECEIVABLES	$ 101,410	$ (78,660)
INCREASE/DECREASE IN INVENTORY	$ (3,733)	$ (4,514)
INCREASE/DECREASE IN PREPAID	$ (38,340)	$ (3,362)
CHANGE IN ASSESSMENT RECEIVABLE		
INCREASE/DECREASE IN PAYABLES	$ (51,802)	$ (647)
TOTAL ADJUSTMENTS	$ 102,351	$ 5,918
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 171,387	$ 62,549

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kittitas Reclamation District conform to generally acceptable accounting principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles):

a. Reporting Entity:

The Kittitas Reclamation District is a municipal corporation governed by an elected five- (5) member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The Kittitas Reclamation District has no component units.).

b. Deferred Inflows and Outflows:

This account includes amounts received in the current fiscal period that are for the next fiscal period and is the offset account for assessments receivables. This account includes amounts recognized as a receivable but not revenue in Governmental Funds because the revenue recognition has not been met. The Kittitas Reclamation District has no deferred outflows.

b. Basis of Accounting and Reporting

The accounting records of the District are maintained in accordance with methods described by the State Auditor under the authority of Chapter 43.09 R.C.W. The District uses the Uniform System of Accounts for Irrigation Districts.

Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their statements of net position (or balance sheets). Their reported fund equity (total net position) is segregated into invested in capital assets, net of related debt, restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. The Kittitas Reclamation District discloses changes in cash flows by a separate statement that presents their operating, non-capital financing, capital and related financing and investing activities.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, with the exception of assessments which are reported as operating revenues.

Presentation of assessments as operating revenue results in a higher operating income. Overall all it does affect the presentation of net income or the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

Operating income includes gains and losses from the disposal of utility plant. Operating revenues and expenses are those derived from the daily operations of the District and include assessment billings, operating grants, maintenance and operation expenses, and general expenses. Non-operating revenues and expenses are primarily interest income and expense from investing and financial activities.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Capital Assets and Depreciation

See Note 3

e. Restricted Assets

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including (construction) debt service and other special reserve requirements. Restricted assets for the years ended December 31, 2014 and 2013 currently include the following:

	2014	**2013**
Special Fund	$2,157,022	$2,273,898

Assets and liabilities shown as current in the accompanying statement of net position exclude current maturates on revenue bonds and accrued interest thereon because debt service funds are provided for their payments.

f. Receivable

Assessments are recorded when levied. Assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the financial statements consist of unbilled special assessments that are liens against the property benefited. Delinquent assessments were $241,985.05 as of December 31, 2014 and $272,220.69 as of December 31, 2013 respectively.

g. Inventories

Inventories are valued at using first in; first out costs that approximates the market value.

h. Investments

All investments are presented at their book value, which equals fair value.

See Note 2

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, may be accumulated up to a maximum of 160 hours during the current year, provided no more than 160 hours may be carried beyond March 1 of each year. Accrued vacation leave is payable upon resignation, retirement or death. Sick leave may accumulate up to 880 hours. Upon resignation, retirement or death any outstanding sick leave balance is lost.

Compensated Absences:

2014	2013
$ 50,684.85	$47,049.78

j. Long-Term Debt

See Long-Term Debt Note #4

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

The Kittitas Reclamation District deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). There is no material difference between the book value and fair value of deposits.

INVESTMENTS

As required by state law, all investments of the Kittitas Reclamation District funds (except as noted below) are obligation of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated on the statement of net position. All investments are presented at their book value, which equals fair value.

Investments not subject to Categorization	2014	2013
Investment in State Treasurer's Investment Pool	$ 511.96	$ 510.34
Other Investments,		
Municipal Investor Money Market	$4,409,201.61	$4,190,289.51
Certificate Of Deposit	$ .00	$ .00
Total Investments	$ 4,409,713.57	$4,190,800.85

Restricted Assets shown on the statement of net position include the following:

	Market	
	2014	2013
Other Securities	$199,501.70	$189,084.00
Total Investments of Restricted Assets	$199,501.70	$189,084.00

NOTE 3 – CAPITAL ASSETS

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The Kittitas Reclamation District threshold is $1,000.00.

Utility plant in service and other capital assets are recorded at cost.

The original cost of operating property retired or otherwise deposed of and the cost of installation, less salvage, is charged to gain/loss disposition of assets.

Depreciation is computed on the straight-line method with useful lives of 2 to 25 years.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed.

Capital assets activity for the year ended December 31, 2014,

	Beginning Balance 1/1/14	INCREASE	DECREASE	Ending Balance 12/31/14
Capital assets, not being depreciated:				
Land	$ 12,103.00	$ 0.0	$ .00	$ 12,103.00
Total capital assets, not Being depreciated:	$ 12,103.00	$ 0.0	$ .00	$ 12,103.00
Capital assets, being depreciated:				
Plant	$ 218,021.35	$ 4,818.96	$ .00	$ 222,840.31
Machinery/Equipment	$1,419,299.39	$ 40,203.66	$ .00	$1,459,503.05
Total capital assets being depreciated	$1,637,320.74	$ 45,022.62	$ .00	$1,682,343.36
Less Accumulated Depreciation	$(1,077,501.85)	$ (94,816.30)	$ .00	$(1,172,318.15)
Total capital assets being Depreciated net	$559,818.89	$ (49,793.68)	$ .00	$ 510,025.21
Total Assets, net	$571,921.89	$ (49,793.64)	$ .00	$ 522,128.21

	Beginning Balance 1/1/13	INCREASE	DECREASE	Ending Balance 12/31/13
Capital assets, not being depreciated:				
Land	$ 12,103.00	$ 0.00		$ 12,103.00
Total capital assets, not Being depreciated:	$ 12,103.00	$ 0.00		$ 12,103.00
Capital assets, being depreciated:				
Plant	$ 215408.66	$ 2,612.69		$ 218,021.35
Machinery/Equipment	$1,433,727.37	$ 32,796.76	(47,224.74)	$1,419,299.39
Total capital assets being depreciated	$1,649,136.03	$ 8,119.37	(19,934.66)	$1,637,320.74
Less Accumulated Depreciation	$(1,040,012.34)	$(37,489.51)	$ 0.00	$(1,077,501.85)
Total capital assets being Depreciated net	$609,123.69	$ (29,370.14)	$(19,934.66)	$ 559,818.89
Total Assets, net	$621,226.69	$ (29,370.14)	$(19,934.66)	$ 571,921.89

NOTE 4 – LONG TERM DEBT

Schedule 09, which accompanies this report, contains a list of the outstanding debt as of December 31, 2014 The annual requirements to amortize all debts outstanding as of December 31, 2014 and 2013 including interest are as follows. The following table summarizes the long-term debt of the District.

Years ended December 31, 2014

	Principal	Interest	Total
2015	$ 113,634.00		$ 113,634.00
2016	$ 113,634.00		$ 113,634.00
2017	$ 113.634.00		$ 113,634.00
2018	$ 113,634.00		$ 113,634.00
2019	$ 113,634.00		$ 113,634.00
2020-2024	$ 568,170.00		$ 568,170.00
2025-2029	$ 568,170.00		$ 568,170.00
2030-2033	$ 452,512.19		$ 452,512.19
Total	$2,157,022.19		$2,157,022.19

There are no reserve requirements for the long – term debt outstanding.

1. The Kittitas Reclamation District entered into a no interest contract with the Bureau of Reclamation for the construction of the canal system. The 2014 beginning balance was $2,273,898.24 with estimated semi-annual payments of $56,817.00. The semi-annual payments may decrease due to landowner payouts of the construction debt remaining on their lands as permitted under the contract with the Bureau of Reclamation.

CHANGES IN LONG-TERM LIABILITES

	Beg. Balance 1/1/14	Add	Delete	End Balance 12/31/14	Due Within One Year
Contract Payable	2,273,898.		(116,876)	2,157,022.	111,815.
Other Long Term	-0-	-0-	-0-	-0-	-0-
Compensated Absences	47,050.	3,635	0-	50,685.	50,685.
Debt Total	2,320,948.	$3,635.	(116,876)	2,207,707.	162,500.

	Beg. Balance 1/1/13	Add	Delete	End Balance 12/31/13	Due Within One Year
Contract Payable	2,394,767.		(120,869)	2,273,898.	111,815.
Other Long Term	-0-	-0-	-0-	-0-	-0-
Compensated Absences	39,461.	7,589.	-0-	47,050.	47,050.
Debt Total	2,434,228.	$7,589.	(120,869)	2,320,948.	158,865.

NOTE 5 - LEASES

The Kittitas Reclamation District entered into a 5 year (60- month) lease agreement for an OCE VL5522C Copier with monthly payments of $242.44 plus tax. This lease is considered an operating lease for accounting purposes. Lease expenses for the year ended December 31, 2014 amounted to $3,142.08.

The terms of the lease state that at the end of the 5 year (60-month) lease KRD will have options to return the equipment or exercise the purchase option on an AS-IS-WHERE-IS basis without representation or warranty.

2015	$3,142.08

NOTE 6 – PENSION PLANS

In 2014 the Kittitas Reclamation District implemented GASB 67 addressing financial reporting for state and local government pension plans. Substantially all Kittitas Reclamation District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans.[1] The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013[2]:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	**368,272**

Funding Policy

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

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both Kittitas Reclamation District and the employees made the required contributions. The Kittitas Reclamation's required contributions for the years ended December 31 were as follows[3]:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	$ -0-	$ 69,110.31	$ 24,187.68
2013	$ -0-	$ 58,141.28	$ 22,598.75
2012	$ -0-	$ 49,307.89	$ 18,912.2

NOTE 7 – DEFERRED DEBITS (OR CREDITS)

In accordance with generally accepted accounting principles for regulated businesses, for the years ended December 31, 2014 and December 31, 2013. Kittitas Reclamation District reported Deferred Revenue.

NOTE 8 – ASSESSMENTS

The Kittitas Reclamation District Treasurer acts as agent to collect assessments levied for the Kittitas Reclamation District. Assessments are levied annually on January 1st based on irrigable acres. Irrigable acres are determined by soil classifications as established by the Bureau of Reclamation. Assessments rates are adopted yearly by the Kittitas Reclamation District Board of Directors.

Assessments are due in two equal installments on April 30th and October 31st.

The District is permitted by law (RCW 87.03.260) to levy an assessment.

For December 31, 2014 the Districts levy was $3,000,261.74 and December 31. 2013 was $2,941,888.06 Assessments are recorded as receivables when levied. Since state law allows for sale of property for failure to pay assessments, no estimate of uncollectible assessments is made.

NOTE 9 – CONTINGENT LIABILITIES AND LITIGATION

The Kittitas Reclamation District 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 KRD will have to make payment. In the opinion of management, the KRD's (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

The Kittitas Reclamation District participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement for grantor agencies for expenditures disallowed under the terms of the grants. (Other than the instances described above) Kittitas Reclamation District management believes that such disallowances, if any, will be immaterial.

NOTE 10– RISK MANAGEMENT

The Kittitas Reclamation District has secured commercial insurance with American Alternatives Ins. Corp. covering property, inland marine, boiler and machinery, general liability, and umbrella. Deductibles for each type of coverage are as follows for the years ended December 31, 2014.

Munich Reinsurance America Inc.	Crime	$ 1,000.00
Munich Reinsurance America Inc.	Property	$ 1,000.00
Munich Reinsurance America Inc.	Inland Marine	$ 1,000.00
Munich Reinsurance America Inc.	Equipment Breakdown Motor/Pump	$ 10,000.00
Munich Reinsurance America Inc.	General Liability/Excess	$ 1,000.00

NOTE 10– RISK MANAGEMENT

The Kittitas Reclamation District has secured commercial insurance with American Alternatives Ins. Corp. covering property, inland marine, boiler and machinery, general liability, and umbrella. Deductibles for each type of coverage are as follows for the years ended December 31, 2014.

Munich Reinsurance America Inc.	Crime	$ 1,000.00
Munich Reinsurance America Inc.	Property	$ 1,000.00
Munich Reinsurance America Inc.	Inland Marine	$ 1,000.00
Munich Reinsurance America Inc.	Equipment Breakdown Motor/Pump	$ 10,000.00
Munich Reinsurance America Inc.	General Liability/Excess	$ 1,000.00
Munich Reinsurance America Inc.	Automobile Comp/Coll.	$ 250.00
	Heavy Duty Comp/Coll.	$ 1,000.00
	Wrongful Acts	$ 1,000.00
Munich Reinsurance America Inc.	Public Employee Dishonesty	$ 1,000.00
Munich Reinsurance America Inc.	Employee Theft/Forgery	$ 1,000.00

The amount of settlement has not exceeded insurance coverage in any of the past three years.

The Kittitas Reclamation District retains some risk of loss for which the District is exposed. In this case the District would cover costs with existing funds.

RISK MANAGEMENT

The Kittitas Reclamation District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization 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 program was formed on September 1, 1988, when 34 cities 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 1, 2014, there are 223 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of $100,000. The standard member deductible is $1,000 for each claim (deductible may vary per member), while the program is responsible for the $100,000 self-insured retention. Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, **with an attachment point of $3,259,396,** to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member with the exception of **Pumps & Motors which is $10,000**. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is $15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. **On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-15 policy term.** An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2014, were $1,817,654.59.**

NOTE 11- OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The Kittitas Reclamation District has no Other Post-Employment Benefit Plans.

NOTE 12 -Other

The first organizational meeting of the Kittitas County Water Purveyors (KCWP) was held on February 19, 1999. The proposed purpose of the KCWP is for water quality monitoring. The goal of the KCWP is for gathering and compiling data for use in determining and meeting the Washington State Department of Ecology's Total Maximum Daily Load (TMDL) goals.

The Kittitas Reclamation District is the recipient of all grant funding and contributions for the KCWP with KRD receiving and disbursing all funds. Members of KCWP sign an Inter Local Agreement with KRD which includes a per acre contribution, as determined by the KCWP Board of Directors, to support activities and reimburse KRD 100% of all applicable KCWP expenses.

All personnel will be KRD employees with all applicable benefits. KRD is reimbursed 100% of all costs through grant funding and/or KCWP contributions.

The continuation of KCWP is dependent on continued grant funding and Inter Local Agreements including per acre contribution.

NOTE 13: Implementation of GASB 63

In 2011 the Kittitas Reclamation District implemented GASB 63 changing financial statement wording from Net Assets to Net Position.

NOTE 14 Implementation of GASB 65

In 2013 the Kittitas Reclamation District implemented GASB 65.

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	
Deputy Director for Communications	Adam Wilson Adam.Wilson@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov