



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Kittitas County Fire Protection District No. 2

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

Published August 27, 2015

Report No. 1014923





Washington State Auditor's Office

August 27, 2015

Board of Commissioners
Kittitas County Fire Protection District No. 2
Ellensburg, Washington

Report on Financial Statements

Please find attached our report on Kittitas County Fire Protection District No. 2's financial statements.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**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 Fire Protection District No. 2
January 1, 2014 through December 31, 2014**

Board of Commissioners
Kittitas County Fire Protection District No. 2
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 Kittitas County Fire Protection District No. 2, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated August 20, 2015.

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.

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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kittitas County Fire Protection District No. 2 January 1, 2014 through December 31, 2014

Board of Commissioners
Kittitas County Fire Protection District No. 2
Ellensburg, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kittitas County Fire Protection District No. 2, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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, Kittitas County Fire Protection District No. 2 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 Kittitas County Fire Protection District No. 2, for the year ended December 31, 2014, 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 Kittitas County Fire Protection District No. 2, as of December 31, 2014, 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 20, 2015 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

August 20, 2015

FINANCIAL SECTION

Kittitas County Fire Protection District No. 2 January 1, 2014 through December 31, 2014

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014

Kittitas County Fire Protection District No. 2
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	010 GENERAL FUND 636-010	230 DEBT SERVICE FUND - STATION BOND 636-030	321 STATION CONSTRUCTION FUND 636-021
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	4,715,291	4,715,291	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	3,655,342	3,655,342	-	-
320	Licenses and Permits	1,458	1,458	-	-
330	Intergovernmental Revenues	15,623	15,623	-	-
340	Charges for Goods and Services	2,431,163	2,431,163	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	22,765	22,765	-	-
Total Operating Revenues:		6,126,351	6,126,351	-	-
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	5,542,341	5,542,341	-	-
Total Operating Expenditures:		5,542,341	5,542,341	-	-
Net Operating Increase (Decrease):		584,010	584,010	-	-
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	6,711,751	-	2,189	6,709,562
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		6,711,751	-	2,189	6,709,562
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	537,303	527,741	-	9,562
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		537,303	527,741	-	9,562
Net Increase (Decrease) in Cash and Investments:		6,758,458	56,269	2,189	6,700,000
Ending Cash and Investments					
50810	Reserved	6,702,189	-	2,189	6,700,000
50880	Unreserved	4,771,559	4,771,559	-	-

The accompanying notes are an integral part of this statement.

Kittitas County Fire Protection District No. 2

For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Kittitas County Fire Protection District No. 2 was incorporated on April 25, 1945 and operates under the laws of the state of Washington applicable to fire districts. The district is a special purpose local government and provides fire protection, fire prevention and investigation, rescue, and EMS services to the general public and is supported primarily through property taxes, fire protection contracts, and ambulance transport user fees.

The 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 the 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

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Internal managerial funds have been established within the General Fund to help management and staff track revenues and expenditures at a more detailed level. All of these internal managerial funds are rolled into one General Fund for annual reporting purposes:

General (010)

This is an operating fund that accounts for all resources and expenditures of a general nature that are not designated in another managerial fund.

EMS (011)

This is an operating fund that accounts for resources and expenditures resulting from the EMS operations that are related to ambulance transport and billing.

Construction (020)

This is an operating fund that accounts for resources and expenditures resulting from the acquisition or construction/remodeling of District fire stations and/or other structures necessary for the operation of the District.

Reserve (040)

This fund reflects the resources for financially supporting other managerial funds that might need temporary support.

Equipment Replacement (041)

This is an operating fund that accounts for resources and expenditures resulting from the acquisition of assorted equipment needs for the District operations.

Long Term Care (060)

This fund reflects resources for financially supporting any additional long-term care responsibilities that the District is obligated to pay for LEOFF 1 retirees. When the District no longer has LEOFF 1 retiree financial responsibilities, this managerial fund will be eliminated.

Revolving Fund (070)

The Revolving Fund checking account is used to pay small bills that are necessary to pay between regular check runs, such as paying for postage. The account is reimbursed each month to maintain a \$1,000 balance.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. A Debt Service Fund was established in 2014 after the District's voters approved a General Obligation Bond to build a new headquarters fire station.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. A Capital Project Fund was established in 2014 after the District's voters approved a General Obligation Bond to build a new headquarters fire station.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Budgets

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level, except within the general operating fund, where the budget is adopted using the managerial funds described above in section 1(A). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

GENERAL OPERATING FUNDS	Final Appropriated Amounts	Final Expenditures	Variance
GENERAL FUND 636-010	\$ 5,440,521.00	\$ 5,131,537.09	\$ 308,983.91
EMS FUND 636-011	\$ 1,483,050.00	\$ 1,415,804.00	\$ 67,246.00
CONSTRUCTION FUND 636-020	\$ 800.00	\$ 800.00	\$ -
RESERVE FUND 636-040	\$ -	\$ -	\$ -
EQUIPMENT FUND 636-041	\$ 579,670.00	\$ 526,941.39	\$ 52,728.61
LONG TERM CARE FUND 636-060	\$ -	\$ -	\$ -
TOTAL GENERAL OPERATING FUND	\$ 7,504,041.00	\$ 7,075,082.48	\$ 428,958.52
OTHER FUNDS	Final Appropriated Amounts	Final Expenditures	Variance
DEBT SERVICE FUND - STATION BOND 636-021	\$ -	\$ -	\$ -
STATION CONSTRUCTION FUND 636-021	\$ 9,562.00	\$ 9,562.00	\$ -

Budgeted amounts are authorized to be transferred between object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

D. Cash and Investments

See Note 3 - *Deposits and Investments*.

E. Capital Assets

Capital assets are long-lived assets of the District and are recorded as capital expenditures when purchased. They are expensed during the year of acquisition and there is no capitalization of capital assets, nor allocation of depreciation expense.

F. Compensated Absences

Vacation pay for shift employees under the IAFF Local #1758 contract may be accumulated up to 480 hours and is payable upon separation or retirement. Vacation pay for 40-hour work week employees under the IAFF Local #1758 contract may be accumulated up to 240 hours and is payable upon separation or retirement. The personal services contract for the Fire Chief indicates that vacation pay for his 40-hour work week position may be accumulated up to 306 hours and is payable upon separation or retirement. Vacation pay for all other 40-hour work week administrative employees under personal services contracts may be accumulated up to one and one-half (1 ½) years at the applicable accrual schedule based upon years of service and is payable upon separation or retirement.

Sick pay for shift employees under the IAFF Local #1758 contract may be accumulated up to 1440 hours. All other employees may accumulate up to 960 hours. Sick leave can only be used for paid time off for the illness of the employee, employees' spouses, their dependents, or their parents. Employees with a minimum of ten (10) years of service who leave the district for reasons other than retirement may receive 20% of their accrued sick leave upon resignation, termination, or death. Those employees with a minimum of ten (10) years of service who retire in 2015 are eligible to receive 100% of their sick leave, not to include catastrophic sick leave. In 2016, sick leave will be paid out at 80% for those employees while the rate will fall to 60% for employees who retire in 2017. Employees with less than ten (10) years of service do not receive payment for unused sick leave upon resignation, termination, retirement or death.

Employees may choose compensatory time off at a rate of one and one-half times the time worked in lieu of overtime pay. The maximum accrual for compensatory time shall be one hundred and twenty (120) hours in a calendar year. Compensatory time must be paid out upon resignation, termination, retirement or death.

The Fire Chief's personal services contract stipulates that the employee may be terminated without just cause by a super-majority of the full Board. At such time, the employee would be granted a severance package equal to full pay and benefits for one (1) year. Such a severance package would be paid in monthly installments for 12 months.

G. Long-Term Debt

See Note 4 - *Debt Service Requirements*.

H. Other Financing Sources or Uses

The District's *Other Financing Sources or Uses* include inter-fund transfers.

I. Risk Management

The District carries a full insurance policy through the Emergency Services Insurance Program (ESIP). This policy covers property, general liability, crime, auto, portable equipment, training and safety, and umbrella liability.

Medical, dental, and vision insurance for full-time employees is provided through Trusteed Plans. The District pays 90% of the premium while the remaining 10% is deducted from the employees' payroll each month.

The District self-insures for Unemployment Compensation.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Fire Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund	Reserved	Description
230 Debt Service Fund	\$ 2,189.40	The Debt Service Fund is used to collect tax revenue and pay debt obligations related to the General Obligation Bond.
321 Station Construction Fund	\$ 6,700,000.00	The Station Construction Fund is used to track bond proceeds and related expenses for the construction of a new headquarters fire station.

Note 2 - Property Tax

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

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

Time Period	Assessed Valuation	Levy Rate	Total Regular Levy
For 2013 to be collected in 2014	\$ 2,430,662,769.00	\$1.499999	\$ 3,645,991.72
For 2014 to be collected in 2015	\$ 2,491,018,046.00	\$1.500000	\$ 3,736,527.07

Note 3 – Deposits and Investments

Deposits and Investments

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is tracked and credited to each individual fund.

All deposits and certificates of deposit are covered by the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District or its agent in the government's name.

Investments are reported at fair market value. The District's investments were held in the District's name by the Local Government Investment Pool (LGIP) through Kittitas County as agent. The District's investment balance at December 31, 2014 was \$10,954,585.77 and the entire amount was invested in a Certificate of Deposit through LGIP.

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2014.

The debt service requirements for the general obligation bonds and other debt are as follows:

Year	General		Total Debt
	Obligation Debt	Other Debt	
2015	\$448,541.25	\$18,335.03	\$466,876.28
2016	\$449,550.00	\$18,335.03	\$467,885.03
2017	\$449,850.00	\$18,335.03	\$468,185.03
2018	\$445,050.00		\$445,050.00
2019	\$445,250.00		\$445,250.00
2020 - 2024	\$2,238,100.00		\$2,238,100.00
2025 - 2029	\$2,237,350.00		\$2,237,350.00
2030 - 2034	\$2,234,750.00		\$2,234,750.00
	\$8,948,441.25	\$55,005.09	\$9,003,446.34

Note 5 - Pension Plans

Washington Department of Retirement

Substantially all of the District's full-time and qualifying part-time employees participate in Plan 2 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 2) and Plans 2 and 3 of the Public Employees' Retirement System (PERS2 and PERS3). These plans are administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Volunteer Fire Fighters' Relief and Pension Fund

The District also provides a retirement system to volunteer fire fighters. The Volunteer Fire Fighters' Relief and Pension Fund is a retirement system which was created by the Legislature in 1945 under Chapter 41.16 RCW. It provides pension, disability and survivor benefits for volunteer fire fighters. Membership in the system requires service with a fire district or fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year and employer contributions of \$30 per year. The employer may elect to contribute the entire \$60 per year. Employees do not earn interest on their contributions; however, they may elect to withdraw their contributions upon termination.

Note 7 - Other Disclosures

LEOFF I Retirees

The District provides ongoing benefits to three retired firefighters who are members of Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 1). Under this plan, the District pays the annual premium on a Long Term Care Fund (\$6,303.83), health insurance policy premiums (\$29,806.26), Medicare premiums (\$6,584.40) and reimburses the retirees for certain medical expenses (\$495.00).

Mt. View Property

In 2012, the District purchased property located at 400 E. Mountain View Avenue in Ellensburg, WA. It is the intention of the District to build a new fire station on this property starting in April 2015 with General Obligation Bond proceeds which were obtained in 2014. In 2013, the District spent approximately \$47,000 cleaning the property to prepare it for use. In 2014, \$800 was spent on property cleanup with the cleanup efforts expected to be completed in 2015. Some of that funding may come from a grant from the Department of Ecology; however, the District has budgeted to spend \$290,000 in 2015 out of the Construction managerial fund.

Related Party Transactions

Two of the District's Fire Commissioners have connections to two entities with which the District conducts business. To be sure that there is not a conflict of interest, the District has done due diligence by having one of the District's attorneys review the relationships. The attorney's findings are that both commissioners have only a remote interest in the businesses and there are no conflicts of interest. The District will follow the attorney's recommendation of having the commissioners in question disclose their connections with the businesses and recuse themselves from any votes related to entering into contracts with those businesses. In 2014, the District paid \$18,377.41 for tires purchased from Ellensburg Tire Center. There was no business conducted with Belsaas and Smith in 2014.

Inter-local Agreements

The District entered into a contract with Kittitas County Hospital District 2 to provide management services to the Upper County Medic One ambulance service. The contract ran from March 14, 2014 through September 14, 2014 and was extended for one month. During that time, the District invoiced the Hospital District for \$33,750. On October 21, 2014, the District entered into a new one year contract to provide limited services to the Hospital District. The 2015 budget contains an estimated \$5,000 in revenue related to that contract.

Surplus Vehicles

In late 2014, the District received two Stewart & Stevenson LMT 2 ½ ton four wheel drive chassis at no charge from the Federal Firefighter Property Program administered by the Washington State Department of Natural Resources. The estimated value of the chassis at the time the District received them was approximately \$230,000 each. The District's mechanic will spend an estimated \$75,600 to create two brush trucks that will enhance the District's existing fleet. Part of that expense will be offset by a \$15,000 Federal grant in 2015.

Prior Year Adjustment

There was a \$326.15 misstatement on the ending fund balance for the 2013 annual report. The annual report submitted to the State Auditor's office contained an ending balance of \$4,715,616.86 while the balance that should have been reported was \$4,715,290.71. This misstatement occurred due to an error while transitioning between two computerized accounting systems. The Revolving Fund checking account was tracked outside the previous accounting system and the balance was entered in the report as \$1,000 when the balance was actually \$673.85. This error will be avoided in the future by tracking the Revolving Fund checking account electronically within the computerized accounting system.

Kititas County Fire Protection District No. 2
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		489,324	-	8,256	481,068
263.61	Stryker Purchase Agreement	12/10/2017	73,340	-	18,335	55,005
251.12	GO Bond - Voted - New Station	12/1/2034	-	6,711,751	-	6,711,751
Total General Obligations:			562,664	6,711,751	26,591	7,247,824
Total Liabilities:			562,664	6,711,751	26,591	7,247,824

KITTITAS COUNTY, WASHINGTON
KITTITAS COUNTY FIRE PROTECTION DISTRICT NO. 2

NOTES TO THE SCHEDULE OF LIABILITIES (SCHEDULE 9)
For the Year Ended December 31, 2014

COMPENSATED ABSENCES

As of December 31, 2014, the liability payable to employees for accumulated leave banks payable upon separation or retirement is \$481,068. The compensated absence liability amounts shown on the Schedule 9 include employer Social Security and Medicare tax liability estimates.

STRYKER PURCHASE AGREEMENT

The Stryker Corporation debt is related to a purchase agreement entered into in 2013. The District purchased Stryker power stretchers for \$91,675.15 financed over a five (5) year period beginning in 2013 with 0% interest. The purchase agreement stipulates annual payments of \$18,335.03. The first two payments were made in 2013 and 2014, thus reducing the outstanding debt down to \$55,005.09. The final payment will be made when the agreement concludes on December 10, 2017.

GO BOND – VOTED – NEW STATION

In April 2014, the residents of the District voted to approve a \$6.7 million 20-year General Obligation Bond to build a new headquarters fire station. The funds for the bond were received in December 2014 with construction expected to begin in the spring of 2015. The projected timeline indicates that the new building will be completed before the end of 2016.

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.

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