



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

March 25, 2024

Board of Directors
Klickitat County Emergency Medical Services District No 1
Dallesport, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Klickitat County Emergency Medical Services District No 1 for the fiscal year ended December 31, 2022. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

**Klickitat County
Emergency Medical Services
District No. 1**

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Klickitat County Emergency Medical Services District No. 1
Table of Contents

| | Page |
|---|-------------|
| <i>INDEPENDENT AUDITORS' REPORT</i> | 1-3 |
| <i>BASIC FINANCIAL STATEMENTS:</i> | |
| Statements of net position | 4-5 |
| Statements of revenues, expenses, and changes in net position | 6 |
| Statements of cash flows | 7-8 |
| Notes to basic financial statements | 9-27 |
| <i>REQUIRED SUPPLEMENTARY INFORMATION:</i> | |
| Schedule of the District's Proportionate Share of Net Pension Liability (Asset) – Washington State Public Employees' Retirement System – Public Employees' Pension Plan 1 and Law Enforcement Officers' and Fire Fighters' Plan 2 | 28 |
| Schedule of the District's Contributions – Washington State Public Employees' Retirement System – Public Employees' Pension Plan 1 and Law Enforcement Officers' and Fire Fighters' Plan 2 | 29 |
| <i>INDEPENDENT AUDITORS' 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</i> | 30-31 |
| Schedule of findings and responses | 32 |
| Summary schedule of prior audit findings | 33 |



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Klickitat County Emergency Medical Services District No. 1
Dallesport, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Klickitat County Emergency Medical Services District No.1 (the District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of Net Pension Liability (Asset) – Washington State Public Employees' Retirement System – Public Employees' Pension Plan 1 and Law Enforcement Officers' and Fire Fighters' Plan 2 and Schedule of the District's Contributions – Washington State Public Employees' Retirement System – Public Employees' Pension Plan 1 and Law Enforcement Officers' and Fire Fighters' Plan 2 on pages 24 and 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing 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 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 assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, 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 for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated August 17, 2022, which has not been included with the 2022 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are 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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 6, 2023

Klickitat County Emergency Medical Services District No. 1
Statements of Net Position
December 31, 2022 and 2021

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 2022 | 2021 |
|--|---------------------|---------------------|
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 4,303,413 | \$ 3,587,225 |
| Receivables: | | |
| Patient accounts | 284,944 | 289,305 |
| Estimated third-party payor settlement | 38,756 | 82,817 |
| Taxes | 57,354 | 55,322 |
| Other | 13,431 | 3,336 |
| Prepaid expenses | 62,064 | 30,187 |
| Total current assets | 4,759,962 | 4,048,192 |
| <i>Noncurrent assets</i> | | |
| Net pension asset | 802,645 | 1,600,741 |
| Capital assets, net | 636,030 | 186,960 |
| Total noncurrent assets | 1,438,675 | 1,787,701 |
| <i>Deferred outflows of resources, pension plans</i> | 439,914 | 110,904 |
| Total assets and deferred outflows of resources | \$ 6,638,551 | \$ 5,946,797 |

See accompanying notes to basic financial statements.

Klickitat County Emergency Medical Services District No. 1
Statements of Net Position (Continued)
December 31, 2022 and 2021

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2022 | 2021 |
|---|---------------------|---------------------|
| <i>Current liabilities</i> | | |
| Accounts payable | \$ 50,369 | \$ 26,591 |
| Accrued compensation and related liabilities | 118,245 | 118,037 |
| Accrued vacation | 45,000 | 24,744 |
| Accrued interest | - | 1,706 |
| Current maturities of long-term debt and lease liability | 36,241 | 75,679 |
| Total current liabilities | 249,855 | 246,757 |
| <i>Noncurrent liabilities</i> | | |
| Net pension liability | 6,460 | - |
| Long-term debt and lease liability, less current maturities | 491,697 | - |
| Total liabilities | 748,012 | 246,757 |
| <i>Deferred inflows of resources, pension plans</i> | 612,298 | 1,094,071 |
| Total liabilities and deferred inflows of resources | 1,360,310 | 1,340,828 |
| <i>Net position</i> | | |
| Net investment in capital assets | 108,092 | 109,575 |
| Unrestricted | 5,170,149 | 4,496,394 |
| Total net position | 5,278,241 | 4,605,969 |
| Total liabilities, deferred inflows of resources, and net position | \$ 6,638,551 | \$ 5,946,797 |

See accompanying notes to basic financial statements.

Klickitat County Emergency Medical Services District No. 1
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| <i>Operating revenues</i> | | |
| Net patient service revenue | \$ 1,367,514 | \$ 1,498,986 |
| Grants | 1,125 | 14,000 |
| Other | 22,416 | 29,799 |
| Total operating revenues | 1,391,055 | 1,542,785 |
| <i>Operating expenses</i> | | |
| Salaries and wages | 1,587,382 | 1,394,486 |
| Employee benefits | 444,366 | 96,775 |
| Supplies | 166,943 | 159,809 |
| Utilities | 14,140 | 15,464 |
| Purchased services | 136,448 | 129,036 |
| Leases and rentals | 12,052 | 39,572 |
| Repairs and maintenance | 29,782 | 14,563 |
| Depreciation and amortization | 114,020 | 167,858 |
| Insurance | 58,336 | 43,316 |
| Other | 27,540 | 47,905 |
| Total operating expenses | 2,591,009 | 2,108,784 |
| <i>Operating loss</i> | (1,199,954) | (565,999) |
| <i>Nonoperating revenues (expenses)</i> | | |
| Property tax revenue | 1,834,680 | 1,944,530 |
| Intergovernmental revenue | 48,056 | 35,660 |
| Interest expense | (20,310) | (8,408) |
| Donations | 9,800 | - |
| Total nonoperating revenues, net | 1,872,226 | 1,971,782 |
| Change in net position | 672,272 | 1,405,783 |
| Net position, beginning of year | 4,605,969 | 3,200,186 |
| Net position, end of year | \$ 5,278,241 | \$ 4,605,969 |

See accompanying notes to basic financial statements.

Klickitat County Emergency Medical Services District No. 1
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | |
| <i>Cash flows from operating activities</i> | | |
| Cash received from patient services | \$ 1,415,936 | \$ 1,447,279 |
| Cash received from grants | 1,125 | 14,000 |
| Cash received from other revenue | 12,321 | 26,463 |
| Cash paid to and on behalf of employees | (2,017,511) | (1,794,446) |
| Cash paid to suppliers and contractors | (453,340) | (466,059) |
| Net cash from operating activities | (1,041,469) | (772,763) |
| <i>Cash flows from noncapital financing activities</i> | | |
| Cash received from intergovernmental revenue | 48,056 | 35,660 |
| Cash received from taxation for maintenance and operations | 1,832,648 | 1,942,058 |
| Net cash from noncapital financing activities | 1,880,704 | 1,977,718 |
| <i>Cash flows from capital and related financing activities</i> | | |
| Interest paid on long-term debt and lease liability | (22,016) | (9,045) |
| Principal payments on long-term debt and lease liability | (87,912) | (103,688) |
| Purchase of capital assets | (13,119) | (16,224) |
| Net cash from capital and related financing activities | (123,047) | (128,957) |
| Net increase in cash and cash equivalents | 716,188 | 1,075,998 |
| Cash and cash equivalents, beginning of year | 3,587,225 | 2,511,227 |
| Cash and cash equivalents, end of year | \$ 4,303,413 | \$ 3,587,225 |

See accompanying notes to basic financial statements.

Klickitat County Emergency Medical Services District No. 1
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|-----------------------|---------------------|
| <i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i> | | |
| Operating loss | \$ (1,199,954) | \$ (565,999) |
| <i>Adjustments to reconcile operating loss to net cash from operating activities</i> | | |
| Depreciation and amortization | 114,020 | 167,858 |
| Provision for bad debts | 162,709 | 174,810 |
| (Increase) decrease in: | | |
| Patient accounts receivable, net | (158,348) | (203,602) |
| Estimated third-party payor settlement receivable | 44,061 | (22,915) |
| Other receivable | (10,095) | (3,336) |
| Prepaid expenses | (31,877) | 6,958 |
| Net pension asset | 804,556 | (1,028,195) |
| Deferred outflows of resources, pension plan | (329,010) | (7,682) |
| Increase (decrease) in: | | |
| Accounts payable | 23,778 | (23,352) |
| Accrued compensation and related liabilities | 208 | 18,444 |
| Accrued vacation | 20,256 | 6,051 |
| Deferred inflows of resources, pension plan | (481,773) | 708,197 |
| Net cash from operating activities | \$ (1,041,469) | \$ (772,763) |

During the year ended December 31, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which resulted in recognized lease liabilities and right-of-use assets totaling \$471,369.

During the year ended December 31, 2022, the District received a donation of a vehicle for \$9,800.

See accompanying notes to basic financial statements.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements
Years Ended December 31, 2022 and 2021

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

The Klickitat County Emergency Medical Services District No. 1 (the District) was incorporated on April 30, 2013. The District is a special purpose local government and provides ambulance services to Klickitat County except for the territory included in Fire Districts No. 2 and No. 10. The District has no component units. The District is not a component unit of Klickitat County, Washington.

The District operates under the laws of the state of Washington relating to Washington municipal corporations. As organized, the District is exempt from the payment of federal income taxes. The Board of Directors consists of five community members appointed to three-year terms.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The District’s accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – All cash receipts are deposited directly to the District’s depository account at a bank. Periodically, these funds are transferred to the operating account held by the Klickitat County Treasurer (the County Treasurer). The County Treasurer acts as the District’s treasurer. Warrants are issued against the cash placed with the County Treasurer, and the warrants are redeemed from a commercial bank by the County Treasurer. The County Treasurer invests cash in interest-bearing investments at the discretion of the District. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates of less than 90 days as cash and cash equivalents.

Capital assets – Capital assets are assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets, other than lease assets, are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Lease assets are stated at the present value of the future lease payments plus any payments made at or before the start of the lease and costs to place the asset in service. Lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Association’s published tables and management’s estimate by the straight-line method using these asset lives:

| | |
|-------------------------------------|-------------|
| Equipment | 3 – 4 years |
| Lease right-of-use asset – building | 30 years |

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Compensated absences – The District’s policy is to permit employees to accumulate earned but unused paid time off and holiday benefits based on years of continuous service up to a maximum of 360 hours. All paid time off is accrued and expensed when earned.

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is the net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The District did not have any *restricted net position* at December 31, 2022 and 2021.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing emergency medical services — the District’s principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide emergency medical services, other than financing costs. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses, such as interest.

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

Grants and contributions – From time to time, the District receives grants from the state of Washington and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects, or purposes related to the District’s operating activities, are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Public employees' retirement system plan 1 (PERS) and law enforcement officers' and fire fighters' (LEOFF) pension – For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state-sponsored pension plans, and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Subsequent events – Subsequent events have been reviewed through October 6, 2023, the date on which the financial statements were available to be issued.

Changes in accounting principle – In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

When the District adopted GASB No. 87, *Leases*, the District elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. Adoption of the standard required the District to recognize lease right-of-use assets and lease liabilities totaling \$471,369 as of January 1, 2022.

The District adopted GASB No. 87, *Leases*, during the year ended December 31, 2022. The District did not restate the financial statements for the year ended December 31, 2021, for GASB No. 87 due to insufficient resources available to do so and due to management's determination that the restatement would not provide significant benefit to the financial statement users.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

2. Bank Deposits:

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned to it. All cash, cash equivalents, and cash investments held by the County Treasurer are insured by the State of Washington Public Deposit Protection Commission (PDPC), as provided by Chapter 39.58 of *The Revised Code of Washington* (RCW) and are entirely covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington PDPC. Qualified public depositories, including Columbia State Bank, pledge securities with this commission, which are available to insure public deposits within the state of Washington.

The District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

The RCW, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments.

Amounts held in the Washington State Local Government Investment Pool at December 31, 2022 and 2021, were \$500,000 and \$-0-, respectively.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past history and identifies trends for each of its patient payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

3. Patient Accounts Receivable (continued):

The District's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior years. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District consisted of the following amounts:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Receivables from patients and their insurance carriers | \$ 374,929 | \$ 455,324 |
| Receivables from Medicare | 63,076 | 48,970 |
| Receivables from Medicaid | 38,254 | 12,391 |
| Total patient accounts receivable | 476,259 | 516,685 |
| Less allowance for uncollectible accounts | 191,315 | 227,380 |
| Patient accounts receivable, net | \$ 284,944 | \$ 289,305 |

4. Property Taxes:

The Klickitat County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values assessed as of the same date and are intended to finance the District's activities of the same calendar year. Assessed values are established by the Klickitat County Assessor at 100 percent of fair market values. A revaluation of all property is required every four years.

Taxes are due in two equal amounts by April 30 and October 31. The assessed property is subject to lien on the levy date and taxes are considered delinquent after October 31. Collections are distributed monthly to the District by the County Treasurer.

The District is permitted by law to levy up to \$0.50 per \$1,000 of assessed valuation for general District purposes. Washington State Constitution and Washington State Law, RCW 84.52.069, limit the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people.

In November 2018, voters of Klickitat County passed Proposition No. 1 *Proposition Reauthorizing Regular Emergency Medical Services Property Tax Levy*, increasing the regular levy from approximately \$0.30 to \$0.50. This increase is set to expire as of December 31, 2024.

For 2022, the District's regular tax levy was approximately \$0.46 per \$1,000 on a total assessed valuation of \$3,718,277,586, for a total regular levy of \$1,719,092.

For 2021, the District's regular tax levy was approximately \$0.48 per \$1,000 on a total assessed valuation of \$3,522,945,078, for a total regular levy of \$1,680,141.

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Capital Assets:

Capital asset additions, retirements, transfers, and balances were as follows:

| | Balance December 31, 2021 | Additions | Retirements | Transfers | Balance December 31, 2022 |
|---|---------------------------------|---------------------|-------------|-------------|---------------------------------|
| <i>Capital assets not being depreciated or amortized</i> | | | | | |
| Construction in progress | \$ 8,907 | \$ - | \$ - | \$ - | \$ 8,907 |
| <i>Capital assets being depreciated or amortized</i> | | | | | |
| Equipment and vehicles | 1,092,633 | 91,721 | - | - | 1,184,354 |
| Lease right-of-use asset - building | - | 471,369 | - | - | 471,369 |
| Total capital assets being depreciated or amortized | 1,092,633 | 563,090 | - | - | 1,655,723 |
| <i>Less accumulated depreciation and amortization for</i> | | | | | |
| Equipment and vehicles | (914,580) | (88,655) | - | - | (1,003,235) |
| Lease right-of-use asset - building | - | (25,365) | - | - | (25,365) |
| Total accumulated depreciation and amortization | (914,580) | (114,020) | - | - | (1,028,600) |
| Total capital assets being depreciated or amortized, net | 178,053 | 449,070 | - | - | 627,123 |
| Capital assets, net | \$ 186,960 | \$ 449,070 | \$ - | \$ - | \$ 636,030 |
| | | | | | |
| | Balance December 31, 2020 | Additions | Retirements | Transfers | Balance December 31, 2021 |
| <i>Capital assets not being depreciated</i> | | | | | |
| Construction in progress | \$ 21,893 | \$ 8,907 | \$ - | \$ (21,893) | \$ 8,907 |
| <i>Capital assets being depreciated</i> | | | | | |
| Equipment and vehicles | 1,063,423 | 7,317 | - | 21,893 | 1,092,633 |
| <i>Less accumulated depreciation for</i> | | | | | |
| Equipment and vehicles | (746,722) | (167,858) | - | - | (914,580) |
| Capital assets, net | \$ 338,594 | \$ (151,634) | \$ - | \$ - | \$ 186,960 |

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

6. Long-term Debt and Lease Liability:

A schedule of changes in the District's long-term debt and lease liability follows:

| | Balance December 31, 2021 | | | Additions | Reductions | Balance December 31, 2022 | | Amounts Due Within One Year |
|--|---------------------------------|---------------|-----------|----------------|--------------------|---------------------------------|----------------|-----------------------------------|
| <i>Long-term debt</i> | | | | | | | | |
| Government obligation contract - KS StateBank - 2018 | \$ | 75,679 | \$ | - | \$ (75,679) | \$ | - | \$ - |
| Note payable | | - | | 68,802 | - | | 68,802 | 22,934 |
| Total long-term debt | | 75,679 | | 68,802 | (75,679) | | 68,802 | 22,934 |
| <i>Lease liability</i> | | | | | | | | |
| | | - | | 471,369 | (12,233) | | 459,136 | 13,307 |
| Total long-term debt and lease liability | \$ | 75,679 | \$ | 540,171 | \$ (87,912) | \$ | 527,938 | \$ 36,241 |
| | | | | | | | | |
| | Balance December 31, 2020 | | | Additions | Reductions | Balance December 31, 2021 | | Amounts Due Within One Year |
| <i>Long-term debt</i> | | | | | | | | |
| Government obligation contract - KS StateBank - 2018 | \$ | 179,367 | \$ | - | \$ (103,688) | \$ | 75,679 | \$ 75,679 |

Long-term debt – The terms and due dates of the District's long-term debt is as follows:

- Government obligation contract with KS StateBank dated March 19, 2018, in the original amount of \$383,000, was repaid as of October 2022. The purchase was for remounting two ambulances, refinancing the government obligation contract from 2016, and other emergency medical service equipment.
- Note payable with Stryker Sales, LLC dated January 6, 2022, in the original amount of \$65,578, payable in \$22,934 annual installments through January 2025 for equipment.

Lease liability – The District has recorded a lease liability for the following arrangement:

- Lease liability to Juniper Investments, Inc., in the original amount of \$471,369 is due in monthly installments, between \$2,304 and \$3,730, with imputed interest of 3.5 percent, through July 2030 with a renewal period of two successive terms of five years through July 2040.

The lease liability is reflected in the District's assets and liabilities. The District's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

6. Long-term Debt and Lease Liability (continued):

Scheduled principal and interest payments on long-term debt and lease liabilities are as follows:

| Years Ending December 31, | Note Payable | | |
|------------------------------|------------------|-------------|------------------|
| | Principal | Interest | Total Payments |
| 2023 | \$ 22,934 | \$ - | \$ 22,934 |
| 2024 | 22,934 | - | 22,934 |
| 2025 | 22,934 | - | 22,934 |
| | \$ 68,802 | \$ - | \$ 68,802 |

| Years Ending December 31, | Lease Liability | | |
|------------------------------|-------------------|-------------------|-------------------|
| | Principal | Interest | Total Payments |
| 2023 | \$ 13,307 | \$ 15,860 | \$ 29,167 |
| 2024 | 14,420 | 15,377 | 29,797 |
| 2025 | 15,571 | 14,854 | 30,425 |
| 2026 | 16,764 | 14,290 | 31,054 |
| 2027 | 17,999 | 13,683 | 31,682 |
| 2028 - 2032 | 111,814 | 57,675 | 169,489 |
| 2033 - 2037 | 161,588 | 34,057 | 195,645 |
| 2038 - 2040 | 107,673 | 5,160 | 112,833 |
| | \$ 459,136 | \$ 170,956 | \$ 630,092 |

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during fiscal years 2022 or 2021. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Patient service revenue (net of contractual adjustments and discounts): | | |
| Medicare | \$ 746,974 | \$ 675,642 |
| Medicaid | 456,905 | 441,103 |
| Other third-party payors | 157,866 | 370,763 |
| Patients | 172,217 | 195,478 |
| | 1,533,962 | 1,682,986 |
| Less: | | |
| Charity care | 3,739 | 9,190 |
| Provision for bad debts | 162,709 | 174,810 |
| Net patient service revenue | \$ 1,367,514 | \$ 1,498,986 |

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – The District is reimbursed for services on a fee schedule as defined and limited by the Medicare program for services rendered.
- *Medicaid* – Reimbursement for services rendered to Medicaid and Medicaid managed care program beneficiaries is reimbursed on a fee schedule as defined and limited by the Medicaid program, as defined by the state of Washington. The District receives Ground Emergency Medical Transportation (GEMT) supplemental payments to cover the funding gap between actual costs per GEMT transport and the allowable amount received for Medicaid and other sources of revenue.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Net Patient Service Revenue (continued):

The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes discounts from established charges.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The District participates in the GEMT program. The GEMT program provides supplemental payments to publicly owned or operated qualified providers.

The District provides charity care to patients who are financially unable to pay for the emergency medical care services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2022 and 2021, was immaterial. The District did not receive any gifts or grants to subsidize charity services during 2022 and 2021.

8. Risk Management and Contingencies:

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Professional liability coverage – The District has its professional liability insurance coverage with Enduris. The policy provides protection on an “occurrence” basis.

Enduris is a risk sharing pool established in 1987 to provide risk financing to its member government entities for liability and property coverage. Enduris' general objectives are to formulate, develop, and administer on behalf of the members a program of insurance that offers lower costs for broader coverage and comprehensive loss control programs. The pool transfers its risk by buying reinsurance and excess insurance over the pool's self-insured retention.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and reinsurance coverage. The current professional liability coverage provides \$20,000,000 per claim of primary coverage with a \$1,000 deductible.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

8. Risk Management and Contingencies (continued):

Industry regulations – The emergency medical service industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

9. Defined Benefit Pension Plans:

Plan description – The District contributes to the Washington State Public Employees' Retirement System Plan 1 (PERS 1), and the Law Enforcement Officers' and Fire Fighters' Plan 2 (LEOFF 2) (the Plans), which are cost-sharing, multiple-employer, public employee defined benefit pension plans. The state legislature establishes and amends laws pertaining to the creation and administration of the Plans.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and the required supplementary information for the Plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

The DRS ACFR may also be downloaded from the DRS website at the following URL:
<http://www.drs.wa.gov/administration/annual-report>.

Benefits provided – The Plans provide retirement, disability, and death benefits to eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Retirement benefits are determined as 2 percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members become fully vested in their retirement benefits with five years of eligible service for PERS Plan 1 and LEOFF Plan 2. Members of PERS Plan 1 are eligible for retirement with full benefits at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plans (continued):

For the LEOFF Plan 2, members are eligible for retirement with full benefits at age 53 with at least five years of service for LEOFF Plan 2. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF Plan 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a cost-of-living adjustment (based on the CPI), capped at 3 percent annually. LEOFF Plan 2 members are vested after the completion of five years of eligible service.

PERS membership includes all full-time, fully compensated, local public employees.

LEOFF Plan 2 membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

Participating members – Employee membership data related to the Plan, as of June 30, 2022, the date of the latest valuation, were as follows:

PERS Plan 1

| | |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 41,154 |
| Inactive plan members entitled to but not yet receiving benefits | 196 |
| Active plan members | 632 |
| Total | 41,982 |

LEOFF Plan 2

| | |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 9,102 |
| Inactive plan members entitled to but not yet receiving benefits | 1,449 |
| Active plan members | 18,608 |
| Total | 29,159 |

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plans (continued):

Contribution rates – The employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund the Plan. Employers and employees pay at the rate the Plan Retirement Board adopts.

The contribution rates (expressed as a percentage of covered payroll) for 2022 and 2021 were as follows:

| Actual Contribution Rates | 2022 | | | |
|-----------------------------|---------------|--------------|--------------|--------------|
| | PERS 1 | | LEOFF 2 | |
| | Employer | Employee | Employer | Employee |
| State and local governments | 6.36% | 6.00% | 5.12% | 8.53% |
| State of Washington | 0.00% | 0.00% | 3.41% | 0.00% |
| PERS Plan 1 UAAL | 3.71% | 0.00% | 0.00% | 0.00% |
| Administrative fee | 0.18% | 0.00% | 0.18% | 0.00% |
| Total | 10.25% | 6.00% | 8.71% | 8.53% |

| Actual Contribution Rates | 2021 | | | |
|-----------------------------|---------------|--------------|--------------|--------------|
| | PERS 1 | | LEOFF 2 | |
| | Employer | Employee | Employer | Employee |
| State and local governments | 12.79% | 6.00% | 5.15% | 8.59% |
| State of Washington | 0.00% | 0.00% | 3.44% | 0.00% |
| Administrative fee | 0.18% | 0.00% | 0.18% | 0.00% |
| Total | 12.97% | 6.00% | 8.77% | 8.59% |

The District's actual contributions to the Plans were \$75,908 and \$55,277 for the years ended December 31, 2022 and 2021, respectively.

The legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the OSA and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

For the state fiscal years ended June 30, 2022 and 2021, the state contributed \$81,388,085 and \$78,170,320 to LEOFF Plan 2, respectively. The amount recognized by the District for its proportionate share of these amounts is \$48,056 and \$35,660, respectively.

Actuarial assumptions – Valuations are based on an actuarial valuation as of June 30, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Inflation:** 2.75 percent total economic inflation; 3.25 percent salary inflation
- **Salary increases:** In addition to the base 3.25 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7 percent

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plan (continued):

Actuarial assumptions (continued) – Mortality rates were based on the RP-2010 *Combined Healthy Table and Combined Disabled Table*, published by the Society of Actuaries. The OSA applied offsets to each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under “generational” mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the 2013-2018 *Demographic Experience Study Report* and the *2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

Long-term expected rate of return – OSA selected a 7 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that preceded past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of asset the WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021, are summarized in the table below.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|--------------------|--------------------------|---|
| Fixed income | 20.00% | 1.50% |
| Tangible assets | 7.00% | 4.70% |
| Real estate | 18.00% | 5.40% |
| Global equity | 32.00% | 5.90% |
| Private equity | 23.00% | 8.90% |
| Total | 100.00% | |

The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plan (continued):

Discount rate – The discount rate used to measure the total pension liability (asset) for all DRS plans was 7 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7 percent on pension plan investments was applied to determine the total pension liability (asset).

Sensitivity of the net pension asset to changes in the discount rate – The table below presents the District’s proportionate share of the net pension asset calculated using the discount rate of 7 percent, as well as what the District’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

| | Discount Rate | District’s Proportionate Share of Net Pension Asset (Liability) |
|-----------------------|----------------------|--|
| PERS 1 | | |
| 1% decrease | 6.00% | \$ (8,630) |
| Current discount rate | 7.00% | (6,460) |
| 1% increase | 8.00% | (4,565) |
| LEOFF 2 | | |
| 1% decrease | 6.00% | \$ 36,961 |
| Current discount rate | 7.00% | 802,645 |
| 1% increase | 8.00% | 1,429,292 |

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

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plan (continued):

Pension (assets) liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2022, the District's proportionate share of the collective net pension assets and liabilities were as follows:

| 2022 | | |
|--------------|---------------------|--------------------------|
| Plan | Allocation % | Liability (Asset) |
| PERS 1 | 0.000232% | \$ 6,460 |
| LEOFF 2 | 0.002953% | (802,645) |
| Total | | \$ (796,185) |

| 2021 | | |
|-------------|---------------------|----------------|
| Plan | Allocation % | (Asset) |
| LEOFF 2 | 0.027559% | (1,600,741) |

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

| | LEOFF 2 Asset | |
|---|-----------------------|-----------------------|
| | 2022 | 2021 |
| Employer's proportionate share | \$ (802,645) | \$ (1,600,741) |
| State's proportionate share of the net pension asset associated with the employer | (519,936) | (1,032,653) |
| Total | \$ (1,322,581) | \$ (2,633,394) |

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

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

The collective net pension asset was measured as of June 30, 2022, and the actuarial valuation date on which the total pension asset is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

Pension expense – For the years ended December 31, 2022 and 2021, the District recognized pension expense of \$117,736 and (\$236,743), respectively.

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plan (continued):

Deferred outflows of resources and deferred inflows of resources – At December 31, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2022 | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| PERS 1 | | |
| Net difference between projected and actual earnings on plan investments | \$ - | \$ 1,071 |
| The District's contributions subsequent to the measurement date | 859 | - |
| | 859 | 1,071 |
| LEOFF 2 | | |
| Differences between expected and actual experience | \$ 190,722 | \$ 7,447 |
| Changes in assumptions or other inputs | 203,333 | 69,889 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 7,999 | 265,135 |
| Net difference between projected and actual earnings on plan investments | - | 268,756 |
| The District's contributions subsequent to the measurement date | 37,001 | - |
| | \$ 439,055 | \$ 611,227 |
| Total | \$ 439,914 | \$ 612,298 |
| | 2021 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| LEOFF 2 | | |
| Differences between expected and actual experience | \$ 72,604 | \$ 8,460 |
| Changes in assumptions or other inputs | 692 | 76,131 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 8,963 | 246,235 |
| Net difference between projected and actual earnings on plan investments | - | 763,245 |
| The District's contributions subsequent to the measurement date | 28,645 | - |
| | \$ 110,904 | \$ 1,094,071 |

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Defined Benefit Pension Plan (continued):

Deferred outflows of resources and deferred inflows of resources (continued) – Deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as an addition to pension expense in the year ending December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31, | PERS 1 | |
|------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| 2023 | \$ - | \$ (453) |
| 2024 | - | (411) |
| 2025 | - | (516) |
| 2026 | - | 309 |
| 2027 | - | - |
| Thereafter | - | - |
| Total | \$ - | \$ (1,071) |

| Years Ending December 31, | LEOFF 2 | |
|------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| 2023 | \$ 46,704 | \$ (170,468) |
| 2024 | 46,704 | (159,228) |
| 2025 | 46,704 | (183,434) |
| 2026 | 46,704 | 29,866 |
| 2027 | 46,704 | (52,979) |
| Thereafter | 168,534 | (74,984) |
| Total | \$ 402,054 | \$ (611,227) |

Klickitat County Emergency Medical Services District No. 1
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

10. Risk Concentrations:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Klickitat County. The mix of receivables from patients was as follows:

| | 2022 | 2021 |
|--------------------------|--------------|-------------|
| Medicare | 25 % | 23 % |
| Medicaid | 19 | 7 |
| Other third-party payors | 28 | 29 |
| Patients | 28 | 41 |
| | 100 % | 100 % |

Collective bargaining unit – The District has entered into a collective bargaining agreement with the International Association of Fire Fighters labor union as of January 1, 2022 through December 31, 2023. As of December 31, 2022 and 2021, 64 percent and 45 percent of the District's employees are represented by the union, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Klickitat County Emergency Medical Services District No. 1
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
Washington State Public Employees' Retirement System – Public Employees' Pension Plan 1 and
Law Enforcement Officers' and Fire Fighters' Plan 2
Last 10 Years *

| PERS 1 | | | | | | | | |
|-----------------------------|---|--|---|------------|--|--|--|--|
| Years Ended December 31, | District's Portion of the Net Pension Asset | District's Proportionate Share of the Net Pension Liability | State's Proportionate Share of the Net Pension Asset Associated with the Employer | Total | District's Covered- employee Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | |
| 2022 | 0.000232% | \$ (6,460) | \$ - | \$ (6,460) | \$ 1,413,549 | 0.46% | 76.56% | |

| LEOFF 2 | | | | | | | | |
|-----------------------------|---|--|---|------------|--|--|--|--|
| Years Ended December 31, | District's Portion of the Net Pension Asset | District's Proportionate Share of the Net Pension Asset | State's Proportionate Share of the Net Pension Asset Associated with the Employer | Total | District's Covered- employee Payroll | District's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | |
| 2018 | 0.014400% | \$ 292,351 | \$ 189,292 | \$ 481,643 | \$ 964,887 | 30.30% | 118.50% | |
| 2019 | 0.025642% | 593,629 | 388,748 | 982,377 | 953,901 | 62.23% | 119.43% | |
| 2020 | 0.028068% | 572,546 | 366,100 | 938,646 | 983,803 | 58.20% | 115.83% | |
| 2021 | 0.027559% | 1,600,741 | 1,032,653 | 2,633,394 | 1,076,619 | 148.68% | 142.00% | |
| 2022 | 0.029534% | 802,645 | 519,936 | 1,322,581 | 1,413,549 | 56.78% | 116.09% | |

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of June 30 (measurement date) of each year reported.

Klickitat County Emergency Medical Services District No. 1
Schedule of the District's Contributions
Washington State Public Employees' Retirement System – Public Employees' Pension Plan 1 and
Law Enforcement Officers' and Fire Fighters' Plan 2
Last 10 Years *

PERS 1

| Years Ended December 31, | Actuarily Determined Contribution | Actual Contribution | Contribution Deficiency | District's Covered-employee Payroll | Contributions as a Percentage of Covered-employee Payroll |
|-------------------------------------|--|--------------------------------|------------------------------------|--|--|
| 2022 | \$ 1,394 | \$ 1,722 | \$ 328 | \$ 1,413,549 | 0.12% |

LEOFF 2

| Years Ended December 31, | Actuarily Determined Contribution | Actual Contribution | Contribution Deficiency | District's Covered-employee Payroll | Contributions as a Percentage of Covered-employee Payroll |
|-------------------------------------|--|--------------------------------|------------------------------------|--|--|
| 2018 | \$ 52,393 | \$ 52,393 | \$ - | \$ 964,887 | 5.43% |
| 2019 | 51,332 | 51,332 | - | 953,901 | 5.38% |
| 2020 | 52,437 | 52,437 | - | 983,803 | 5.33% |
| 2021 | 55,277 | 55,277 | - | 1,076,619 | 5.13% |
| 2022 | 55,014 | 74,186 | 19,172 | 1,413,549 | 5.25% |

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of June 30 (measurement date) of each year reported.

INDEPENDENT AUDITORS' 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*

Board of Directors
Klickitat County Emergency Medical Services District No. 1
Dallesport, Washington

We have audited, in accordance with the 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 Klickitat County Emergency Medical Services District No. 1 (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 6, 2023.

Report on 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) as a basis for designing 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 6, 2023

Klickitat County Emergency Medical Services District No. 1
Schedule of Findings and Responses
Year Ended December 31, 2022

2022-001 Auditor Detected Adjustments

[] Control Deficiency [] Significant Deficiency [X] Material Weakness

| | |
|------------------------------|--|
| Criteria | Timely and accurate information should be available to management and those charged with governance to make decisions. No material audit adjustments should be proposed by auditors during the audit process. |
| Condition | Audit adjustments were proposed to allowance for patient accounts receivable, accrued payroll, accrued vacation, third-party settlements, and notes payable. |
| Context | The finding appears to be a <i>systemic</i> problem. |
| Effect | There were material errors in the financial statements that were corrected through auditor proposed adjustments. |
| Cause | The District over accrued the salaries and related benefits for the final pay period of the fiscal year resulting in incorrect balances at the year end. The District did not adjust the corresponding third-party payor settlement accrual when settlements were received. The District incorrectly recorded a financed purchase agreement. The District did not update the allowance for contractual adjustments and bad debts at the year end and reconcile the patient accounts receivable system reports to the general ledger. |
| Recommendation | The District should accrue all salaries and related benefits as of the fiscal year end and ensure all accruals for third-party payor settlements are tracked and recorded appropriately. The District should ensure that the allowance for contractual adjustments and bad debts is updated at least annually and that patient accounts receivable is reconciled to the general ledger. The District should ensure that all contracts and agreements for purchases of capital assets are reviewed to ensure proper accounting treatment and recognition. |
| Management's Response | The District will make sure all salaries and benefits are properly accrued and that third-party settlements are recorded appropriately at the fiscal year end. The District will ensure all allowances and bad debt are updated annually and patients accounts receivable are reconciled to the general ledger. The District will ensure all contracts and agreements for purchases of capital assets are reviewed to ensure proper accounting and recognition. |

Klickitat County Emergency Medical Services District No. 1
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

Finding No. 2021-001 – Auditor Detected Adjustments – Repeated as 2022-001