



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Kittitas County Fire Protection District No. 2

For the period January 1, 2023 through December 31, 2023

*Published September 16, 2024*

Report No. 1035548



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

September 16, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## TABLE OF CONTENTS

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 <i>Government Auditing Standards</i> .....	4
Independent Auditor's Report on the Financial Statements .....	7
Financial Section .....	11
About the State Auditor's Office .....	22

## INDEPENDENT AUDITOR'S REPORT

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

#### **Kittitas County Fire Protection District No. 2 January 1, 2023 through December 31, 2023**

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, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 11, 2024.

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 state law 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.

#### **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 opinions 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

## **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*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 11, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Kittitas County Fire Protection District No. 2 January 1, 2023 through December 31, 2023**

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

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Kittitas County Fire Protection District No. 2, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Kittitas County Fire Protection District No. 2, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

### **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, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

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

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 state law and the BARS Manual 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The



risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 11, 2024

## **FINANCIAL SECTION**

### **Kittitas County Fire Protection District No. 2 January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Notes to Financial Statements – 2023

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2023

**Kittitas County Fire Protection District No. 2**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>010 GENERAL FUND 636-010</b>	<b>230 DEBT SERVICE FUND - STATION</b>	<b>231 DEBT SERVICE FUND - STATION 21</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	8,797,957	8,635,421	147,747	14,789
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	8,189,544	7,724,098	465,446	-
320	Licenses and Permits	5,022	5,022	-	-
330	Intergovernmental Revenues	1,035,487	1,035,487	-	-
340	Charges for Goods and Services	2,848,010	2,848,010	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	268,667	256,586	7,315	4,766
Total Revenues:		12,346,730	11,869,203	472,761	4,766
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	9,025,901	9,025,901	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		9,025,901	9,025,901	-	-
Excess (Deficiency) Revenues over Expenditures:		3,320,829	2,843,302	472,761	4,766
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	290,000	-	-	290,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	9,572	9,572	-	-
Total Other Increases in Fund Resources:		299,572	9,572	-	290,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	727,831	727,831	-	-
591-593, 599	Debt Service	748,387	1,919	449,700	296,768
597	Transfers-Out	290,000	290,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	1,571	1,571	-	-
Total Other Decreases in Fund Resources:		1,767,789	1,021,321	449,700	296,768
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,852,612</b>	<b>1,831,553</b>	<b>23,061</b>	<b>(2,002)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	183,594	-	170,807	12,787
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	10,466,977	10,466,977	-	-
<b>Total Ending Cash and Investments</b>		<b>10,650,571</b>	<b>10,466,977</b>	<b>170,807</b>	<b>12,787</b>

The accompanying notes are an integral part of this statement.

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 1 - Summary of Significant Accounting Policies**

The Kittitas County Fire Protection District No. 2 was incorporated on April 16, 1945 and operates under the laws of the state of Washington applicable to a fire district. The district is a special purpose local government and provides fire protection, fire prevention, fire 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 (see *Notes to 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 presented using classifications that are different from the ending net position classifications 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. 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.

**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.

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**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. Cash and Investments**

See Note 3 - *Deposits and Investments*.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one years. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 480 hours and is payable upon separation or retirement.

Vacation pay for 40-hour work week employees under IAFF Local #663 contract may be accumulated up to 240 hours and is payable upon separation. The personal services contract for the Fire Chief indicates that pay for his 40-hour work week position may accumulate up to 440 hours and is payable upon separation or retirement. Vacation pay for all other 40-hour work week administrative employees may be accumulated at a rate of up to one and one-half (1½) years at the applicable accrual schedule based on years of service. Vacation liability as of the end of 2023 was \$618,498.

Sick leave may be accumulated up to 1440 hours for shift employees under the IAFF Local #663 contract. All other employees may accumulate up to 960 hours. Sick leave can only be used as paid time off for the illness of the employee, employees' spouse, their dependents, their parents, or as authorized by Washington State law. Employees with a minimum of ten (10) years of service who leave the district may receive 20 percent of their accrued sick leave upon resignation, termination, or death. Employees with less than ten (10) years of service do not receive payment for unused sick leave upon resignation, termination, retirement or death. Administrative employees do not receive a sick leave payout. The Fire Chief has negotiated that 75 percent of his sick leave will be paid out at separation through December 31, 2023. Payments are recognized as expenditures when paid. Sick leave liability as of the end of 2023 was \$217,439.

The District's cost of compensated absences for the period ending December 31, 2023 is \$844,257.

**F. Long-Term Debt**

See Note 6 – *Long-Term Debt (formerly Debt Service Requirements)*.

**G. Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by District's Board of Commissioner's. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Restrictions and commitments of Ending Cash and Investments consist of:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
DEBT SERVICE FUND - STATION BOND 636-230	170,807		170,807	The Debt Service Fund is used to collect tax revenue and pay debt obligations related to the General Obligation Bond.
DEBT SERVICE FUND - STATION 21 BOND 636-231	12,787		12,787	The Debt Service Fund is used to pay debt obligations related to the Commissioner Voted General Obligation Bond.
<i>Totals</i>	183,594	0	183,594	

**Note 2 - Budget Compliance**

The district adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department level. 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
010 - GENERAL FUND 636-010			
GENERAL FUND 636-010	7,966,734.00	6,748,482.25	1,218,251.75
EMS FUND 636-011	2,998,050.00	2,729,767.05	268,282.95
CONSTRUCTION FUND 636-020	430,000.00	250,203.74	179,796.26
EQUIPMENT FUND 636-041	1,100,520.00	318,768.06	781,751.94
Total 010 - GENERAL FUND 636-010	12,495,304.00	10,047,221.10	2,448,082.90
230 - DEBT SERVICE FUND - STATION BOND 636-03	449,700.00	449,700.00	
231 - DEBT SERVICE FUND - STATION 21 BOND 636	296,877.80	296,767.80	110.00

Budgeted amounts are authorized to be transferred between departments within any fund/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. This budget excludes interfund transfers due to consolidation. The variances are due to the District spending less than the amounts budgeted.

**Note 3 – Deposits and Investments**

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Investments are reported at fair value. Deposits and investments by type at December 31, 2023 are as follows:

Type of Deposit or Investment	District's own deposits & investments	Deposits & Investments held by the (City, Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	17,966		17,966
LGIP/KCIP	10,632,605		10,632,605
			0
<i>Totals</i>	10,650,571	0	10,650,571

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in (county investment pool)

The district is a voluntary participant in the county investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at fair value, which as of 12/31/2023, has a Mark to Market return of 0.98297. The pool does not impose any restrictions on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The county has a formal investment policy that addresses the risk.

**Note 4 – Joint Ventures, Component Unit(s), and Related Parties**

One of the District's Fire Commissioners has connections to an entity 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 the commissioner has 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 commissioner in question disclose their connections with the business and recuse themselves from any votes related to entering into contracts with the business. The District, along with other local government entities purchase fuel with A-1 Petroleum with government pricing. A total of \$95,795 was paid to purchase fuel and propane in 2023.

**Note 5 – Leases (Lessees)**

The district leases one copier from Canon Financial Services. March 1, 2023 the district ended the prior copier lease and entered into a new lease for \$209.00 per month under a 5-year lease agreement.



**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

The total amount paid for leases in 2023 was \$1,919. As of December 31, 2023, the future lease payments are as follows:

Year	Lease Payments
2024	2,508
2025	2,508
2026	2,508
2027	2,508
2028	627
<b>Total</b>	<b>10,659</b>

**Note 6 – Long-Term Debt** *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2023.

The debt service requirements for general obligation bonds, revenue bonds are as follows:

Year	Principal	Interest	Total
2024	530,000	214,689	744,689
2025	545,000	197,953	742,953
2026	565,000	180,710	745,710
2027	580,000	162,760	742,760
2028	601,000	144,303	745,303
2029-2033	3,721,000	440,643	4,161,643
<b>Totals</b>	<b>6,542,000</b>	<b>1,341,057</b>	<b>7,883,057</b>

**Note 7 – Other Disclosures**

Contingencies and Litigations

In May of 2016, we moved into the new headquarters fire station. During the building process, we had issues of quality in construction with the general contractor and the roofing sub-contractor. At the time of acceptance, we had doubts about the roof, however, legally, we could not prove the roof would leak. That winter and nearly every year since we have had issues with the roof. We have tried to work with the general and the subcontractors to no satisfaction. In 2022 we filed a construction defect claim and lawsuit. We have been to arbitration and are awaiting the results. Although we are still engaged in a legal battle with the general contractor, in 2023 we did go to bid and get the roof, reroofed, to stop the ongoing damage due to leaks.

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 8 – Other Postemployment Benefits (OPEB Plans)**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the district. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2023, the plan had two members, all retirees. As of December 31, 2023, the district's total OPEB liability was \$918,338, as calculated using the alternative measurement method. For the year ended December 31, 2023, the district paid \$32,606 in benefits.

**Note 9 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The district also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2023 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	19451.63	0.00285500%	2,282,732,000	65,172	
PERS 2/3	32386.64	0.00368400%	(4,098,683,000)		(150,995)
LEOFF 1		0.00267400%	(2,968,024,000)		(79,365)
LEOFF 2	259544.74	0.11498700%	(2,398,598,000)		(2,758,076)
VFFRPF	1260	0.720000%			(144,204)
		<i>Totals</i>		\$ 65,172	\$ (3,132,640)

**LEOFF Plan 1**

The district also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

**LEOFF Plan 2**

The district also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

**B. Defined Contribution Pension Plans**

The district participates in the Deferred Compensation Program (457b Plans) through Washington State Department of Retirement Systems and Empower. Employees have the option (not required) to participate in a deferred compensation program and the district will contribute up to \$200 in a 1 to 1 match to the employee. In 2023 the district contributed a total of \$117,600.

The District maintains VEBA HRA account for all full-time employees. This is a defined contribution plan that the district paid \$164,700 for the year ending December 31, 2023.

**Note 10 - Property Tax**

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

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

The district's regular levy for the year 2023 was \$1.50 per \$1,000 on an assessed valuation of \$5,202,997,112 for a total regular levy of \$7,804,496.

**Kittitas County Fire Protection District 2**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

In 2014, the District's voters approved a \$6.7 million General Obligation Bond for the construction of a new fire station. The 2023 bond taxes were based on an assessed valuation of \$5,166,385,242 and was \$0.090972 per \$1,000 for a payment amount of \$469,996.

**Note 11 – Risk Management**

The District carries a full insurance policy through McNeil & Company Inc, underwritten by Arch Insurance Company. These policies cover 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 Service Corporation (TPSC). The District pays 90 percent of the premium for employees while the remaining 10 percent is deducted from the employees' payroll each month. The Fire Chief's personal services contract stipulates that the District pays 100 percent of his health insurance premium.

The District self-insures for Unemployment Compensation.

**Kittitas County Fire Protection District No. 2**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Non-Voted GO Bond Issued 2019	12/1/2033	2,877,000	-	235,000	2,642,000
251.12	GO Bond - Voted Station - Issued 12/2/2014	12/1/2034	4,180,000	-	280,000	3,900,000
263.51	Stryker Purchase Agreement		1,429,751	-	158,861	1,270,890
263.56	Lease		594	12,540	2,475	10,659
<b>Total General Obligation Debt/Liabilities:</b>			<b>8,487,345</b>	<b>12,540</b>	<b>676,336</b>	<b>7,823,549</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		672,625	171,632	-	844,257
264.30	Pension Liability		75,345	-	10,173	65,172
264.40	OPEB Liability		1,004,211	-	85,873	918,338
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,752,181</b>	<b>171,632</b>	<b>96,046</b>	<b>1,827,767</b>
<b>Total Liabilities:</b>			<b>10,239,526</b>	<b>184,172</b>	<b>772,382</b>	<b>9,651,316</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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