

KITTITAS VALLEY FIRE & RESCUE

**Quarterly Financial Report
For the Quarter Ending March 31, 2013**



FINANCE OVERVIEW

Kittitas Valley Fire & Rescue (KVFR) is a special purpose government that provides fire protection, fire prevention and investigation, emergency medical services (EMS), and rescue services to the general public. The District was incorporated on April 25, 1945 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. KVFR's activities are supported primarily through property taxes and ambulance transport fees.

KVFR's financial resources are allocated to and accounted for in individual funds depending on their intended purpose. The following managerial funds are utilized:

General Fund – accounts for all resources and expenditures of a general nature that are not designated in another managerial fund.

EMS Fund – accounts for resources and expenditures resulting from the EMS operations that are related to EMS response, ambulance transport and billing.

Construction Fund – accounts for resources and expenditures resulting from the acquisition or construction/remodeling of District fire stations and other structures necessary for the operation of the District.

Reserve Fund – reflects the resources set aside for financially supporting other managerial funds that might need temporary support.

Equipment Replacement Fund – accounts for resources and expenditures resulting from the acquisition of assorted capital equipment needs for District operations.

Long Term Care Fund – reflects resources reserved for financially supporting any additional long-term care responsibilities that the District is obligated to pay for Law Enforcement Officers' and Fire Fighters' Plan 1 (LEOFF 1) retirees.

Revolving Fund – a checking account that is used to pay small bills that are necessary to pay between regular check runs. This account is reimbursed each month to maintain a \$1,000 balance.

The fiscal year runs from January 1st to December 31st and KVFR utilizes cash basis accounting in which revenues are recognized when they are received and expenditures are recognized when they are paid. Revenue and expense classifications are defined by the Washington State Auditor's Budgeting, Accounting and Reporting System (BARS). Accounting records are maintained on a secured, in-house computer program.

BUDGET OVERVIEW

Each November the District adopts an annual budget for the following calendar year via a resolution adopted by the Board of Fire Commissioners. The budget constitutes legal authority for expenditures during the year and those appropriations lapse at the end of the fiscal year.

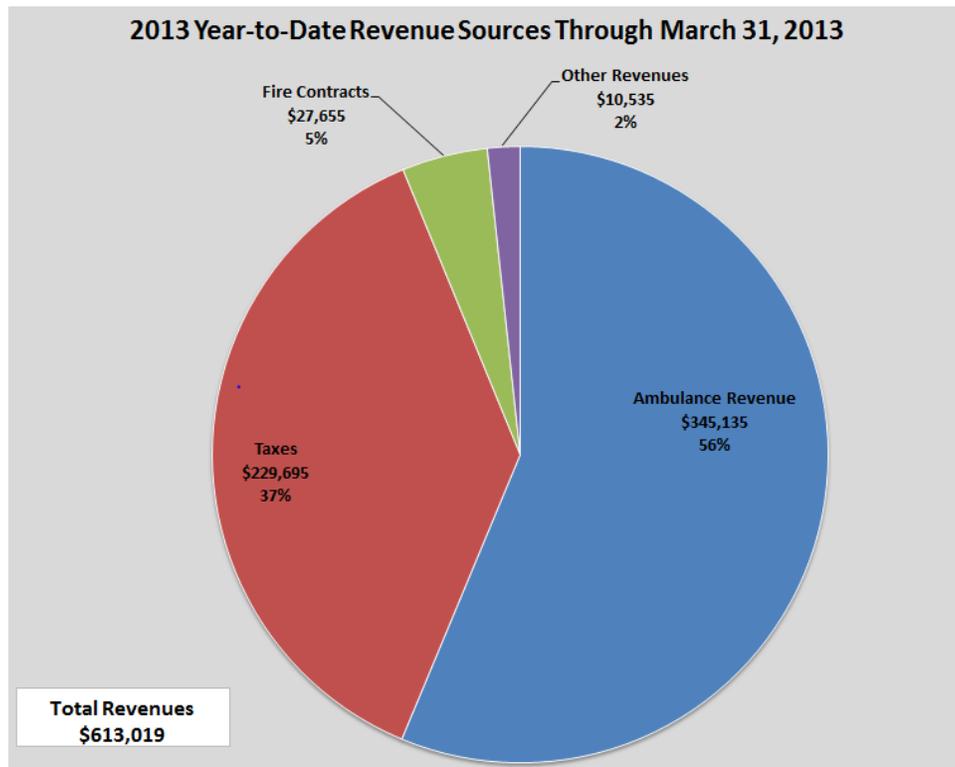
The Kittitas County Assessor's office provides information on anticipated property tax revenues. Other revenue projections are based on staff's analysis of prior year actual revenues as well as predicted new sources of revenues, such as grants, in the coming year.

Prior year expenditures are reviewed by staff as a tool to help predict future expenditures. In addition, operations staff is asked to submit a list of what they feel they need to purchase in the coming year. The Fire Chief and the Board of Fire Commissioners review the requests and incorporate approved requests into the expenditures budget.

Revenues and expenditures are budgeted on a managerial fund level as described in the section above.

2013 YEAR-TO-DATE REVENUE

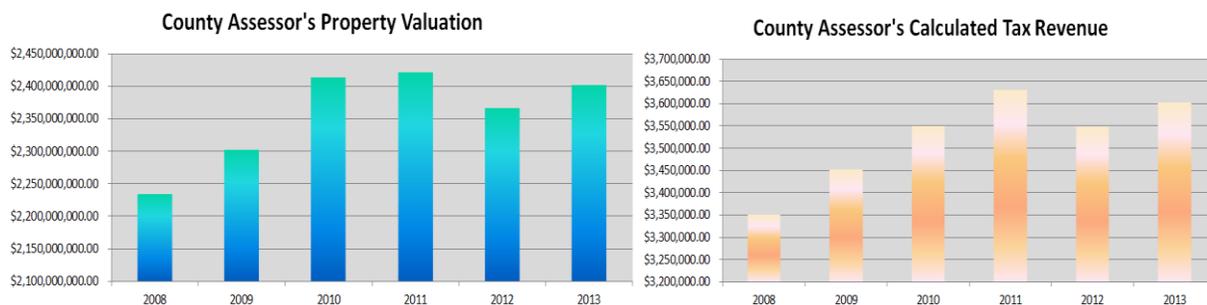
The budget shows that \$6,743,050 in revenues is expected to be received during 2013. KVFR has received a total of \$613,019 in revenues through March 31, 2013.



Property Taxes

Property taxes are the largest funding source for KVFR. The budget includes \$3,900,000 in property tax revenue for 2013 which accounts for 57.8% of the total budgeted revenue.

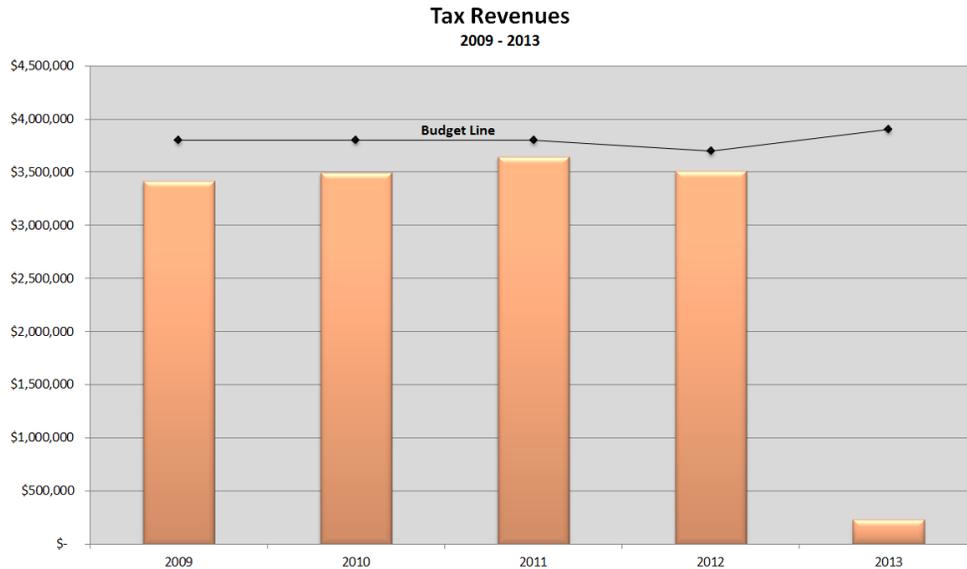
The property tax revenue is calculated by the Kittitas County Assessor based on the valuation of property within the fire district. For 2013, the total property value is listed at \$2,402,006,430 and the fire tax levy rate is \$1.50. This means that each resident must pay \$1.50 for each \$1,000 worth of value on their property, so the calculated property tax revenue is \$3,603,009.65.



There is almost \$297,000 difference between the County Assessor's final calculated amount of taxes and KVFR's budgeted amount. There are three reasons for this difference:

- The County Assessor has not finalized the valuations by the time KVFR must approve the budget, so staff must make an estimate on the amount of taxes to be received.

- The District’s Board of Commissioners and management team intentionally overestimate the taxes so that a banked capacity situation can be avoided. A fire district may not collect more in taxes than they have budgeted for so any “extra” taxes are considered banked capacity.
- The budget also considers prior year back taxes that may be collected during the budget year. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

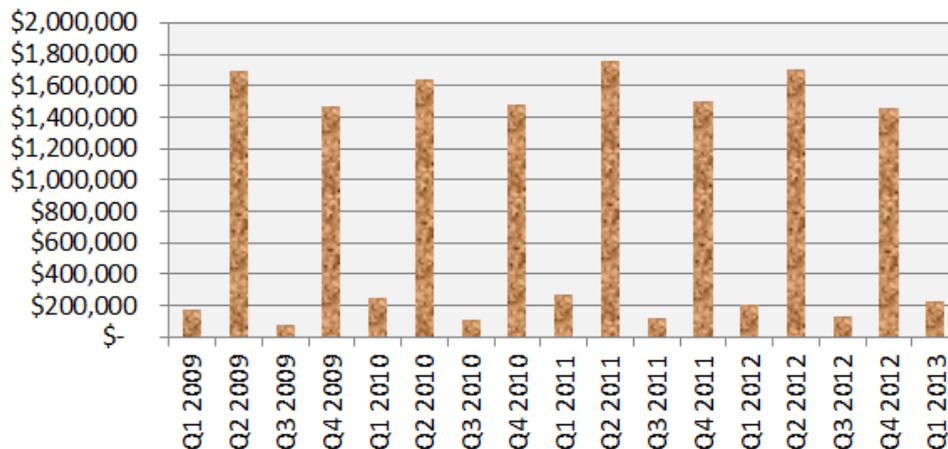


The county’s residents are expected to pay half of their property taxes by April 30th each year with the second half of the taxes due on October 31st. This creates a cyclical source of revenue for KVFR. Through March 31st, only 5.9% of the budgeted taxes have been received; however, the vast majority of the first half taxes will be received during the month of April.

Because of the cyclical nature of the property tax receipts, KVFR’s Commissioners and management team must make sure that the General Fund balance is adequately maintained to cover several months of payroll and other operating expenses until the next influx of property tax revenue is received. The following graph demonstrates the cyclical nature of tax revenue during the 2nd and 4th quarters each year (April and October, respectively).

Property Tax Receipts

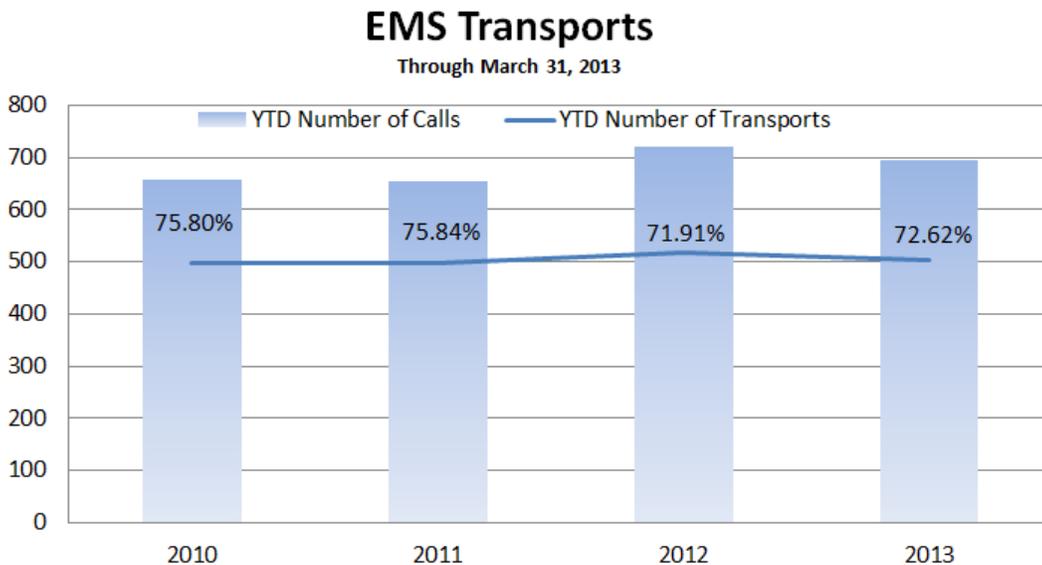
2009-2013



Ambulance Revenue

KVFR provides ambulance transport services in emergency situations as well as handling the transfer of patients from one medical facility to another. KVFR provides emergency medical services (EMS) in 1240 square miles of Kittitas County. The patients are charged fees based upon the level of service they receive, the length of their transport, and their residency status. The fee structure is set up to cover the costs of providing the services. For this reason, KVFR has chosen not to propose the implementation of an EMS levy.

First quarter statistics for the past four years show an increase in the number of calls, but a decreased rate of patients transported.



In addition, KVFR has seen a recent spike in calls involving illegal drug use and underage drinking that do not result in the transport of a patient. The agency faces the challenge of paying for the expense of those calls while not receiving matching revenue. For this reason, KVFR has begun to explore the option of implementing a fee for non-transport calls involving illegal activities.

The budget reflects an estimate of \$1,150,000 in ambulance revenues to be received in 2013 which accounts for 17% of the total budgeted revenue. Through March 31st, 30% (\$344,811) of the budgeted ambulance revenue has been received. The decline of the economy in recent years has affected patients' ability to pay their bills and the changes to Medicare and Medicaid have impacted KVFR's ambulance revenue.

In the Kittitas Valley, the number of calls and the related revenues can be cyclical in nature for a variety of reasons. Winter driving conditions tend to cause an increase in injury vehicle accidents. Scheduled events such as concerts at The Gorge, the beginning of the CWU school year, and the annual fair and rodeo tend to initiate more medical calls. KVFR also tends to complete more transports to other medical facilities when Kittitas Valley Hospital reaches maximum capacity, especially during flu season.

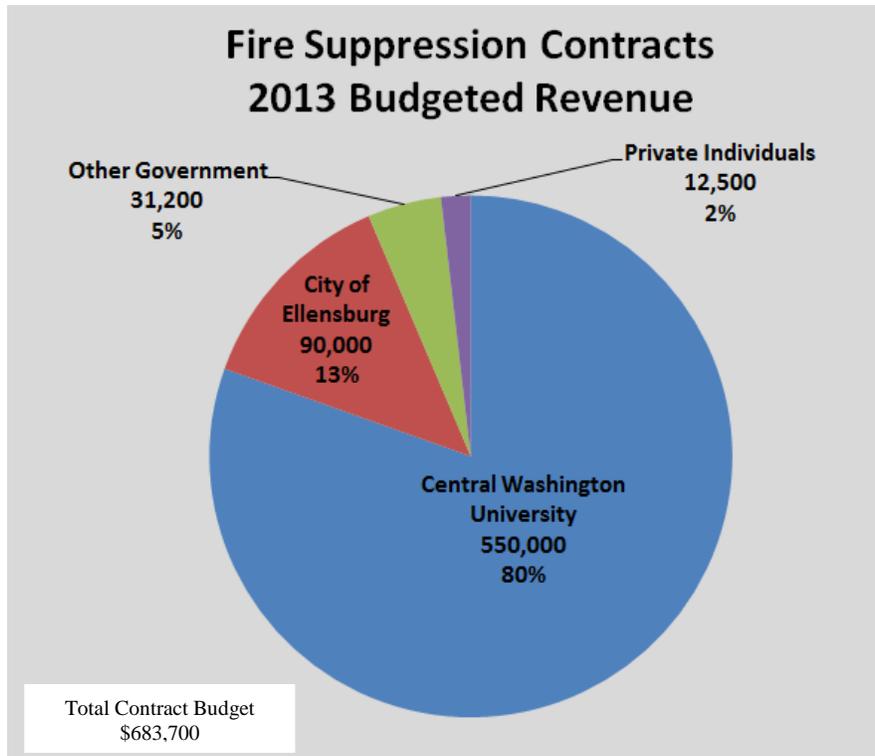
Fire Services Contracts

KVFR does not receive property tax revenue for protecting governmental properties because governmental agencies are not required to pay property taxes. Instead, KVFR has entered into contracts with most federal, state, and local governmental agencies that own property within the District's boundaries. The contracts are based on the same basis as the property taxes: the entities pay \$1.50 per \$1,000 of their property value. Because of Central Washington University's vast property holdings, they

pay KVFR over \$500,000 per year. Historically the Board of Fire Commissioners has informally reserved this money for the purchase of new equipment.

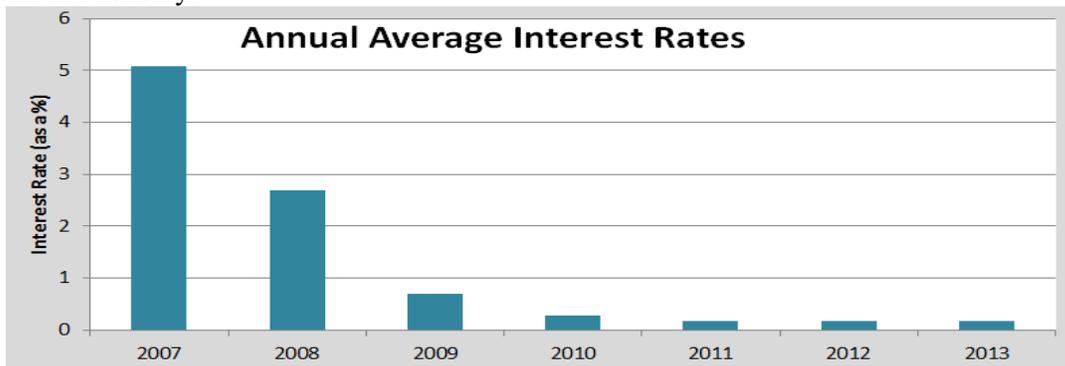
Included in the 2007 merger agreement between the City of Ellensburg and Kittitas County Fire District No. 2 is a clause in which the City of Ellensburg agreed to pay the District for ongoing Fire Marshal services. KVFR's Prevention Captain serves as the Fire Marshal for the City of Ellensburg and the City makes quarterly payments roughly equivalent to the Fire Marshal's salary.

The District also enters into fire suppression contracts with private individuals who own property adjacent to the District's boundaries. The following chart shows the budgeted income from each of these sources in 2013.



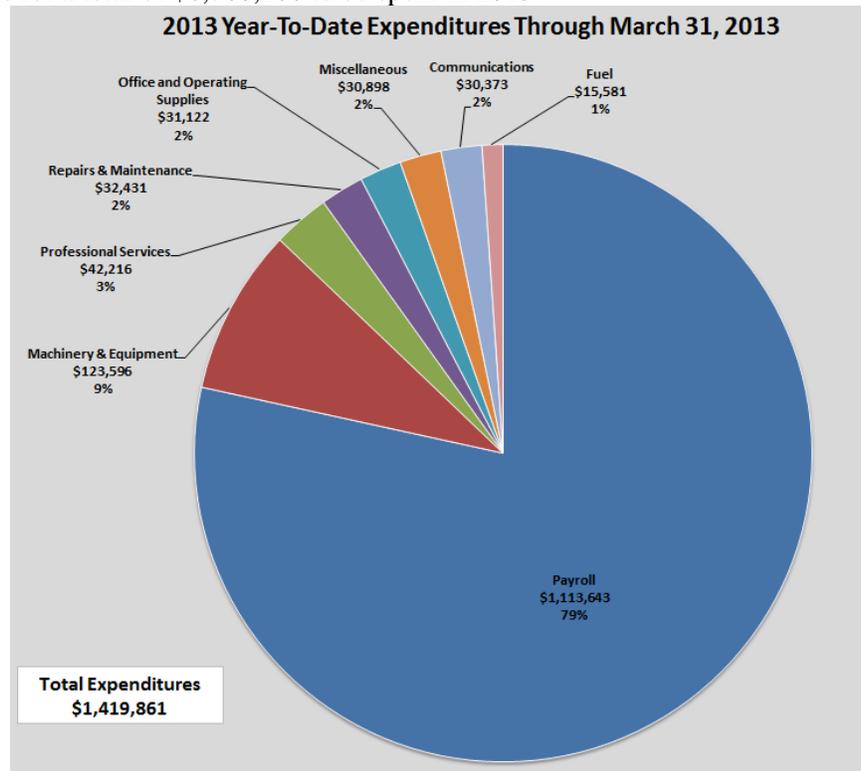
Investment Interest Income

The Kittitas County Treasurer acts as the bank for all of the fire districts in the county. The District's investments are held in a Certificate of Deposit in the District's name by the Local Government Investment Pool (LGIP). As of March 31st, the District's investment balance was \$2,860,368.67 and interest income for the quarter was \$1,667.62. Interest rates have decreased in recent years with the change in the economy.



2013 YEAR-TO-DATE EXPENDITURES

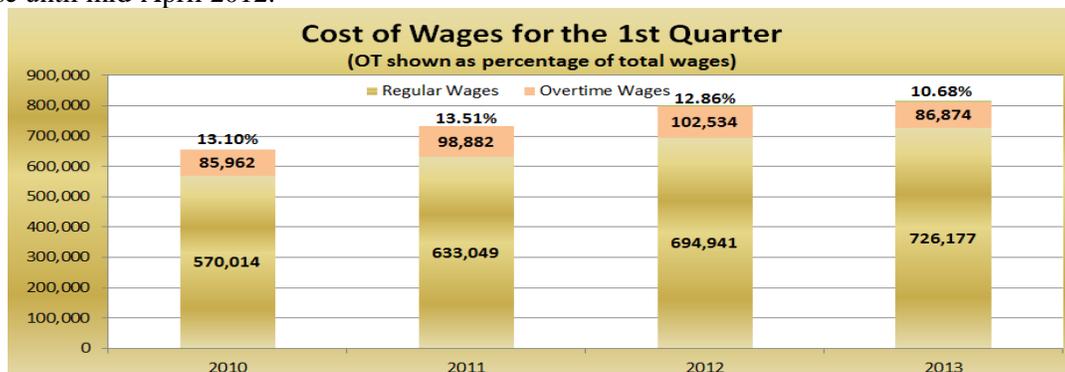
Through March 31st, KVFR has spent \$1,447,432.23 (21.4%) of the budgeted expenditures for the year. The budget calls for a total of \$6,768,100 to be spent in 2013.

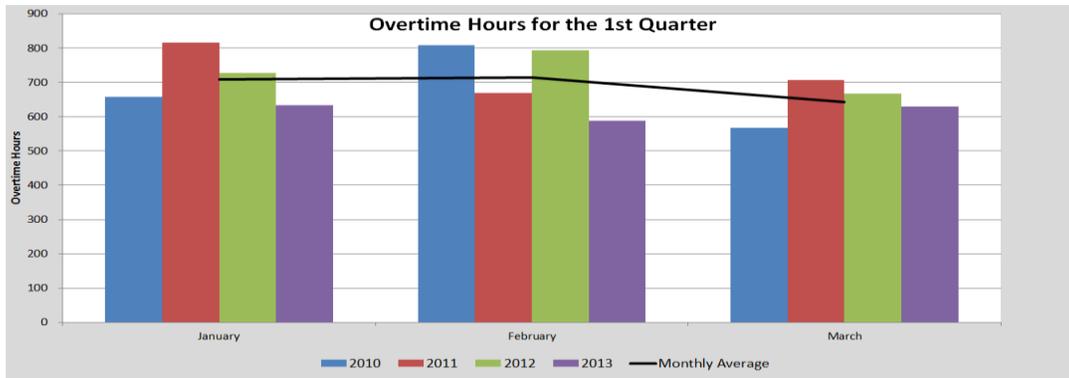


Payroll

Payroll expenditures comprise 65% of the 2013 expenditures budget. A total of \$3,205,250 is expected to be paid out in salaries and wages while an additional \$1,218,050 is expected to be paid for employee benefits.

Through March 31st, \$813,052 has been paid out in salaries and wages. Of that amount, \$86,874 (10.68%) was for overtime expenses. The percentage of overtime has noticeably decreased from the first quarter of 2012 to the first quarter of 2013. This can be attributed to the addition of three new firefighters hired at the beginning of 2012. During the first quarter of 2012, two of the new hires were at the state fire academy and the third was completing his paramedic training so on-shift staffing levels did not actually increase until mid-April 2012.



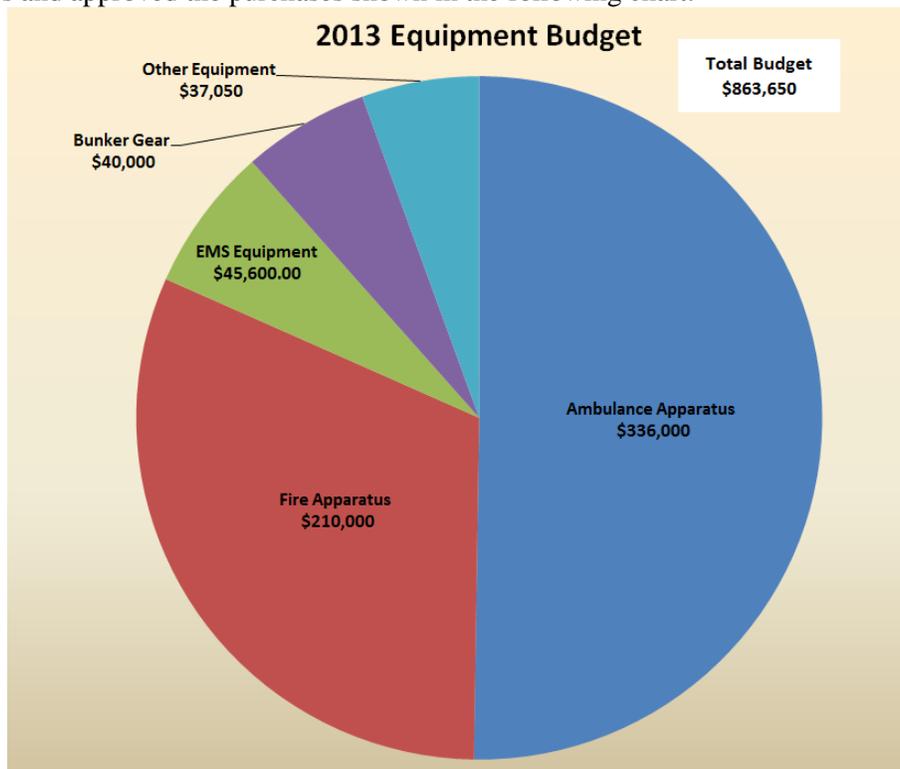


Machinery and Equipment

KVFR’s largest equipment expenditure in the first quarter was for a medic unit remount in the amount of \$111,500. KVFR purchases medic units that can be remounted onto a new chassis every five to six years at a savings of \$40,000 per unit. After the units have been remounted twice, the ambulance module has to be replaced. Typically, one medic unit is replaced each year.

Other machinery and equipment purchases in the first quarter included communications equipment, hose, training equipment, and technical team/wildland firefighter equipment.

The Board of Fire Commissioners and the management team considered purchase requests during the budget process and approved the purchases shown in the following chart.



The aforementioned medic unit remount accounts for \$111,000 of the ambulance apparatus budget. The remaining \$225,000 has been delegated for the purchase of a new medic unit using the funds donated by the Henderson Estate in late 2012.

KVFR is applying for an Assistance to Firefighters Grant (AFG) in the hopes of gaining \$150,000 to buy a new tender. The purchase of the tender is contingent upon receiving that grant money and if the money is not received, the tender will not be purchased. The remaining \$60,000 budgeted for Fire Apparatus is to buy a new brush truck to supplement our existing fleet at the volunteer stations. This brush truck will be funded with the money received for the use of equipment on the major 2012 wildfires.

EMS equipment to be purchased includes new stretchers, suction units, and a LifePak 15. Other major equipment purchases will include communications equipment, fire appliances, hose, office equipment, training equipment, living quarters furnishings, and technical rescue team and wildland firefighting equipment.

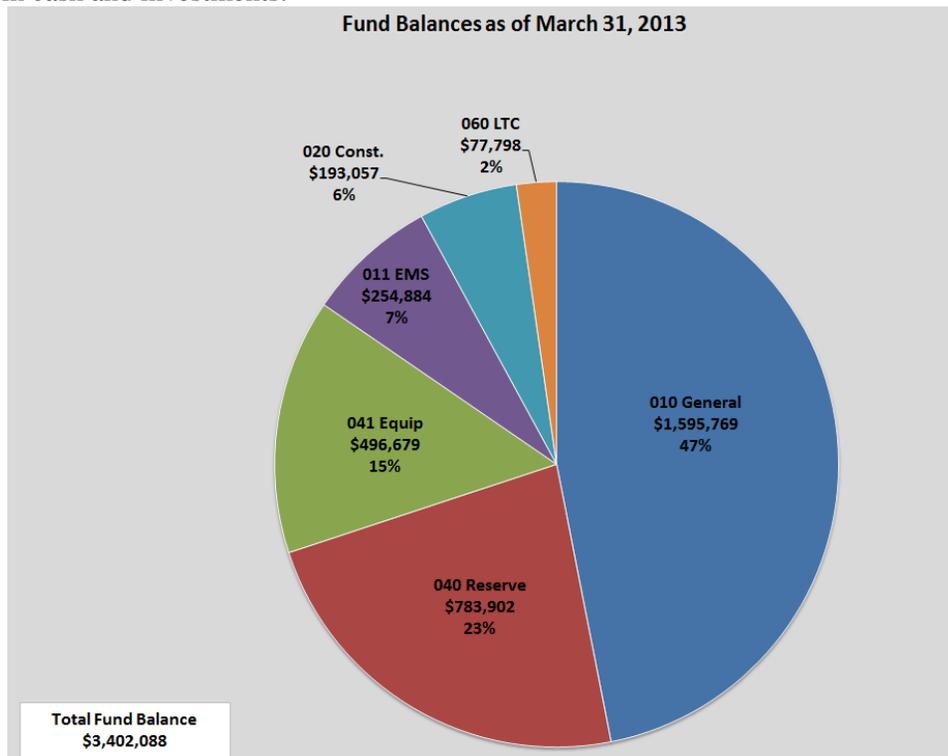
Other Expenditures

Professional services such as training at the fire academy, computer support, legal services, EMS collections services, the employee assistance program (EAP), air sample testing, equipment testing, fire safety construction plans review, and employee vaccinations account for 3% of the first quarter expenditures.

The final 9% of the first quarter expenditures is comprised of office supplies, patient supplies, fuel, repairs and maintenance, communications, and other miscellaneous expenses.

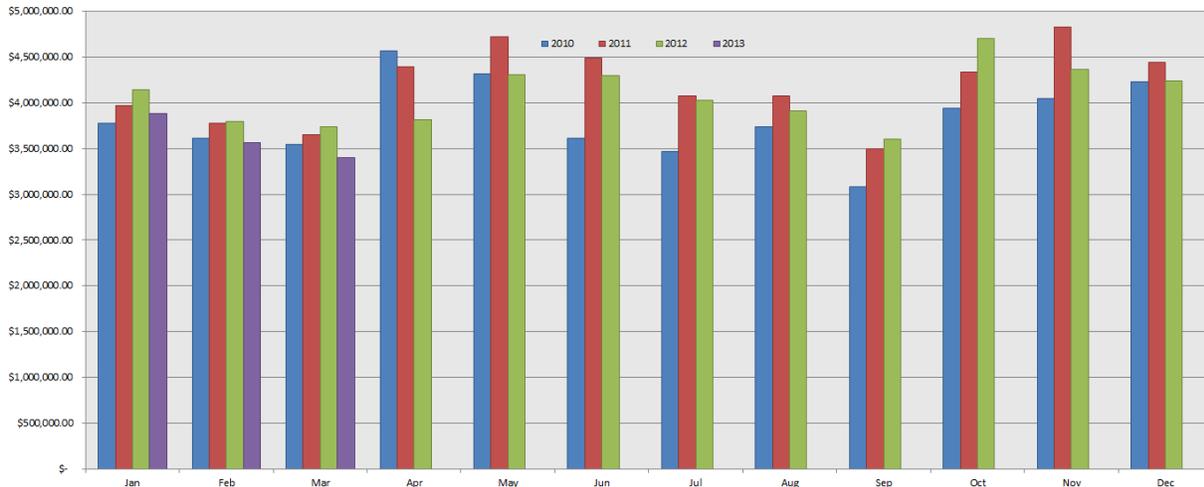
FUND BALANCES

KVFR currently has a healthy overall fund balance due to conservative planning on behalf of the Board of Fire Commissioners and management staff. The fund balance is the amount available at the end of the period after all receipts have been entered and all bills have been paid. As of March 31st, KVFR had \$3,402,088 in cash and investments.



As previously mentioned, the property tax revenue is cyclical because of the semiannual payment deadlines. The District must continue to pay bills throughout the year even though the bulk of its primary funding is received in April and in October. The following graph demonstrates the trend of how the funds available to the District grow and shrink during the year between property tax payments.

Historical Fund Balances 2007-2013



Part of the budgeting process is to determine how much of the property tax should be transferred from the General Fund to the other funds during the year to maintain their funding levels and to plan for expenditures out of those funds. The following is a list of transfers scheduled out of the General Fund based upon the 2013 budget:

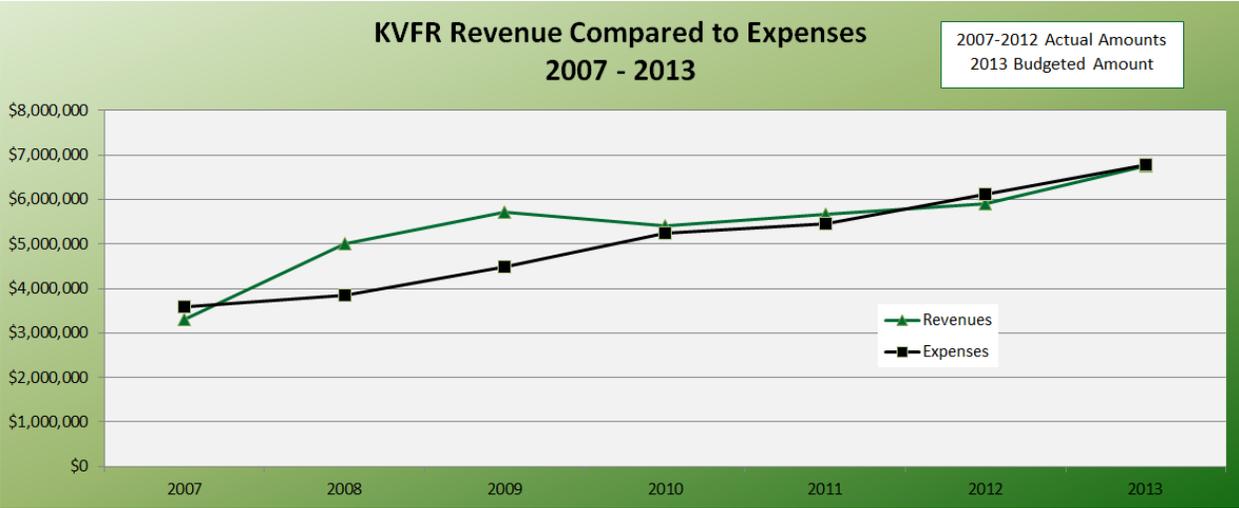
- *\$200,000 to the EMS Fund.* While the fee schedule is built to cover the majority of the cost of services, cash flow can be tight when patients or insurance companies do not pay their bills in a timely manner; therefore, tax money is needed to help cover EMS costs.
- *\$700,000 to the Construction Fund.* The cost of the cleanup for the 400 E. Mountain View property will be paid out of the Construction Fund. The District is anticipating revenue from federal and state grants to cover the majority of the cost of the cleanup. The grant money will be deposited into the General Fund and transferred into the Construction Fund.
- *\$30,000 to the Reserve Fund.* The State Auditor’s office recommends that entities carry funds in reserve to cover at least two months of operating expenditures in the case of emergency. The finance staff has prepared the analysis that a balance of \$815,000 should be in KVFR’s Reserve Fund. The \$30,000 transfer will take the account balance closer to that figure.
- *\$400,000 to the Equipment Fund.* This transfer will effectively move the Henderson Estate donation and the anticipated AFG into the Equipment Fund to cover the cost of purchasing a new medic unit and a new tender. If the AFG funds are not received, the amount of the transfer will be adjusted.
- *\$2,000 to the Long Term Care Fund.* There are currently three surviving LEOFF 1 members who the District is obligated to pay medical claims for. This fund reserves money to be used for paying those claims.

Changes in Fund Balance

The 2013 budget is estimating a \$25,050 net decrease in total fund balances throughout the year.

2013 BUDGET							
	010 General	011 EMS	020 Construction	040 Reserve	041 Equipment	060 Long Term Care	All Funds
Beginning Fund Balance	1,919,786.75	254,954.61	638,345.08	783,574.22	544,977.87	77,765.84	4,219,404.37
Total Revenues	5,580,325.00	1,180,175.00	500.00	1,400.00	500.00	150.00	6,743,050.00
Total Expenses	(3,978,650.00)	(1,411,800.00)	(700,000.00)	0.00	(677,650.00)	0.00	(6,768,100.00)
Total Transfers In	0.00	200,000.00	700,000.00	30,000.00	400,000.00	2,000.00	1,332,000.00
Total Transfers Out	(1,332,000.00)	0.00	0.00	0.00	0.00	0.00	(1,332,000.00)
Ending Fund Balance	2,189,461.75	203,329.61	638,845.08	814,974.22	267,827.87	79,915.84	4,194,354.37
Increase/(Decrease) in Fund Balance	269,675.00	(51,625.00)	500.00	31,400.00	(277,150.00)	2,150.00	(25,050.00)

Over the years since the merger on 2007 revenues have generally exceeded expenses to build fund balances to existing levels.



In the first quarter of 2013, total expenses exceeded total revenues by \$834,412.78. Again, this can be attributed to the District continuing to meet payroll and purchasing demands while waiting to receive the first wave of property tax revenue.