



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements and Federal Single Audit  
Report**

**Kent Fire Department Regional Fire  
Authority**

**King County**

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

**Published September 29, 2014**

**Report No. 1012703**





**Washington State Auditor**  
**Troy Kelley**

September 29, 2014

Board of Directors  
Kent Fire Department Regional Fire Authority  
Kent, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Kent Fire Department Regional Fire Authority's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR

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# Federal Summary

## Kent Fire Department Regional Fire Authority King County January 1, 2013 through December 31, 2013

The results of our audit of Kent Fire Department Regional Fire Authority are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Authority did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Federal Audit Findings and Questioned Costs

**Kent Fire Department Regional Fire Authority  
King County  
January 1, 2013 through December 31, 2013**

- 1. The Authority did not maintain appropriate time and effort documentation to support payroll costs charged to the Staffing for Adequate Fire and Emergency Response (SAFER) program.**

<b>CFDA Number and Title:</b>	97.083 Staffing for Adequate Fire and Emergency Response (SAFER)
<b>Federal Grantor Name:</b>	U.S. Department of Homeland Security
<b>Federal Award/Contract Number:</b>	EMW-2008-FF-00975, EMW-2011-FH-01004
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

## **Description of Condition**

In fiscal year 2013, the Authority spent \$337,885 in federal funds provided by the Department of Homeland Security through its SAFER program. This program provides funds to increase the number of trained, "front-line" firefighters or to rehire firefighters that have been laid-off.

We reviewed payroll transactions to determine whether salaries and benefits charged to federal grants were supported by adequate time and effort documentation as required by federal regulations. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or a monthly personnel activity report, such as a timesheet. Either the employee or the supervisor with firsthand knowledge of the work performed must sign the certifications.

We found the Authority did not maintain adequate time and effort documentation for the 14 employees that were funded through this program. The total amount charged to the grant for these 14 employees was \$337,885.

## **Cause of Condition**

The Authority staff was not aware of federal time and effort reporting requirements for employee personnel costs charged to federal grants. We consider this control deficiency a material weakness in internal controls.

## Effect of Condition and Questioned Costs

Without proper time and effort documentation, federal grantors cannot be assured salaries and benefits charged to their programs are accurate and valid. The Authority's noncompliance with grant requirements can jeopardize future federal funding and may require it to return federal funds to the grantor.

We reviewed alternative documentation and verified that the employees worked entirely on the SAFER program, and the costs were allowable. As a result, we are not questioning costs.

## Recommendation

We recommend the Authority:

- Provide training to personnel to ensure they have an adequate understanding of federal time and effort requirements.
- Establish and implement adequate internal controls to ensure proper time and effort documentation is obtained for employees personnel costs charged to the grant in accordance with federal requirements.

## Authority's Response

*During our single audit we became aware of the federal requirement for documenting time and effort where personnel costs are charged to grants. We currently have a SAFER grant where 100% of firefighters' time is charged to the grant.*

*Based on the recommendation of the State Auditor, we have put into place the following procedure and controls:*

- *A time and effort time sheet template has been created for the purpose of documenting personnel time charged to grants. This template will be used for all current and future grants where personnel time is an allowable expense on a grant. These personnel will be notified and required to complete this time sheet in addition to their current procedures to document their time for each pay period worked to ensure we have adequate control and do not extend beyond the required time period for reporting. Both employee and approving supervisor will sign this documentation.*
- *In addition, a class on Federal Grant Requirements and Management will be taken by key finance personnel. There are two classes currently scheduled for October 2014 being offered by Washington Finance Officers Association. One of these classes will be attended.*

## Auditor's Remarks

We appreciate the Authority's commitment to correcting the condition described. We will determine the status of the finding during the next audit.

## Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix B, Section 8(h), states in part:

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal



agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
  - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
  - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart E, Section 500, states in part:

(a) General. The audit shall be conducted in accordance with GAGAS.

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 states:

**4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

**.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

**Material weakness.** 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.

**Significant deficiency.** 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.

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

**Kent Fire Department Regional Fire Authority  
King County  
January 1, 2013 through December 31, 2013**

Board of Directors  
Kent Fire Department Regional Fire Authority  
Kent, 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 Kent Fire Department Regional Fire Authority, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated September 22, 2014.

We issued an unmodified opinion on the fair presentation of the Authority'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 Authority using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 preceding paragraph 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.

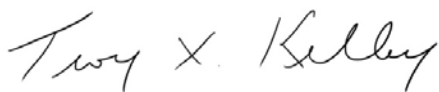
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

September 22, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

## **Kent Fire Department Regional Fire Authority King County January 1, 2013 through December 31, 2013**

Board of Directors  
Kent Fire Department Regional Fire Authority  
Kent, Washington

### ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of Kent Fire Department Regional Fire Authority, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the accompanying Federal Summary.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

### ***Authority's Response to Findings***

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 22, 2014

# **Independent Auditor's Report on Financial Statements**

## **Kent Fire Department Regional Fire Authority King County January 1, 2013 through December 31, 2013**

Board of Directors  
Kent Fire Department Regional Fire Authority  
Kent, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of Kent Fire Department Regional Fire Authority, King County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 19.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the



appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, Kent Fire Department Regional Fire Authority has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Kent Fire Department Regional Fire Authority, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

### ***Basis for Adverse Opinion on U.S. GAAP***

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Authority used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### ***Adverse Opinion on U.S. GAAP***

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kent Fire Department Regional Fire Authority, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

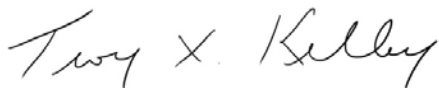
#### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

September 22, 2014

## **Financial Section**

**Kent Fire Department Regional Fire Authority  
King County  
January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

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

Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General	101 Special Revenue	301 Capital Reserve
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	10,169,675	7,464,272	349,936	2,355,467
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	13,960,877	13,960,877	0	0
320	Licenses & Permits	3,450	3,450	0	0
330	Intergovernmental Revenues	2,585,353	1,892,630	692,723	0
340	Charges for Goods and Services	18,887,861	18,887,861	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	573,533	226,834	206,347	140,352
Total Operating Revenues:		36,011,074	34,971,652	899,070	140,352
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	34,167,162	33,581,303	527,599	58,260
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		34,167,162	33,581,303	527,599	58,260
Net Operating Increase (Decrease):		1,843,912	1,390,349	371,471	82,092
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	9,808	9,808	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	2,077,460	500,000	0	1,577,460
Total Nonoperating Revenues:		2,087,268	509,808		1,577,460
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	8,696	8,696	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	2,113,120	53,987	42,979	2,016,154
597	Transfers-Out	2,077,460	1,577,460	0	500,000
Total Nonoperating Expenditures:		4,199,276	1,640,143	42,979	2,516,154
Increase (Decrease) in Cash and Investments		-268,096	260,014	328,492	-856,602
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	1,186,232	507,803	678,429	0
50880	End Fund Balance-Unreserved	8,715,352	7,216,487	0	1,498,865

The accompanying notes are an integral part of this Statement.

**Kent Fire Department Regional Fire Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2013**

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

The Kent Fire Department Regional Fire Authority (RFA) reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Kent Fire Department Regional Fire Authority was incorporated on July 1, 2010 and operates under the laws of the state of Washington applicable to a regional fire authority. The Kent Regional Fire Authority is a special purpose government that provides fire protection and medical emergency response services to the general public and is supported primarily through property taxes and a fire benefit charge. The Kent Regional Fire Authority uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the Kent Regional Fire Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The RFA's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the RFA:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

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

**Healthcare Benefit Reserve Fund**

The Kent Regional Fire Authority began a self-insured health care plan in January 2013. This fund accounts for the financial resources that are restricted, committed, or assigned to be held in reserve as mandated by the WA State Risk Manager to ensure the health care plan can cover unforeseen expenses in difficult years.

**Special Revenue Fund**

This fund accounts for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Kent RFA.

Capital Projects Fund

This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The Kent Regional Fire Authority adopts an annual appropriated budget for the general and capital funds. This budget is appropriated at the fund level except the general (current expense) fund, where the budget is adopted at the division 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 budget is as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Administration	\$ 2,038,301	\$ 1,574,439	\$ 463,862
Emergency Management	\$ 661,967	\$ 650,371	\$ 11,596
Operations Division	\$ 22,863,437	\$ 22,403,546	\$ 459,891
Prevention Division	\$ 3,813,840	\$ 4,116,556	\$ -302,716
Support Services Division	\$ 5,055,417	\$ 4,834,111	\$ 221,306
Total General Fund	\$ 34,432,962	\$ 33,579,023	\$ 853,939
Capital Reserve Fund	\$ 3,355,467	\$ 2,574,414	\$ 781,053

Budgeted amounts are authorized to be transferred between line accounts within any fund within divisions; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, or other conditions of employment must be approved by the Kent Regional Fire Authority's legislative body.

D. Cash

It is the Regional Fire Authority's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The Regional Fire Authority's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. 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 year. The capital assets of the Kent Regional Fire Authority are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated from 240 hours up to 724 hours dependent upon years of service and is payable upon separation or retirement.

Sick leave may accumulate up to 1,799 hours for operations shift personnel and 1,199 hours for day shift personnel. Upon separation or retirement a deposit is made into an HRA account in the employee's name for an amount equal to 20% of first class firefighter hourly pay for each hour of unused sick leave. This compensation does not apply to civilian personnel.

Holiday leave in lieu of pay may accumulate for operations shift personnel with a maximum of 84 hours allowed to carry over to the next year, and is payable upon separation or retirement.

I. Other Financing Sources or Uses

The Kent Regional Fire Authority's *Other Financing Sources or Uses* consist of interfund transfers.

J. Risk Management

The Kent Regional Fire Authority does not have a separate Risk Management Fund. Risk management is covered by outside insurance purchased for the Regional Fire Authority. The Healthcare Benefit Reserve Fund is held separate to protect the risk of unanticipated healthcare costs.

**K. Reserved Fund Balance**

The Kent Regional Fire Authority has a reserved fund balance in the Healthcare Benefit Reserve Fund. This fund is reserved solely for the use of healthcare expenses as mandated by the State Risk Manager. All other funds have an unreserved fund balance to be used as budgeted or authorized by the RFA governance board.

**Note 2 - Investments**

The Regional Fire Authority's investments are held by the County as its agent in the Fire Authority's name.

Investments by type at December 31, 2013 were as follows:

<u>Type of Investment</u>	① <u>Kent RFA's</u> <u>own investments</u>	② Investments held by King County as an agent for other local governments	③ Total
King County Investment Pool	\$ ___-0-___	\$ 9,901,584	\$ 9,901,584
Total	\$ <u>___-0-___</u>	\$ <u>9,901,584</u>	\$ <u>9,901,584</u>

**Note 3 - Property Tax**

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

Property tax revenues are recognized when cash is received by King County and credited to Kent Regional Fire Authority. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Kent Regional Fire Authority's regular levy for the year 2013 was \$ 1.00 per \$1,000 on an assessed valuation of \$14,100,500,238 for a total regular levy of \$14,100,500.

**Note 4 - Interfund Loans**

The following table displays interfund loan activity during 2013 for cash flow purposes:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2013</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2013</u>
General	Capital Reserve	\$ -0-	\$500,000	\$500,000	\$ -0-
	TOTALS	\$ <u>-0-</u>	\$ <u>500,000</u>	\$ <u>500,000</u>	\$ <u>-0-</u>



**Note 5 – Debt Service Requirement**

The Kent Regional Fire Authority has no long-term debt and no debt service requirements.

**Note 6 - Pension Plans**

Substantially all Kent Regional Fire Authority full-time and qualifying part-time employees participate in LEOFF and PERS administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Kent RFA's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

**Note 7 - Other Disclosures**

The Kent Regional Fire Authority was formed on July 1, 2010 in response to an election dated April 27, 2010 which approved the joining of the City of Kent Fire Department and King County Fire District #37. The RFA Governance Board is made up of three city council members from the City of Kent and three fire commissioners from King County Fire District #37. There is also a representative from City of Covington (which is a part of KCFD #37) who sits on the governance board as a non-voting member.

The Kent Regional Fire Authority provides Fire Prevention, Fire Investigation, and Emergency Management service for the City of Kent under a contract for service. The total funds received in 2013 to provide these services were \$3,072,388. These agreements are reviewed and renewed annually.

The City of Kent provides facilities maintenance and information technology services to the Regional Fire Authority. The total funds paid in 2013 for these services were \$1,211,701. These agreements are reviewed and renewed annually.

King County Fire District #37 election expenses will be paid by the RFA. There were no such expenses paid in 2013.

In September of 2013, an agreement to provide emergency services was signed with the City of SeaTac. As of January 1, 2014, the Kent Regional Fire Authority provides emergency services, fire prevention, fire investigation, public education, and emergency management to the City of SeaTac. An addition of 50 personnel was made to the Kent Regional Fire Authority to provide this service. This agreement will be reviewed annually. Per the contract, a city council member from City of SeaTac has a seat on the RFA governance board as a non-voting member.

In 2013 the Regional Fire Authority had their first year of providing a self-insured health insurance program to employees. This program proceeded as expected and use of reserve funds was not necessary.

Kent Fire Department Regional Fire Authority  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Schedule 16

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Department Of Homeland Security/City of Kent	Emergency Management Performance Grants	97.042	E12-322	104,528		104,528	
Department Of Homeland Security/King County Emergency Management	Homeland Security Grant Program	97.067	FFY-11-SHSP-003	60,000		60,000	
Department Of Homeland Security/King County Emergency Management	Homeland Security Grant Program	97.067	FFY-12-SHSP-003	50,000		50,000	
Department Of Homeland Security/King County Emergency Management	Homeland Security Grant Program	97.067	FFY-11-SHSP-CC-002	52,442		52,442	
Department Of Homeland Security/King County Emergency Management	Homeland Security Grant Program	97.067	FFY10-SHSP-EQ-001	42,979		42,979	
<b>Total CFDA 97.067</b>				<b>205,421</b>	<b>0</b>	<b>205,421</b>	
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00975		45,570	45,570	
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH-01004		292,315	292,315	
<b>Total CFDA 97.083</b>				<b>0</b>	<b>337,885</b>	<b>337,885</b>	
<b>Total Federal Awards Expended:</b>				<b>309,949</b>	<b>337,885</b>	<b>647,834</b>	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Kent Fire Department Regional Fire Authority  
King County, Washington

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Kent Fire Department Regional Fire Authority's financial statements. The Kent Fire Department Regional Fire Authority uses the Cash Basis Budgeting Accounting and Reporting System (BARS).

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Kent Fire Department Regional Fire Authority's portion, are more than shown.

# Corrective Action Plan for Findings Reported Under OMB Circular A-133

## Kent Fire Department Regional Fire Authority King County January 1, 2013 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Kent Fire Department Regional Fire Authority.

<b>Finding ref number:</b> 1.	<b>Finding caption:</b> The Authority did not maintain appropriate time and effort documentation to support payroll costs charged to the Staffing for Adequate Fire and Emergency Response (SAFER) program.
<b>Name, address, and telephone of auditee contact person:</b> Margaret Martin 24611 116th Avenue S.E. Kent, WA 93030	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>A time sheet template has been created for the purpose of documenting time and effort to support payroll costs charged to the Staffing for Adequate Fire and Emergency Response (SAFER) program.</i>  <i>Timesheets for each employee working under the SAFER grant have been created for the two time periods reported so far in 2014. These time periods are January 1 through March 31; and April 1 through June 30. We are currently gathering the necessary signatures.</i>  <i>This time sheet template will now be used for any future grants where time and effort must be documented. The timesheets will be signed and approved for each payroll cycle within the grant reporting period.</i>	
<b>Anticipated date to complete the corrective action:</b> September 15, 2014	

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
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