



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

King County Fire Protection District No. 20

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

Published October 27, 2013

Report No. 1012818





Washington State Auditor
Troy Kelley

October 27, 2014

Board of Commissioners
King County Fire Protection District No. 20
Seattle, Washington

Report on Financial Statements

Please find attached our report on King County Fire Protection District No. 20's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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

King County Fire Protection District No. 20 January 1, 2013 through December 31, 2013

Board of Commissioners
King County Fire Protection District No. 20
Seattle, 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 King County Fire Protection District No. 20, 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 District's financial statements, and have issued our report thereon dated September 29, 2014.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

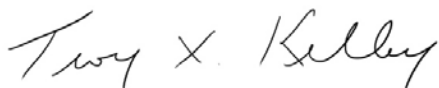
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 29, 2014

Independent Auditor's Report on Financial Statements

King County Fire Protection District No. 20 January 1, 2013 through December 31, 2013

Board of Commissioners
King County Fire Protection District No. 20
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of King County Fire Protection District No. 20, King County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, King County Fire Protection District No. 20 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 King County Fire Protection District No. 20, 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 District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of King County Fire Protection District No. 20, 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

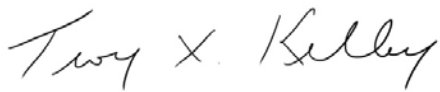
Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 29, 2014

Financial Section

King County Fire Protection District No. 20 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 Liabilities – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code	Total for All funds*	000	200	201
Beginning Cash and Investments				
30810 Beg Fund Bal-Reserved	53,036	0	35,790	17,246
30880 Beg Fund Bal-Unreserved	1,658,404	1,658,404	0	0
38800/58800 Prior Period Adjustments, net	0	0	0	0
Operating Revenues				
310 Taxes	2,558,597	2,251,777	298,156	8,664
320 Licenses & Permits	0	0	0	0
330 Intergovernmental Revenues	1,208	1,208	0	0
340 Charges for Goods and Services	477,133	477,133	0	0
350 Fines & Penalties	0	0	0	0
360 Miscellaneous Revenues	15,424	14,462	858	104
Total Operating Revenues:	3,052,362	2,744,580	299,014	8,768
Operating Expenditures				
510 General Government	0	0	0	0
520 Public Safety	2,294,656	2,294,621	29	6
598 Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:	2,294,656	2,294,621	29	6
Net Operating Increase (Decrease):	757,706	449,959	298,985	8,762
Nonoperating Revenues				
370, 380, 395, 398 Other Financing Sources	5,440	4,811	629	0
391-393 Debt Proceeds	0	0	0	0
397 Transfers-In	0	0	0	0
Total Nonoperating Revenues:	5,440	4,811	629	
Nonoperating Expenditures				
580, 596, 599 Other Financing Uses	0	0	0	0
591-593 Debt Service	303,662	302	303,360	0
594-595 Capital Expenditures	49,217	49,217	0	0
597 Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:	352,879	49,519	303,360	
Increase (Decrease) in Cash and Investments	410,267	405,251	-3,746	8,762
Ending Cash and Investments				
50810 End Fund Bal-Reserved	58,051	0	32,043	26,008
50880 End Fund Balance-Unreserved	2,063,652	2,063,652	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		300
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	0
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	0
Total Operating Revenues:		
Operating Expenditures		
510	General Government	0
520	Public Safety	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		
Net Operating Increase (Decrease):		0
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	0
597	Transfers-Out	0
Total Nonoperating Expenditures:		
Increase (Decrease) in Cash and Investments		0
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	0

The accompanying notes are an integral part of this Statement.

NOTES TO FINANCIAL STATEMENT*For the Year Ended December 31, 2013*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

King County Fire District #20 is a special purpose government that provides fire protection and emergency medical services to the general public of approximately 15,000 residents in a 3.06 square mile area of South King County (Seattle) and is supported primarily through property taxes. The District was incorporated in 1943 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. A Board of Commissioners, composed of three elected registered voters residing in the District, manage the affairs of the District.

A. Fund Accounting

The accounts of the District 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 District'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 District:

GOVERNMENTAL FUND TYPES:**General (Current Expense) Fund**

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund. This General Fund includes the unreserved fund balances from the District's Reserve Fund.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt. There are two debt service funds including Fund #10-020-8510 and #10-020-8511 with the latter representing the partial defeasance of the Unlimited Tax General Obligation Bonds.

Capital Project Funds

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects. This fund has maintained a zero balance since 2011.

B. Basis of Accounting

King County Fire District 20 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 an other 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.

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.

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.

C. Cash

It is the District's policy to invest all temporary cash surpluses. The District does this through its membership in the King County Investment Pool. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments. The interest of these investments is deposited in the fund in which it was earned. The District maintains petty cash authorized in the amount of \$1,000 and an imprest account, which is held at US Bank, for Advanced Travel authorized in the amount of \$3,000. Both of these are reconciled by the CFO and internal controls are in place regarding the disbursement of the funds. These amounts are included in the General Fund reporting.

NOTES TO FINANCIAL STATEMENT*For the Year Ended December 31, 2013***D. Deposits**

The District's deposits (and certificates of deposit) are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The District participates in the King County Investment Pool.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation pay may accumulate in accordance with employment and union contracts, with no limit stated although employees have historically used accrued vacation by year end. All accumulated vacation is payable upon separation or retirement. Comp time may accumulate up to 120 hours. Upon separation or retirement, employees will be compensated for all accrued comp time. Sick leave may accumulate up to 1,020 hours for firefighters and 960 hours for administrative personnel. Upon separation or retirement employees receive payment for unused sick leave based on their employment or union contract. Administrative support personnel currently do not receive cash out of sick leave upon termination of employment. Union personnel receive cash out based on the following schedule:

- * Resignation or layoff-10% of sick leave bank up to 85 hours
- * Retirement or separation due to disability-25% of sick leave bank up to 180 hours.
- * Death-50% of sick leave bank up to 360 hours.
- * Death in the line of duty-100% of sick leave bank

The District's estimated liability for vacation leave was \$16,447.84, comp time was \$6,535.98, and sick leave (when calculated at the maximum possible payout for all employees) was \$289,552.42 on December 31, 2013 for a total maximum liability of \$312,536.24.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - PROPERTY TAXES

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

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

The District regular levy for the year 2012 for collection in 2013 was \$1.50 per \$1,000 on an assessed valuation of \$1,064,776,655 for a total regular levy of \$1,597,165.

The District also levied \$650,000 for the voter-approved Excess Levy.

NOTE 4 - INVESTMENTS

The District's investments are held by the county as its agent in the District's name. Investments by type at December 31, 2013 were as follows:

Type of Investment Balance

King County Investment Pool:

Expense Fund	\$ 799,067.79
Capital Projects Fund	\$ 0.00
Reserve (Unreserved)	\$1,260,584.63

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

GO Bond	\$ 32,043.48
ULTD Bond	\$ 26,008.09
 Total	 \$2,117,703.99

NOTE 5 - DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2013. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Other Debt	Total Debt
2013	\$303,360.00		\$303,360.00
2014	\$312,300.00		\$312,300.00
	-----	-----	-----
Totals	\$615,660.00		\$615,660.00

NOTE 6 - PENSION PLANS

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

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

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

Volunteer firefighters are covered under the Volunteer Firefighter's Relief and Pension Fund created by the legislature in 1945 under Chapter 41.16 RCW. It provides pension disability and survivor benefits. The system is funded through employer contributions of \$60 per year and employee contributions of \$30 per year for two years. After the volunteer has paid the \$30 for two years, the District contributes the full \$90 per year.

NOTE 7 - RISK MANAGEMENT

The District obtains insurance covering property, errors and omissions, liability, business auto, good Samaritan, and umbrella through Volunteer Firefighters Insurance. Premiums are paid from the Current Expense Fund. Deductibles vary among coverage from \$0 to \$1,000. The District self-insures for unemployment compensation, Employee Prescription/copy reimbursements (up to \$300/yr/employee), and LEOFF I dental/medicare out of pocket expenses.

NOTE 8 - BUDGETS

King County Fire District 20 adopts an annual appropriated budget for the General Fund. This budget is appropriated at the fund 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.

NOTES TO FINANCIAL STATEMENT*For the Year Ended December 31, 2013*

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

Fund Name	Appropriated Amounts	Actual Expenditures	Variance
General & Reserve	\$2,736,242	\$2,344,141.76	(\$392,100.24)
	-----	-----	-----
Totals	\$2,736,242	\$2,344,141.76	(\$392,100.24)
	=====	=====	=====

NOTE 9 - OTHER

The District had a change in Fire Chief in 2013. Chief Mark Chubb replaced Chief David Crossen who retired in February 2013.

Prepared on 04/04/2014

King County Fire Protection District No. 20

Schedule 09

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.12	UTGO Bond	12/1/2014	580,000	0	280,000	300,000
	259.11	Accumulated Comp Time		12,825	18,618	24,907	6,536
	259.11	Accumulated Sick Leave		253,076	80,025	43,549	289,552
	259.11	Accumulated Vacation		12,553	84,194	80,299	16,448
		Total General Obligations:		858,454	182,837	428,755	612,536
		Total Liabilities:		858,454	182,837	428,755	612,536

The accompanying notes to the financial statements are an integral part of this schedule

ABOUT THE STATE AUDITOR'S OFFICE

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

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

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov