



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

Mason County Fire Protection District No. 5

For the period January 1, 2012 through December 31, 2013

Published October 30, 2014

Report No. 1012845





Washington State Auditor
Troy Kelley

October 30, 2014

Board of Commissioners
Mason County Fire Protection District No. 5
Shelton, Washington

Report on Financial Statements

Please find attached our report on Mason County Fire Protection District No. 5's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

TABLE OF CONTENTS

Schedule Of Audit Findings And Responses.....	4
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	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	15
About The State Auditor’s Office.....	27

Schedule of Audit Findings and Responses

Mason County Fire Protection District No. 5 January 1, 2012 through December 31, 2013

1. The District's internal controls over financial accounting and reporting are inadequate.

Background

It is the responsibility of District management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies, defined in the Applicable Laws and Regulations section below, as a finding.

Our audit identified a material weakness in internal controls over financial reporting that affected the District's ability to produce reliable financial statements.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, when combined, represent a material weakness over financial reporting:

- The District failed to perform monthly reconciliations between the County Treasurer statements, and its internal accounting software. These reconciliations were not performed on a consistent basis.
- The District did not retain documentation showing reconciliations were performed or reviewed.
- There was insufficient oversight and review of the financial reporting package prior to submission to the Washington State Auditor's Office (SAO) to ensure information reported was accurate and complete.
- The District relied upon the developer of its accounting software to assist them with the reconciliations and annual financial reporting. The developer knew how the software worked, but did not know how to complete the District's financial statements. In addition, the developer was not contracted to assist the District with the completion of its financial statements.

Cause of Condition

The District staff did not have the technical knowledge or sufficient understanding of the financial statement preparation requirements detailed in the Budgeting, Accounting and Reporting Standards (BARS) manual for fire districts.

Effect of Condition

We identified the following errors, which were not detected by the District:

- Inter-fund eliminations due to the roll up of funds were not included on the financial statements for 2012. This resulted in an overstatement of revenues and expenditures of \$739,022, which was a material misstatement.
- Inter-fund eliminations due to the roll up of funds were not included on the financial statements for 2013. This resulted in an overstatement of both revenues and expenditures of \$527,611.
- Transfers-out of \$800,000 was misclassified as debt service expenditures on the 2013 financial statements. This was a material misstatement.
- The District did not report its self-insurance reserve fund on its 2013 financial statements. The ending cash balance was \$89,963; this was not considered a material misstatement.

While not all identified errors were material to the financial statements as a whole, these deficiencies in internal controls make it reasonably possible that significant misstatements could occur and not be prevented or detected by the District in future years.

Recommendation

We recommend the District establish and follow procedures to ensure:

- The individuals involved in the preparation of the financial reports and data supporting the financial reports are provided the necessary resources, time, training and oversight to facilitate the preparation of accurate and supported financial statements.
- Monthly reconciliations are performed between the County Treasurer Statements and the District's accounting software.
- An appropriate review of the monthly reconciliations and the financial statements is performed by a person knowledgeable of District activities and government auditing requirements. Staff may wish to use a checklist or other appropriate reviewing tool for this purpose.

- The District should discontinue relying on the software developer for assistance in preparing and reviewing the financial statements for presentation.

District's Response

We acknowledge the concerns that the State Audit report identifies and we are moving forward with improvements to our Internal Controls.

The district is upgrading to BIAS Financial Solutions. Our current provider Ganser has joined BIAS and with this integration, we believe that the improved reporting and account management software will enhance our abilities. In our transition into the new system we will be adopting all of the recommendations that have been identified in the report. The District Staff will be an integral part of the transition and staff's education will be a major component of the transition.

BIAS will provide reports for monthly reconciliations and the Fire Chief will review and signoff on said reports. BIAS also offers better supported annual financial reporting packages to its clients.

Auditor's Remarks

We wish to thank the District's staff and management for their cooperation and assistance during our audit. We look forward to working with the District on this issue and will follow up on it during the next audit.

Applicable Laws and Regulations

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

RCW 43.09.230 states in part:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

Budget Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section 3, Internal Control states in part:

Controls over Financial Reporting

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor's Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
 - Only valid transactions are recorded and reported.
 - All transactions occurred during the period are recorded and reported.
 - Transactions are recorded and reported at properly valued and calculated amounts.
 - Recorded and reported transactions accurately reflect legal rights and obligations.
 - Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

3.1.3.160 Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

Government Auditing Standards, July 2007 Revision – Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

- a. Significant deficiency: 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.
- b. Material weakness: A material weakness is a deficiency, or 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.

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*

Mason County Fire Protection District No. 5 January 1, 2012 through December 31, 2013

Board of Commissioners
Mason County Fire Protection District No. 5
Shelton, 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 Mason County Fire Protection District No. 5, Mason County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 15, 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 audits 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.

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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 1 to be material weaknesses.

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*.

DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY
STATE AUDITOR

October 15, 2014

Independent Auditor's Report on Financial Statements

Mason County Fire Protection District No. 5 January 1, 2012 through December 31, 2013

Board of Commissioners
Mason County Fire Protection District No. 5
Shelton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mason County Fire Protection District No. 5, Mason County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 15.

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 audits. We conducted our audits 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, Mason County Fire Protection District No. 5 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 Mason County Fire Protection District No. 5, for the years ended December 31, 2013 and 2012, 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 Mason County Fire Protection District No. 5, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matter of Emphasis Regarding Fiscal Sustainability

As described in Finding 1 located in the Accountability Report issued on October 15, 2014, the District's financial position continues to decline. The District has experienced a declining fund balance with expenditures consistently exceeding revenues. The District's cash flow constraints are expected to continue in the near future. As a result, there exists uncertainty about the District's ability to maintain services at present levels under these conditions. Our opinion is not modified with respect to this matter.

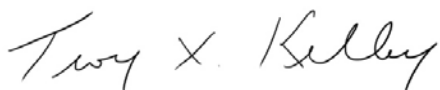
Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are 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 October 15, 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.



TROY KELLEY
STATE AUDITOR

October 15, 2014

Financial Section

Mason County Fire Protection District No. 5 January 1, 2012 through December 31, 2013

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013

Fund Resources and Uses Arising from Cash Transactions – 2012

Notes to Financial Statements – 2013

Notes to Financial Statements – 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

Schedule of Liabilities – 2012

Mason County Fire District 5
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

Code	Description	All Funds	000 ROLLUP	200 06BOND	201 LTGO
308.1	Reserved				
308.8	Unreserved	133,520	133,520		
388,588	Prior Period Adjustments, net				
	BEGINNING CASH & INVESTMENTS	133,520	133,520		
310	Taxes	2,852,258	2,852,258		
320	Licenses and Permits				
330	Intergovernmental Revenues	183,527	183,527		
340	Charges for Goods and Services	1,483,586	1,483,586		
350	Fines and Penalties				
360	Miscellaneous Revenues	76,126	76,126		
	OPERATING REVENUES	4,595,497	4,595,497		
520	Public Safety	4,662,800	4,662,800		
	OPERATING EXPENDITURES	4,662,800	4,662,800		
	OPERATING INCREASE/DECREASE	-67,303	-67,303		
391-393	Debt Proceeds	1,214,500	1,214,500		
3XX	Other Financing Sources	272,570	272,570		
397	Transfers-In	827,775		23,045	804,730
	NONOPERATING REVENUES	2,314,845	1,487,070	23,045	804,730
591-593	Debt Service	1,169,944	318,712	46,090	805,141
594	Capital Expenditures	189,329	189,329		
5XX	Other Financing Uses				
597	Transfers-Out	827,775	827,775		
	NONOPERATING EXPENDITURES	2,187,048	1,335,817	46,090	805,141
	TOTAL INCREASE/DECREASE	60,494	83,950	-23,045	-411
508.1	Reserved	61,507	84,963	-23,045	-411
508.8	Unreserved	132,506	132,506		
	ENDING CASH & INVESTMENTS	194,014	217,470	-23,045	-411

The accompanying notes are an integral part of this financial statement.

Mason County Fire District 5

Financial Statement

RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

Code	Description	All Funds	000 ROLLUP	200 96BOND	201 03BOND	202 07LOAN
308.80	Unreserved Beginning Cash & Investments	181,283	181,283			
	BEGINNING CASH & INVESTMENTS	492,909	492,535	374		
	REVENUES AND OTHER SOURCES					
310	Taxes	2,846,900	2,846,900			
320	Licenses and Permits					
330	Intergovernmental Revenues	1,176,856	1,176,856			
340	Charges for Goods and Services	488,236	488,236			
350	Fines and Forfeits					
360	Miscellaneous	41,407	41,407			
390	Other Financing Sources	56,930	10,840			
	TOTAL REVENUE AND OTHER FINANCING	4,610,330	4,564,240			
	TOTAL RESOURCES	5,103,239	5,056,775	374		
	EXPENDITURES AND OTHER USES					
510	General Government Services	27,270	27,270			
520	Public Safety	4,752,178	4,752,178			
	TOTAL OPERATING EXPENDITURES	4,779,448	4,779,448			
591-593	Debt Service	143,849	97,759			
594	Capital Expenditures	298,227	298,227			
	TOTAL EXPENDITURES	5,221,524	5,175,434			
596-599	Other Financing Uses	50,660	50,286	374		
	TOTAL EXPENDITURES AND OTHER USES	5,272,184	5,225,720	374		
	EXCESS/DEFICIT OF RESOURCES OVER USES	-168,946	-168,946			
380	Nonrevenues (except 384 and 388)	302,466	302,466			
580	Nonexpenditures (except 584 and 588)					
508.80	Unreserved Ending Cash & Investments	133,520	133,520			
	ENDING CASH & INVESTMENTS	133,520	133,520			

The accompanying notes are an integral part of this financial statement.

Mason County Fire District 5
RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

Financial Statement

Code	Description	203 06BOND
308.80	Unreserved Beginning Cash & Investments	
	BEGINNING CASH & INVESTMENTS	
	REVENUES AND OTHER SOURCES	
310	Taxes	
320	Licenses and Permits	
330	Intergovernmental Revenues	
340	Charges for Goods and Services	
350	Fines and Forfeits	
360	Miscellaneous	
390	Other Financing Sources	46,090
	TOTAL REVENUE AND OTHER FINANCING	46,090
	TOTAL RESOURCES	46,090
	EXPENDITURES AND OTHER USES	
510	General Government Services	
520	Public Safety	
	TOTAL OPERATING EXPENDITURES	
591-593	Debt Service	46,090
594	Capital Expenditures	
	TOTAL EXPENDITURES	46,090
596-599	Other Financing Uses	
	TOTAL EXPENDITURES AND OTHER USES	46,090
	EXCESS/DEFICIT OF RESOURCES OVER USES	
380	Nonrevenues (except 384 and 388)	
580	Nonexpenditures (except 584 and 588)	
508.80	Unreserved Ending Cash & Investments	
	ENDING CASH & INVESTMENTS	

The accompanying notes are an integral part of this financial statement.

Mason County Fire District 5**NOTES TO FINANCIAL STATEMENT***For the Year Ended December 31, 2013*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mason County Fire District 5 (DBA Central Mason Fire & EMS) is a special purpose government that provides (e.g. fire protection services, etc.) to the general public and is supported primarily through property taxes. The District was incorporated on March 8, 1955 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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 (remove those funds that are not applicable):

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.

B. Basis of Accounting

The Mason County Fire District 5 (DBA Central Mason Fire & EMS) 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.

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 amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

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).

E. Capital Assets

Capital assets are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation pay may be accumulated up to 40 days for 40 hour per week personnel and 20 24 hour shifts for 48 hour shift personnel and is payable upon separation or retirement. Sick leave may accumulate indefinitely or up to 696 hours for 40 hour per week personnel and 1440 hours for 48 hour shift personnel. Upon separation or retirement employees do not receive payment for unused sick leave.

NOTE 2 - BUDGETS

The Mason County Fire District 5 (DBA Central Mason Fire & EMS) adopts an annual appropriated budget for the General Expense Fund funds. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapses at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for

Mason County Fire District 5

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

financial reporting.

The appropriated and actual expenditures for the legally adopted budget were as follows:

Fund Name	Appropriated Amount	Actual Expenditure	Variance
General Fund	5,161,812.16	6,196,182.16	-1,035,682.16
	-----	-----	-----
Totals	5,161,812.16	6,196,182.16	-1,035,682.16
	=====	=====	=====

Appropriated amount does not reflect 1,214,500.00 in LTGO Bond borrowed over the course of 2013. Of which 792,187.92 was repaid in 2013. In addition there was a repayment of registered warrants for the month of January in the amount of 246,483.75

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/after) 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 county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

The District regular levy for the year 2012 for collection in 2013 was \$1.1392305 per \$1,000 on an assessed valuation of \$2,029,160,881.00 for a total regular levy of \$2,311,682.07.

In 2012, the District also levied \$.25 per \$1,000 for a total additional levy of \$521,959.22.

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, 2012 were as follows:

Type of Investment	Balance
Wa State Investment Pool	100.00

	100.00
	=====

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 2012. The debt service requirements, including interest, are as follows:

	Obligation Bonds	General Other Debt	Total Debt
2013 LTGO Cashmere		423,312.31	423,312.31
06 Refi LTGO Bond	128,796		128,796
Oshkosk A 92 Loan		104,832	104,832
	-----	-----	-----
Totals	128,796	528,144.31	656,940.31
	=====	=====	=====

Mason County Fire District 5

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

NOTE 6 - PENSION PLANS

Substantially all of the District's full-time and qualifying part-time employees participate in the Leoff I, Leoff II or Pers II and the Deffered Compensation Plan of administered by the Department of Retirement Systems, Or DCP of Hartford 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

Or

Mass Mutual Financial Group
PO Box 1583
Hartford CT 06144-1583

NOTE 7 - OTHER DISCLOSURES

Post employment benefits:

The district has one Leoff I retiree and One Leoff II retiree under contract for medical benefits to age 65 per current CBA.

Self Insurance:

The district began self insured medical in March of 2013 through C.A.S

Joint Ventures:

The district has been in an Interlocal Agreement with the City of Shelton since October of 2008

Mason County Fire District 5**NOTES TO FINANCIAL STATEMENT***For the Year Ended December 31, 2012*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mason County Fire District 5 (DBA Central Mason Fire & EMS) is a special purpose government that provides (e.g. fire protection services, etc.) to the general public and is supported primarily through property taxes. The District was incorporated on March 8, 1955 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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 (remove those funds that are not applicable):

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.

B. Basis of Accounting

The Mason County Fire District 5 (DBA Central Mason Fire & EMS) 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 amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

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).

E. Capital Assets

Capital assets are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation pay may be accumulated up to 40 days for 40 hour per week personnel and 20 24 hour shifts for 48 hour shift personnel and is payable upon separation or retirement. Sick leave may accumulate indefinitely or up to 696 hours for 40 hour per week personnel and 1440 hours for 48 hour shift personnel. Upon separation or retirement employees do not receive payment for unused sick leave.

NOTE 2 - BUDGETS

The Mason County Fire District 5 (DBA Central Mason Fire & EMS) adopts an annual appropriated budget for the General Expense Fund funds. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapses at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for

Mason County Fire District 5

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2012

financial reporting.

The appropriated and actual expenditures for the legally adopted budget were as follows:

Fund Name	Appropriated Amount	Actual Expenditure	Variance
General Fund	5,219,643.05	5,100,439.80	119,203.27
	-----	-----	-----
Totals	5,219,643.05	5,100,439.80	119,203.27
	=====	=====	=====

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/after) 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 county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

The District regular levy for the year 2011 for collection in 2012 was \$1.0391122 per \$1,000 on an assessed valuation of \$2,195,376,382 for a total regular levy of \$2,281,242.51.

In 2012, the District also levied \$.25 per \$1,000 for a total additional levy of \$565,086.39.

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, 2012 were as follows:

Type of Investment	Balance
Wa State Investment Pool	0.02

Total	0.02
	=====

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 2012. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Other Debt	Total Debt
06 Refi LTGO Bond	168,333		168,333
LTGO96&97	3,892		3,892
Kansas St Bank -A96		43,533	43,533
Oshkosk A92 Loan		127,793	127,793
	-----	-----	-----
Totals	172,225	171,326	343,551
	=====	=====	=====

Mason County Fire District 5

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2012

NOTE 6 - PENSION PLANS

Substantially all of the District's full-time and qualifying part-time employees participate in the Leoff I, Leoff II or Pers II and the Deffered Compensation Plan of administered by the Department of Retirement Systems, Or DCP of Hartford 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

Or

Hartford Life Insurance Company
Retirement Plan Solutions
PO Box 1583
Hartford CT 06144-1583

NOTE 7 - OTHER DISCLOSURES

Post employment benefits:

The district has one Leoff I retiree and One Leoff II retiree under contract for medical benefits to age 65 per current CBA.

Self Insurance:

The district began self insured medical in March of 2013 through C.A.S

Joint Ventures:

The district has been in an Interlocal Agreement with the City of Shelton since October of 2008.

Mason County Fire District 5

MCAG No 1227

LIABILITIES

For the Year Ended December 31, 2013

ID Number Description	Issue Date Maturity/Payment Date	Beginning Balance	Additions	Reductions	Ending Balance	BARS Code for Redemptions of Debt Only
251.11 2013 LTGO	01/29/2013		1,214,500	792,187	422,312	591.22.70
251.11 06 Refi LTGO Bond	12/15/2006 12/01/2016	168,333		39,537	128,796	591.22.70
259.11 VACATION/ANNUAL LEAVE BUY		548,317			548,317	. .
263.61 Kansas St Bank -A96	03/16/2011 03/24/2013	43,532		43,532		591.22.70
263.61 Oshkosk A92 Loan	06/15/2010 06/15/2017	127,792		22,960	104,831	591.22.70
Totals		887,976	1,214,500	898,218	1,204,257	

Mason County Fire District 5

MCAG No 1227

LIABILITIES

For the Year Ended December 31, 2012

ID Number Description	Issue Date Maturity/Payment Date	Beginning Balance	Additions	Reductions	Ending Balance	BARS Code for Redemptions of Debt Only
251.11 06 Refi LTGO Bond	12/15/2006 12/01/2016	206,285		37,952	168,333	591.22.70
251.11 LTGO96&97	01/01/1996 04/13/2012	3,892		3,892		591.22.70
259.11 VACATION/ANNUAL LEAVE BUY		383,744	164,572		548,317	. .
263.61 Kansas St Bank -A96	03/16/2011 03/24/2013	83,254		39,721	43,532	591.22.70
263.61 Oshkosk A92 Loan	06/15/2010 06/15/2017	150,232		22,439	127,792	591.22.70
Totals		827,409	164,572	104,005	887,976	

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.

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