



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

**Whatcom County Fire Protection
District No. 7**

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

Published November 17, 2014

Report No. 1012969





Washington State Auditor
Troy Kelley

November 17, 2014

Board of Commissioners
Whatcom County Fire Protection District No. 7
Ferndale, Washington

Report on Financial Statements

Please find attached our report on Whatcom County Fire Protection District No. 7'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*

Whatcom County Fire Protection District No. 7 January 1, 2012 through December 31, 2013

Board of Commissioners
Whatcom County Fire Protection District No. 7
Ferndale, 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 Whatcom County Fire Protection District No. 7, Whatcom 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 November 6, 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.

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.

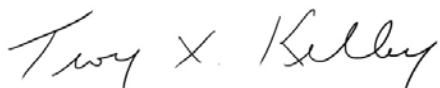
COMPLIANCE AND OTHER MATTERS

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

November 6, 2014

Independent Auditor's Report on Financial Statements

Whatcom County Fire Protection District No. 7 January 1, 2012 through December 31, 2013

Board of Commissioners
Whatcom County Fire Protection District No. 7
Ferndale, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Whatcom County Fire Protection District No. 7, Whatcom 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 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 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, Whatcom County Fire Protection District No. 7 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 Whatcom County Fire Protection District No. 7, 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 Whatcom County Fire Protection District No. 7, 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.

Other Matters

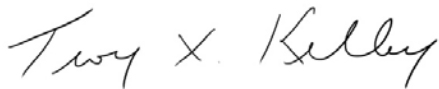
Supplementary and Other Information

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 November 6, 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

November 6, 2014

Financial Section

Whatcom County Fire Protection District No. 7 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

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General	201 Debt Service	301 Capital
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	2,723,625	2,720,883	0	2,742
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	2,930,879	2,930,879	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	132,708	132,708	0	0
340	Charges for Goods and Services	1,839,565	1,839,565	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	126,403	126,394	0	9
Total Operating Revenues:		5,029,555	5,029,545	0	9
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	4,579,408	4,579,408	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		4,579,408	4,579,408		
Net Operating Increase (Decrease):		450,147	450,137	0	9
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	389,222	0	112,445	276,777
Total Nonoperating Revenues:		389,222	0	112,445	276,777
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	112,445	0	112,445	0
594-595	Capital Expenditures	278,558	0	0	278,558
597	Transfers-Out	389,222	389,222	0	0
Total Nonoperating Expenditures:		780,225	389,222	112,445	278,558
Increase (Decrease) in Cash and Investments		59,144	60,916	0	-1,772
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	2,782,823	2,781,853	0	970

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General	201 Debt Service	301 Capital
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	2,397,853	2,397,853	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	2,742,905	2,742,905	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	349,342	349,342	0	0
340	Charges for Goods and Services	1,651,586	1,651,586	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	131,482	131,442	0	40
Total Operating Revenues:		4,875,315	4,875,275	0	40
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	4,170,031	4,170,031	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		4,170,031	4,170,031		
Net Operating Increase (Decrease):		705,284	705,244	0	40
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	187,786	187,786	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	570,542	0	114,290	456,252
Total Nonoperating Revenues:		758,328	187,786	114,290	456,252
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	114,290	0	114,290	0
594-595	Capital Expenditures	453,550	0	0	453,550
597	Transfers-Out	570,542	570,542	0	0
Total Nonoperating Expenditures:		1,138,382	570,542	114,290	453,550
Increase (Decrease) in Cash and Investments		325,230	322,488	0	2,742
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	2,723,625	2,720,883	0	2,742

The accompanying notes are an integral part of this Statement.

REPORTING

Note 1 - Summary of Significant Accounting Policies

Whatcom County Fire Protection District 7 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.

Whatcom County Fire Protection District 7 was incorporated on September 26, 1956 and operates under the laws of the state of Washington applicable to a fire district. Whatcom County Fire Protection District 7 is a general purpose government and provides fire protection and emergency medical services to the general public. Whatcom County Fire Protection District 7 uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of Fire District 7 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. Whatcom County Fire Protection District 7 resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by Fire District 7:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of Fire District 7. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account 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.

In accordance with state law Whatcom County Fire Protection District 7 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

Whatcom County Fire Protection District 7 adopts annual appropriated budgets for General, Debt Service and Capital funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$4,550,925	\$4,579,408	-\$ 28,483
Total General Fund	\$4,550,925	\$4,579,408	-\$ 28,483
Debt Service Fund	\$ 112,445	\$ 112,445	\$ 0
Total Debt Service Fund	\$ 112,445	\$ 112,445	\$ 0
Capital Fund	\$ 328,000	\$ 278,558	\$ 49,442
Total Capital Fund	\$ 328,000	\$ 278,558	\$ 49,442
Total Adopted Budget	\$4,991,370	\$4,970,411	\$ 20,959

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by Whatcom County Fire Protection District 7's legislative body.

D. Cash

It is Fire District 7'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

Whatcom County Fire Protection District 7 deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or 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 Fire District 7 are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 1.5 times the annual allotment based on years of service and is payable upon separation or retirement.

Sick leave hours may be accrued up to 1680 hours per employee. Upon separation or retirement eligible employees may receive limited payment for unused sick leave.

If an employee terminates employment with at least ten or more years of service, he/she will be paid in cash for sick leave balances in the equivalency of 5%, fifteen years or more of service at 7.5% and twenty-five years or more of service at 10%. Per the professional service contracts of the Chief, Assistant Chief, Training Division Chief and EMS Division Chief sick leave balances regardless of tenure is compensated at 50%.

The District's estimated liability for sick leave termination benefits on December 31, 2013 was \$162,147. The compensated liability for vacation leave for the year ending December 31, 2013 was \$91,508. The total liability for compensated absences for the year ending December 31, 2013 was \$253,655.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

Whatcom County Fire Protection District 7's *Other Financing Sources or Uses* consist of contract fees for services.

Note 2- Investments

Whatcom County Fire District 7 investments are held by, the Whatcom County Treasurer as its agent in the District's name. Investments by type at December 31, 2013 were as follows:

<u>Type of Investment</u>	
General Investment Pool	\$ 2,467,622
Capital Investment Pool	<u>904</u>
Total	\$ 2,468,526

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 Fire District 7. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

Whatcom County Fire Protection District 7's regular levy for the year 2013 was \$1.1294541015 per \$1,000 on an assessed valuation of \$2,601,451,211 for a total regular levy of \$2,938,219.74.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Fire District and summarizes the District's debt transactions for year ended December 31, 2013.

The debt service requirements including both principle and interest are as follows:

	General Obligation Bonds	Other Debt	Total Debt
2013	\$ 0.00	\$ 112,445.00	\$ 112,445.00
2014	\$ 0.00	\$ 115,443.75	\$ 115,443.75
2015	\$ 0.00	\$ 113,282.50	\$ 113,282.50
2016	\$ 0.00	\$ 115,952.50	\$ 115,952.50
2017	\$ 0.00	\$ 113,432.50	\$ 113,432.50
2018-2022	\$ 0.00	\$ 567,925.00	\$ 567,925.00
2023-2027	\$ 0.00	\$ 565,418.75	\$ 565,418.75
2028	\$ 0.00	\$ 112,475.00	\$ 112,475.00
TOTALS	\$ 0.00	\$1,816,375.00	\$1,816,375.00

Note: Office of the State Treasurer LOCAL LOAN, Series LP_ 2008B, Contract Number 1379-2-1, Account Number WHA1379-2-1 for the capital project, Ferndale Fire Station Remodel was awarded. During fiscal year 2013 the fire district authorized the release of funds in the amount of \$ 112,445 to be wired directly from the Whatcom County Treasurers Office on the District's behalf to the Office of the State Treasurer (OST) as the 2013 payment of the department's long term debt.

Note 5 - Pension Plans

Substantially all of Whatcom County Fire District No. 7's full-time and qualifying part-time employees participate in the LEOFF II and PERS II pension plans administered by the Washington State 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 system by both the employee and employer as based on 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

REPORTING

Note 1 - Summary of Significant Accounting Policies

Whatcom County Fire Protection District 7 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.

Whatcom County Fire Protection District 7 was incorporated on September 26, 1956 and operates under the laws of the state of Washington applicable to a fire district. Whatcom County Fire Protection District 7 is a general purpose government and provides fire protection and emergency medical services to the general public. Whatcom County Fire Protection District 7 uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of Fire District 7 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. Whatcom County Fire Protection District 7 resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by Fire District 7:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of Fire District 7. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account 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.

In accordance with state law Whatcom County Fire Protection District 7 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

Whatcom County Fire Protection District 7 adopts annual appropriated budgets for General, Debt Service and Capital funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$4,162,965	\$4,170,031	-\$ 7,065
Total General Fund	\$4,162,965	\$4,170,031	-\$ 7,065
Debt Service Fund	\$ 114,290	\$ 114,290	\$ 0
Total Debt Service Fund	\$ 114,290	\$ 114,290	\$ 0
Capital Fund	\$ 465,500	\$ 453,550	\$11,950
Total Capital Fund	\$ 465,500	\$ 453,550	\$11,950
Total Adopted Budget	\$4,742,755	\$4,737,871	\$ 4,885

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by Whatcom County Fire Protection District 7's legislative body.

D. Cash

It is Fire District 7'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

Whatcom County Fire Protection District 7 deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or 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 Fire District 7 are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 1.5 times the annual allotment based on years of service and is payable upon separation or retirement.

Sick leave hours may be accrued up to 1680 hours per employee. Upon separation or retirement eligible employees may receive limited payment for unused sick leave.

If an employee terminates employment with at least ten or more years of service, he/she will be paid in cash for sick leave balances in the equivalency of 5%, fifteen years or more of service at 7.5% and twenty-five years or more of service at 10%. Per the professional service contracts of the Chief, Assistant Chief, Training Division Chief and EMS Division Chief sick leave balances regardless of tenure is compensated at 50%.

The District's estimated liability for sick leave termination benefits on December 31, 2012 was \$135,589. The compensated liability for vacation leave for the year ending December 31, 2012 was \$76,079. The total liability for compensated absences for the year ending December 31, 2012 was \$211,668.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

Whatcom County Fire Protection District 7's *Other Financing Sources or Uses* consist of contract fees for services.

Note 2- Investments

Whatcom County Fire District 7 investments are held by, the Whatcom County Treasurer as its agent in the District's name. Investments by type at December 31, 2012 were as follows:

<u>Type of Investment</u>	
General Investment Pool	\$ 2,688,060
Capital Investment Pool	<u>2,559</u>
Total	\$ 2,690,619

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 Fire District 7. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

Whatcom County Fire Protection District 7's regular levy for the year 2012 was \$1.0565116929 per \$1,000 on an assessed valuation of \$2,591,069,714 for a total regular levy of \$2,737,495.45.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Fire District and summarizes the District's debt transactions for year ended December 31, 2012.

The debt service requirements including both principle and interest are as follows:

	General Obligation Bonds	Other Debt	Total Debt
2012	\$ 0.00	\$ 114,290.00	\$ 114,290.00
2013	\$ 0.00	\$ 112,445.00	\$ 112,445.00
2014	\$ 0.00	\$ 115,443.75	\$ 115,443.75
2015	\$ 0.00	\$ 113,282.50	\$ 113,282.50
2016	\$ 0.00	\$ 115,952.50	\$ 115,952.50
2017-2021	\$ 0.00	\$ 568,238.75	\$ 568,238.75
2022-2026	\$ 0.00	\$ 566,225.00	\$ 566,225.00
2027-2028	\$ 0.00	\$ 224,787.50	\$ 224,787.50
TOTALS	\$ 0.00	\$1,930,665.00	\$1,930,665.00

Note: Office of the State Treasurer LOCAL LOAN, Series LP_ 2008B, Contract Number 1379-2-1, Account Number WHA1379-2-1 for the capital project, Ferndale Fire Station Remodel was awarded. During fiscal year 2012 the fire district authorized the release of funds in the amount of \$ 114,290 to be wired directly from the Whatcom County Treasurers Office on the District's behalf to the Office of the State Treasurer (OST) as the 2012 payment of the department's long term debt.

Note 5 - Pension Plans

Substantially all of Whatcom County Fire District No. 7's full-time and qualifying part-time employees participate in the LEOFF II and PERS II pension plans administered by the Washington State 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 system by both the employee and employer as based on 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

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							
	259.11	Vac/Sick Liability	12/31/2013	211,668	41,987	0	253,655
	263.96	OST Local Program	6/1/2028	1,320,000	0	60,000	1,260,000
		Total General Obligations:		1,531,668	41,987	60,000	1,513,655
		Total Liabilities:		1,531,668	41,987	60,000	1,513,655

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

Schedule of Liabilities
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	259.11	Vac/Sick Liability		194,497	17,171		211,668
	263.96	OST Local Program	6/1/2028	1,380,000	0	60,000	1,320,000
		Total General Obligations:		1,574,497	17,171	60,000	1,531,668
		Total Liabilities:		1,574,497	17,171	60,000	1,531,668

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	
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