



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

**King County Fire Protection District
No. 43**

(Maple Valley Fire and Life Safety)

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

Published December 18, 2014

Report No. 1013154





Washington State Auditor Troy Kelley

December 18, 2014

Board of Commissioners
Maple Valley Fire and Life Safety
Maple Valley, Washington

Report on Financial Statements

Please find attached our report on the Maple Valley Fire and Life Safety's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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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**

**Maple Valley Fire and Life Safety
King County
January 1, 2013 through December 31, 2013**

Board of Commissioners
Maple Valley Fire and Life Safety
Maple Valley, 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 the Maple Valley Fire and Life Safety, 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 December 11, 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 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.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 11, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Maple Valley Fire and Life Safety King County January 1, 2013 through December 31, 2013

Board of Commissioners
Maple Valley Fire and Life Safety
Maple Valley, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Maple Valley Fire and Life Safety, 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 11.

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, the Maple Valley Fire and Life Safety has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed 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 the Maple Valley Fire and Life Safety, 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 the Maple Valley Fire and Life Safety, 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 December 11, 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
OLYMPIA, WA

December 11, 2014

FINANCIAL SECTION

**Maple Valley Fire and Life Safety
King County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001	201	301
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,442,457	0	239,892	2,202,565
30880	Beg Fund Bal-Unreserved	2,996,453	2,996,453	0	0
38800/58800	Prior Period Adjustments, net	4,800	4,800	0	0
Operating Revenues					
310	Taxes	6,907,834	5,964,242	943,592	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	449,677	449,677	0	0
340	Charges for Goods and Services	896,012	896,012	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	68,481	53,110	4,401	10,919
Total Operating Revenues:		8,322,004	7,363,041	947,993	10,919
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	7,803,265	7,803,265	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		7,803,265	7,803,265		
Net Operating Increase (Decrease):		518,739	-440,224	947,993	10,919
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	336,061	336,061	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	739,456	307	0	432,037
Total Nonoperating Revenues:		1,075,517	336,368		432,037
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	934,461	0	934,160	301
594-595	Capital Expenditures	1,126,481	0	0	1,126,481
597	Transfers-Out	739,456	739,149	0	307
Total Nonoperating Expenditures:		2,800,398	739,149	934,160	1,127,089
Increase (Decrease) in Cash and Investments		-1,206,142	-843,005	13,833	-684,133
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,079,321	0	253,725	1,518,432
50880	End Fund Balance-Unreserved	2,158,246	2,158,246	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		302
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	51
Total Operating Revenues:		51
Operating Expenditures		
510	General Government	0
520	Public Safety	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		
Net Operating Increase (Decrease):		51
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	307,112
Total Nonoperating Revenues:		307,112
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		307,163
Ending Cash and Investments		
50810	End Fund Bal-Reserved	307,164
50880	End Fund Balance-Unreserved	0

The accompanying notes are an integral part of this Statement.

King County Fire Protection District #43**NOTES TO FINANCIAL STATEMENT***For the Year Ended December 31, 2013*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

King County Fire Protection District #43 is a special purpose government that provides fire protection services to the general public and is supported primarily through property taxes. The District was incorporated in 1952 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:

GOVERNMENTAL FUND TYPES:**General Fund (10-043-0010)**

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.

Debt Service Fund (10-043-8510)

This fund accounts for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Project Funds (10-043-3010 & 10-043-3020)

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects. The 3010 Capital Fund is funded from Bonds and the 3020 Capital Fund is funded from the sale of fixed assets.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by King County Fire Protection District #43 in a trustee capacity or as an agent on behalf of others.

Agency Funds**Healthcare Reimbursement Account / Flexible Spending Account.**

This account is used for contributions made by the district and employee for healthcare expenses and is also not included in the ending cash balance. Choice Strategies manages the transactions to ensure that purchases are in compliance with IRS Regulations. The balance of this account as of December 31, 2013 is \$171,781.11. In January of 2013, \$270,733.80 was authorized to employee HRA Cards and is a liability until being funded on January 15, 2014.

B. Basis of Accounting

King County Fire Protection District #43 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.

King County Fire Protection District #43

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

D. Deposits

The District's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

E. Capital Assets

Per Policy SOG 43-5000 Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of 1 year. Capital assets are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation pay may be accumulated up to 680 hours and is payable upon separation or retirement. The District's liability for Vacation Pay benefits on December 31, 2013 was \$478,734.54. Sick leave may accumulate up to 960 hours. Upon retirement, employees receive \$0.50 per \$1.00 (50%) for each hour of unused Sick Leave. The District's liability for sick leave termination benefits on December 31, 2013 was \$498,105.02. Comp time may be accumulated up to 200 hours and is payable upon separation or retirement. The District's liability for Comp Pay benefits on December 31, 2013 was \$70,585.42.

G. Reserve Fund Balances

On May 17, 2012, the Board of Fire Commissioners approved AG 43-1118 adopting Financial Policies for the Financial Operations of the Fire District. This policy states that the District shall maintain a Reserve Fund balance of a minimum of 4% of the estimated expenses as measured on December 31st for the subsequent year. If at the end of any fiscal year, the balance falls below 4%, then the District shall rebuild the balance within a period not to exceed two (2) years.

NOTE 1 - BUDGETS

King County Fire Protection District #43 adopts annual appropriated budgets for the General and Capital Funds. These budgets are 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.

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

Fund Name	Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$7,915,302.15	\$7,788,165.57	\$127,136.58
Capital Fund	\$1,408,777.00	\$1,127,088.95	\$281,688.05
	-----	-----	-----
Totals	\$9,324,079.15	\$8,915,254.52	\$408,824.63
	=====	=====	=====

NOTE 2 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed daily.

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's regular levy for the year 2012 for collection in 2013 was \$1.50 per \$1,000 on an assessed valuation of \$3,968,814,452 for a total regular levy of \$5,953,222.

In 2013, the District also levied \$.22 per \$1,000 for a total additional levy of \$873,139.

King County Fire Protection District #43

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

NOTE 3 - 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 (\$000)
U.S. Agency Securities	2,918,650
Commercial Paper	18,545
Taxable Municipal Securities	--
Bankers Acceptances	--
U.S. Agency Mortgage-backed Securities	10,396
Repurchase Agreements	71,806
Treasury Securities	1,069,711
Certificates of Deposit & Overnight Deposits	--
Local Government Investment Pool (LGIP)	884,448
Reverse Repurchase Agreements	--

Total	4,973,556
	=====

NOTE 4 - 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
2014	1,155,900.00	270,733.80	1,426,633.80
2015	1,115,900.00		1,115,900.00
2016	375,900.00		375,900.00
2017	273,900.00		273,900.00
2018	355,500.00		355,500.00
2019 - 2022	1,317,000.00		1,317,000.00
	-----	-----	-----
Totals	4,594,100.00	270,733.80	4,864,833.80
	=====	=====	=====

NOTE 5 - PENSION PLANS

Substantially all of the District's full-time and qualifying part-time employees participate in the LEOFF 2 and PERS 2 plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the 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 by writing to:

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

NOTE 6 - OTHER DISCLOSURES

1. Post Employment Benefits

The District has a commitment to pay for post-employment benefits for 2 retirees that belong to LEOFF I. These benefits include medical insurance and related costs, dental expenses and nursing care. The District is self-insured for their LEOFF I Retiree Dental Coverage and pays up to \$3,000.00 per calendar year per retiree. In

King County Fire Protection District #43

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

2013, the District paid \$11,508.14 for medical insurance, \$1,356.64 for medical expenses and \$516.00 for dental expenses.

2. King County Fire Protection District #43 continues to partner with South King County Training Consortium to fulfill staff training requirements.

3. The Board of Volunteer Firefighters is a related organization made up of District Secretary de Leon, Chairperson Walls and Commissioner VanRuff.

4. The District self insures unemployment compensation through Employment Security Department as a reimburseable business classification.

King County Fire Protection District No. 43

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	2004 Bonds	12/31/2013	580,000	0	580,000	0
	251.12	2007 Bonds	12/31/2017	2,680,000	0	170,000	2,510,000
	251.12	2012 Bonds	12/31/2022	1,500,000	0	0	1,500,000
	259.11	Comp Time		54,881	70,585	54,881	70,585
	259.11	Sick Leave		530,667	498,105	530,667	498,105
	259.11	Vacation Pay		488,665	486,363	488,665	486,363
	263.91	2013 HRA Contribution	12/31/2014	0	270,734	0	270,734
Total General Obligations:				5,834,213	1,325,788	1,824,213	5,335,788
Total Liabilities:				5,834,213	1,325,788	1,824,213	5,335,788

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