



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Riverside Fire Authority

Lewis County

For the period January 1, 2012 through December 31, 2014

Published February 11, 2016

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Washington State Auditor's Office

February 11, 2016

Board of Commissioners
Riverside Fire Authority
Centralia, Washington

Report on Financial Statements

Please find attached our report on Riverside Fire Authority's financial statements.

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

Sincerely,

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

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**

**Riverside Fire Authority
Lewis County
January 1, 2012 through December 31, 2014**

Board of Commissioners
Riverside Fire Authority
Centralia, 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 Riverside Fire Authority, Lewis County, Washington, as of and for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated February 3, 2016.

We issued an unmodified opinion on the fair presentation of the Authority's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Authority using accounting practices prescribed 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 Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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 Authority's financial statements are free from material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

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

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

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 3, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Riverside Fire Authority Lewis County January 1, 2012 through December 31, 2014

Board of Commissioners
Riverside Fire Authority
Centralia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Riverside Fire Authority, Lewis County, Washington, for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 10.

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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Riverside Fire Authority has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by 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 Riverside Fire Authority, for the years ended December 31, 2014, 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 Authority used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Riverside Fire Authority, as of December 31, 2014, 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 February 3, 2016 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 3, 2016

FINANCIAL SECTION

**Riverside Fire Authority
Lewis County
January 1, 2012 through December 31, 2014**

FINANCIAL STATEMENTS

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Riverside Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

Beginning Cash and Investments

30810	Reserved	143,863
30880	Unreserved	609,013
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

310	Taxes	3,750,609
320	Licenses and Permits	5,373
330	Intergovernmental Revenues	5,505
340	Charges for Goods and Services	193,781
350	Fines and Penalties	-
360	Miscellaneous Revenues	27,985
Total Operating Revenues:		<u>3,983,253</u>

Operating Expenditures

510	General Government	-
520	Public Safety	3,702,097
Total Operating Expenditures:		<u>3,702,097</u>
Net Operating Increase (Decrease):		281,156

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	310,929
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>310,929</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	132,902
594-595	Capital Expenditures	-
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>132,902</u>

Net Increase (Decrease) in Cash and Investments: **459,183**

Ending Cash and Investments

50810	Reserved Fund Balance (GAAP)/Reserved Cash and Investments (Cash Basis)	27,199
50880	Unreserved Fund Balance (GAAP)/Unreserved Cash and Investments (Cash Basis)	1,184,860
Total Ending Cash and Investments		<u>1,212,059</u>

The accompanying notes are an integral part of this statement.

Riverside Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

Beginning Cash and Investments

30810	Reserved	402,338
30880	Unreserved	833,791
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

310	Taxes	4,132,697
320	Licenses & Permits	5,658
330	Intergovernmental Revenues	1,458
340	Charges for Goods and Services	219,335
350	Fines & Penalties	-
360	Miscellaneous Revenues	32,235
Total Operating Revenues:		4,391,383

Operating Expenditures

510	General Government	-
520	Public Safety	4,603,979
Total Operating Expenditures:		4,603,979
Net Operating Increase (Decrease):		(212,596)

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	64,479
391-393	Debt Proceeds	-
397	Transfers-In	1,173
Total Nonoperating Revenues:		65,652

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	132,896
594-595	Capital Expenditures	203,413
597	Transfers-Out	-
Total Nonoperating Expenditures:		336,309

Net Increase (Decrease) in Cash and Investments: **(483,253)**

Ending Cash and Investments

50810	End Fund Bal-Reserved	143,863
50880	End Fund Balance-Unreserved	609,013

Total Ending Cash and Investments **752,876**

The accompanying notes are an integral part of this statement.

Riverside Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2012

Beginning Cash and Investments

30810	Reserved	392,153
30880	Unreserved	677,002
388 & 588	Prior Period Adjustments, Net	9,760

Operating Revenues

310	Taxes	4,532,790
320	Licenses & Permits	1,801
330	Intergovernmental Revenues	22,734
340	Charges for Goods and Services	163,046
350	Fines & Penalties	-
360	Miscellaneous Revenues	18,168
Total Operating Revenues:		<u>4,738,539</u>

Operating Expenditures

510	General Government	33,876
520	Public Safety	4,474,928
598	Intergovernmental Payments	-
Total Operating Expenditures:		<u>4,508,804</u>
Net Operating Increase (Decrease):		<u>229,735</u>

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	88,388
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>88,388</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	132,898
594-595	Capital Expenditures	28,011
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>160,909</u>

Net Increase (Decrease) in Cash and Investments: **157,214**

Ending Cash and Investments

50810	End Fund Bal-Reserved	402,338
50880	End Fund Balance-Unreserved	833,791
Total Ending Cash and Investments		<u>1,236,129</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riverside Fire Authority was established on January 1, 2008 and operates under the laws of the state of Washington applicable to a fire authority. The Authority is a special purpose local government and provides fire and emergency services to the general public.

Riverside Fire Authority reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The Authority's resources are allocated to and accounted for in individual funds depending upon their intended purpose. The following are the fund types used by the Authority:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the Authority also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The Authority adopts annual appropriated budgets for General and EMS 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 follows:

Fund	Final App. Amounts	Actual Expenditures	Variance
General Fund	\$2,822,215	\$2,516,929	\$ 305,286
EMS Fund	\$1,130,180	\$1,191,301	\$ - 61,121
EMS Capital Fund	\$ 90,000	\$ 126,764	\$ - 36,764

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 the Riverside Fire Authority's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of ten years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 120 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1,200 hours. Upon separation or retirement an employee may be paid an amount equal to one-half of his/her accumulated but unused sick leave, up to a maximum of 480 hours, unless he/she terminates employment without giving thirty days prior written notice, or unless he/she is discharged for cause. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*

H. Other Financing Sources or Uses

I. Risk Management

The Authority participates as a member of the Association of Washington Cities Employee Benefit Trust Health Care Program to provide health and welfare coverage for its employees. Other risk factors are insured by the purchase of commercial insurance policies, including liability, physical damage and personal injury coverage.

J. Reserved Portion of Ending Cash and Investments

Funds are reserved for EMS capital equipment acquisition. The reserved fund balance as of December 31, 2014 was \$27,198.94.

NOTE 2 – DEPOSITS AND INVESTMENTS

It is the Authority's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments. The interest on these investments is prorated to the various funds.

All deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All Authority investments are insured, registered or held by the Lewis County Treasurer as agent in the Authority's name.

Investments are reported at fair value. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
LCTY	\$ 146,717.92
LGIP	275,026.82
LGIP	790,998.67
Total	\$1,212,743.41

NOTE 3 – PROPERTY TAX

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

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

The Riverside Fire Authority regular levy for the year 2014 was \$1.50 per \$1,000 on an assessed valuation of \$1,814,146,235 for a regular levy of \$2,721,219. In 2014, Riverside Fire Authority also levied \$.50 per \$1,000 for EMS for a total additional levy of \$927,794.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt of the Authority and summarizes the District's debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds, and other debt, including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2014		132,897.64	132,897.64
2015		42,819.86	42,819.86
2016		42,819.86	42,819.86
2017		42,819.86	42,819.86
2018		42,819.86	42,819.86
2019-2021		128,459.57	128,459.57
TOTALS	\$ -0-	\$432,636.65	\$432,636.65

NOTE 5 – PENSION PLANS

Substantially all of the Riverside Fire Authority'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 systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Authority'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
P. O. Box 48380
Olympia, WA 98504-8380

OTHER DISCLOSURES

OPEB

The RFA has a commitment to pay for post employee benefits for employees that belong to LEOFF1. These benefits include medical coverage, limited vision care and nursing care. Four retirees received benefits during the year and \$90,037.61 was paid out for those benefits during the year.

HEALTH & WELFARE

The Riverside Fire Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insurance.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application of the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims. Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of six months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

Riverside Fire Authority – 2013
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riverside Fire Authority 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.

Riverside Fire Authority is a special purpose government that provides fire and emergency services to the general public and is supported primarily through property taxes. The Authority was established January 1, 2008 by a vote of the citizens of Lewis County Fire District #12 and the City of Centralia and operates under Chapter 52.26 RCW and other laws of the State of Washington applicable to fire districts. Riverside Fire Authority uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

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 appropriation as required by state law.

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

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

C. Budgets

The Authority adopts annual appropriated budgets for General and EMS 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 follows:

Fund	Final App. Amounts	Actual Expenditures	Variance
General Fund	\$3,228,660	\$3,210,907	\$ 17,753
EMS Fund	\$1,576,210	\$1,686,569	-\$ 110,359

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 the Riverside Fire Authority's legislative body.

D. Cash

It is the Authority's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments. The interest on these investments is prorated to the various funds.

E. Deposits

The Authority's 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. Derivatives and Similar Transactions

H. Capital Assets

Capital assets are assets with an individual cost of more than \$5,000 and an estimated useful life in excess of ten years. The capital assets of the Authority are recorded as expenditures when purchased.

I. Compensated Absences

Vacation pay may be accumulated up to 120 hours and is payable upon separation or retirement. Sick leave may accumulate up to 1200 hours. Upon separation or retirement an employee may be paid an amount equal to one-half of his accumulated but unused sick leave, up to a maximum of 480 hours, unless he/she terminates employment without giving thirty days prior written notice, or unless he/she is discharged for cause. The department's estimated liability for sick leave termination benefits on December 31, 2013 was \$310,551.47.

J. Long-Term Debt See Note 4 *Debt Service Requirements*

K. Other Financing Sources or Uses

L. Risk Management

M. Reserved Fund Balance

Funds are reserved for EMS capital equipment acquisition. The reserved fund balance as of December 31, 2013 was \$143,863.23.

NOTE 2 – INVESTMENTS

The Authority's investments are held by the Lewis County Treasurer as its agent in the Authority's name. Investments by type at December 31, 2013 are as follows.

<u>Type of Investment</u>	<u>Balance</u>
LCGY	\$ 148,622.61
LGIP	582,383.64
LGIP	214,094.35
LGIP	(88,829.25)
Total	\$ 856,271.85

NOTE 3 – PROPERTY TAX

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

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

The Riverside Fire Authority regular levy for the year 2013 was \$1.50 per \$1,000 on an assessed valuation of \$2,031,174,845 for a regular levy of \$3,046,762. In 2013, Riverside Fire Authority also levied \$.50 per \$1,000 for EMS for total additional levy of \$1,035,626.

NOTE 4 – DEBT SERVICE REQUIREMENTS

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

The debt service requirements for general obligation bonds, revenue bonds, and other debt, including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013		132,897.64	132,897.64
2014		132,897.64	132,897.64
2015		42,819.86	42,819.86
2016		42,819.86	42,819.86
2017		42,819.86	42,819.86
2018-2021		171,279.44	171,279.44
TOTALS	\$ -0-	\$565,534.30	\$565,534.30

NOTE 5 – PENSION PLANS

Substantially all of the Riverside Fire Authority'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 systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Authority'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
P. O. Box 48380
Olympia, WA 98504-8380

OTHER DISCLOSURES

OPEB

The RFA has a commitment to pay for post employee benefits for employees that belong to LEOFF1. These benefits include medical coverage, limited vision care and nursing care. Four retirees received benefits during the year and \$90,827.37 was paid out for those benefits during the year.

Riverside Fire Authority – 2012
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riverside Fire Authority is a special purpose government that provides fire and emergency services to the general public and is supported primarily through property taxes. The Authority was established January 1, 2008 by a vote of the citizens of Lewis County Fire District #12 and the City of Centralia and operates under Chapter 52.26 RCW and other laws of the State of Washington applicable to fire districts.

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

b. Basis of Accounting

Riverside Fire Authority reports financial activity using the revenues 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 Authority's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments.

d. Deposits

The Authority'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 assets with an individual cost of more than \$5,000 and an estimated useful life in excess of ten years. The capital assets of the Authority are recorded as expenditures when purchased.

f. Compensated Absences

Vacation pay may be accumulated up to 120 hours and is payable upon separation or retirement. Sick leave may accumulate up to 1200 hours. Upon separation or retirement an employee may be paid an amount equal to one-half of his accumulated but unused sick leave, up to a maximum of 480 hours, unless he/she terminates employment without giving thirty days prior written notice, or unless he/she is discharged for cause. The department's estimated liability for sick leave termination benefits on December 31, 2012 was \$287,028.

g. Reserved Fund Balance

Funds are reserved for EMS capital equipment acquisition. The reserved fund balance as of December 31, 2012 was \$402,338.23.

NOTE 2 - BUDGETS

The Authority adopts annual appropriated budgets for General and EMS 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 follows:

Fund	Final App. Amounts	Actual Expenditures	Variance
General Fund	\$3,475,285	\$3,355,370	\$119,915
EMS Fund	\$1,424,926	\$1,271,524	\$153,402

NOTE 3 – PROPERTY TAXES

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

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

The Riverside Fire Authority regular levy for the year 2012 was \$1.50 per \$1,000 on an assessed valuation of \$2,213,280,728 for a regular levy of \$3,319,921.09. In 2012, Riverside Fire Authority also levied \$.50 per \$1,000 for EMS for total additional levy of \$1,122,218.14.

NOTE 4 – INVESTMENTS

The Authority's investments are held by the Lewis County Treasurer as its agent in the Authority's name. Investments by type at December 31, 2012 were as follows:

<u>Type of Investment</u>	<u>Balance</u>
LCGY	\$ 149,000.00
LGIP	724,064.68
LGIP	213,559.80
LGIP	(10,140.52)
Total	\$1,076,483.96

NOTE 5 – DEBT SERVICE REQUIREMENTS

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

The debt service requirements for long term debt including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2012		132,897.63	132,897.63
2013		132,897.64	132,897.64
2014		132,897.64	132,897.64
2015		42,819.86	42,819.86
2016		42,819.86	42,819.86
2017-2021		214,099.28	214,099.28
TOTALS	\$ -0-	\$698,431.91	\$698,431.91

NOTE 6 – PENSION PLANS

Substantially all of the Riverside Fire Authority'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 systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Authority'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
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Olympia, WA 98504-8380

OTHER DISCLOSURES

OPEB

The RFA has a commitment to pay for post employee benefits for employees that belong to LEOFF1. These benefits include medical coverage, limited vision care and nursing care. Four retirees received benefits during the year and \$90,751.92 was paid out for those benefits during the year.

Riverside Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		417,129	62,429	147,885	331,673
263.51	Ladder Truck Payment	1/10/2014	86,622	-	86,622	-
263.96	Fire Engine	12/1/2021	286,467	-	31,595	254,872
Total General Obligations:			790,218	62,429	266,102	586,545
Total Liabilities:			790,218	62,429	266,102	586,545

Riverside Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2013

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
263.96	Fire Engine	12/1/2021	317,141	-	30,674	286,467
	Total General Obligations:		317,141	-	30,674	286,467
Revenue Obligations						
259.12	Compensated Absences	12/31/2013	389,101	42,693	14,665	417,129
263.82	Ladder Truck Payment	1/10/2014	169,920	-	83,298	86,622
	Total Revenue Obligations:		559,021	42,693	97,963	503,751
	Total Liabilities:		876,162	42,693	128,637	790,218

**Riverside Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2012**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		329,609	19,302	27,457	321,454
259.11	Compensated Absences		53,122	14,760	235	67,647
263.51	Ladder Truck payment	1/10/2014	250,022	-	80,102	169,920
263.96	Fire Engine	12/1/2021	345,656	-	28,515	317,141
Total General Obligations:			978,409	34,062	136,309	876,162
Total Liabilities:			978,409	34,062	136,309	876,162

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	Adam Wilson Adam.Wilson@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