



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Spokane County Fire Protection

District No. 13

(Newman Lake Fire and Rescue)

For the period January 1, 2014 through December 31, 2015

Published July 21, 2016

Report No. 1017103





Washington State Auditor's Office

July 21, 2016

Board of Commissioners
Newman Lake Fire and Rescue
Newman Lake, Washington

Report on Financial Statements

Please find attached our report on the Newman Lake Fire and Rescue's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style.

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**

**Newman Lake Fire and Rescue
Spokane County
January 1, 2014 through December 31, 2015**

Board of Commissioners
Newman Lake Fire and Rescue
Newman Lake, 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 Newman Lake Fire and Rescue, Spokane County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 1, 2016.

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 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 1, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Newman Lake Fire and Rescue Spokane County January 1, 2014 through December 31, 2015

Board of Commissioners
Newman Lake Fire and Rescue
Newman Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Newman Lake Fire and Rescue, Spokane County, Washington, for the years ended December 31, 2015 and 2014, 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 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, the Newman Lake Fire and Rescue 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 the Newman Lake Fire and Rescue, for the years ended December 31, 2015 and 2014, 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 Newman Lake Fire and Rescue, as of December 31, 2015 and 2014, 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 July 1, 2016 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". The signature is written in dark ink on a white background.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

July 1, 2016

FINANCIAL SECTION

**Newman Lake Fire and Rescue
Spokane County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Liabilities – 2014

Spokane County Fire Protection District No. 13
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	032 Operating Fund	265 UTGO Bond 2- Debt Service
Beginning Cash and Investments				
30810	Reserved	3,144,071	0	23,348
30880	Unreserved	266,112	248,163	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	684,686	605,809	78,878
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	1,341	1,341	-
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	26,713	5,883	260
Total Operating Revenues:		712,740	613,033	79,137
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	379,636	379,636	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		379,636	379,636	-
Net Operating Increase (Decrease):		333,104	233,397	79,137
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	115,555	1,360	-
Total Nonoperating Revenues:		115,555	1,360	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	150,720	-	70,484
594-595	Capital Expenditures	1,944,451	115,052	-
597	Transfers-Out	115,555	114,195	-
Total Nonoperating Expenditures:		2,210,725	229,247	70,484
Net Increase (Decrease) in Cash and Investments:		(1,762,066)	5,510	8,653
Ending Cash and Investments				
5081000	Reserved	1,376,367	-	32,001
5088000	Unreserved	271,749	253,672	-
Total Ending Cash and Investments		1,648,116	253,672	32,001

The accompanying notes are an integral part of this statement.

266 LTGO Bond- Debt Service	361 Capital Project - Apparatus	362 Capital Project -General	363 New Station Construction Reserve	365 UTGO Construction	366 LTGO Construction
17,413	559,343	-	566,320	875,604	1,102,042
-	-	17,949	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
88	3,977	128	4,217	4,672	7,489
88	3,977	128	4,217	4,672	7,489
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
88	3,977	128	4,217	4,672	7,489
-	-	-	-	-	-
-	-	-	-	-	-
63,175	-	-	51,020	-	-
63,175	-	-	51,020	-	-
-	-	-	-	-	-
80,236	-	-	-	-	-
-	-	-	-	839,124	990,275
-	-	-	-	1,360	-
80,236	-	-	-	840,484	990,275
(16,973)	3,977	128	55,237	(835,812)	(982,786)
441	563,320	-	621,556	39,792	119,256
-	-	18,077	-	-	-
441	563,320	18,077	621,556	39,792	119,256

The accompanying notes are an integral part of this statement.

Spokane County Fire Protection District No. 13
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	032 Operating Fund	265 UTGO Bond 2- Debt Service
Beginning Cash and Investments				
30810	Reserved	799,020	0	-
30880	Unreserved	334,068	334,068	-
388 & 588	Prior Period Adjustments, Net	1,000	1,000	-
Operating Revenues				
310	Taxes	594,222	594,222	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	1,473	1,473	-
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	13,441	2,965	27
Total Operating Revenues:		609,136	598,660	27
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	367,414	367,414	-
Total Operating Expenditures:		367,414	367,414	-
Net Operating Increase (Decrease):		241,722	231,246	27
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	2,275,136	-	41,597
397	Transfers-In	345,601	-	-
Total Nonoperating Revenues:		2,620,737	-	41,597
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	34,450	-	18,275
594-595	Capital Expenditures	206,313	65,972	-
597	Transfers-Out	345,601	252,178	-
Total Nonoperating Expenditures:		586,363	318,150	18,275
Net Increase (Decrease) in Cash and Investments:		2,276,095	(86,904)	23,349
Ending Cash and Investments				
5081000	Reserved	3,144,071	-	23,348
5088000	Unreserved	266,112	248,163	-
Total Ending Cash and Investments		3,410,183	248,163	23,348

The accompanying notes are an integral part of this statement.

266 LTGO Bond- Debt Service	361 Capital Project - Apparatus	362 Capital Project -General	363 New Station Construction Reserve	365 UTGO Construction	366 LTGO Construction
-	555,289	25,246	218,485	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
49	4,055	179	2,234	1,890	2,042
49	4,055	179	2,234	1,890	2,042
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
49	4,055	179	2,234	1,890	2,042
-	-	-	-	-	-
33,539	-	-	-	1,100,000	1,100,000
-	-	-	345,601	-	-
33,539	-	-	345,601	1,100,000	1,100,000
-	-	-	-	-	-
16,175	-	-	-	-	-
-	-	7,477	-	132,864	-
-	-	-	-	93,422	-
16,175	-	7,477	-	226,287	-
17,413	4,055	(7,298)	347,835	875,604	1,102,042
17,413	559,343	-	566,320	875,604	1,102,042
-	-	17,949	-	-	-
17,413	559,343	17,949	566,320	875,604	1,102,042

The accompanying notes are an integral part of this statement.

Notes to Financial Statements - 2015

Spokane County Fire District 13

Note 1 - Summary of Significant Accounting Policies

The Spokane County Fire Protection District #13, referred to as the “District”, was incorporated August 1958 and operates under the laws of the state of Washington applicable to a fire district. The District is a general purpose government and provides fire protection and emergency medical services.

The District 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 are 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 government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Debt Service Fund

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 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 District also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The District adopts an annual appropriated budget for the all funds. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
032 Operating Fund	610,442.00	608,883.24	1,558.76
Total 032 - Operating Fund	610,442.00	608,883.24	1,558.76
265 - UTGO Bond 2-Debt Service	70,484.44	70,484.43	0.01
266 - LTGO Bond-Debt Service	80,235.56	80,235.55	0.01
365 - UTGO Construction	880,603.63	840,483.56	40,120.07
366 - LTGO Construction	1,107,042.39	990,274.80	116,767.59

Budgeted amounts are authorized to be transferred between departments within any fund; 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 District's legislative body.

D. Cash and Investments

See Note 3, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

By contract the Fire Chief may accrue a maximum of 90 days of unused paid time off which may be carried over from one year to the next. Any leave remaining unused at the end of the calendar year that is in excess of 90 days will be cashed out. In the event of termination of employment, the employee shall be paid for any accrued but unused paid time off leave, up to a maximum of 90 days accrual.

The Schedule 9 includes the 7.65% increase for payroll costs.

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Risk Management

Spokane County Fire District #13 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year

and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by District Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following.

<u>Fund Number and Name</u>	<u>Reserve Amount</u>	<u>Description</u>
361-Apparatus Reserve	\$563,320.04	Reserved for future fire apparatus purchases
363-New Fire Station	\$621,556.28	Reserved for capital construction
265-UTGO Bond debt service	\$32,001.16	Reserved for voted debt service
266-LTGO Bond debt service	\$440.82	Reserved for non-voted debt service
365 UTGO Construction	\$39,792.02	Reserved for new fire station construction
366 LTGO Construction	\$119,256.33	Reserved for new fire station construction

Note 2 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month, with the exception of December when they are distributed at the end of the 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 tax is levied.

The District's regular levy for the year 2015 was \$1.4706 per \$1,000 on an assessed valuation of \$317,141,240 for a total regular levy of \$466,399.37.

The District's EMS levy for the year 2015 was \$0.4891 per \$1,000 on an assessed valuation of \$317,141,240 for a total regular levy of \$155,120.23.

Note 3 – Deposits and Investments

Deposits and Investments

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District and the County acting as its agent.

Investments are reported at fair market value. Investments by type at December 31, 2015 are as follows:

<u>Type of investment</u>	<u>District's own investments</u>	<u>Total</u>
S.C.I.P	\$1,647,115.61	\$1,647,115.61

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2015.

DATE	UTGO (VOTED)		LTGO (NON-VOTED)		TOTAL
	Principal	Interest	Principal	Interest	
2016	\$45,000.00	\$36,050.00	\$45,000.00	\$35,650.00	\$161,700.00
2017	\$45,000.00	\$35,150.00	\$45,000.00	\$34,750.00	\$159,900.00
2018	\$50,000.00	\$34,250.00	\$50,000.00	\$33,850.00	\$168,100.00
2019	\$50,000.00	\$33,250.00	\$50,000.00	\$32,850.00	\$166,100.00
2020	\$50,000.00	\$32,250.00	\$50,000.00	\$31,850.00	\$164,100.00
2021-2025	\$275,000.00	\$140,100.00	\$275,000.00	\$138,100.00	\$828,200.00
2026-2030	\$330,000.00	\$86,600.00	\$320,000.00	\$85,400.00	\$822,000.00
2031-2033	\$230,000.00	\$18,600.00	\$230,000.00	\$18,600.00	\$497,200.00

Note 5 - Pension Plans

A. State Sponsored Pension Plans

Substantially all District's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans LEOFF 2.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The District also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2015 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
LEOFF 2	0.003442%	(35,377)
VFFRPF	0.21%	(40,752)

LEOFF Plan 2

The District also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 6 - Other Disclosures

Significant transaction with related parties

A monthly-stipend volunteer (officer) was paid as a vendor for clothing, embroidery services, and signage in 2015 by the District for a total of \$796.30.

The District has a contract with a volunteer for monthly IT services in the amount of \$250 a month. In 2015 the amount totaled \$500.

Component units or joint ventures

The District has Mutual Aid Agreements with all fire districts and fire departments within Spokane County, Washington and Kootenai County, Idaho, all in which no payments are made between parties.

The District has a Mutual Aid Agreement with Washington State Department of Natural Resources.

Fund Presentation

Fund 362 – Capital Projects – General: Changed legal classification from “Reserved” to “Unreserved” because the Resolution 2012-06 which establishes this fund does not specify a project, but instead establishes a General Capital Project reserve for any emergency needs.

Notes to Financial Statements - 2014 Spokane County Fire District 13

Note 1 - Summary of Significant Accounting Policies

The Spokane County Fire Protection District #13, referred to as the “District”, was incorporated August 1958 and operates under the laws of the state of Washington applicable to a fire district. The District is a general-purpose government and provides fire protection and emergency medical services.

The District 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 are 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 government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Debt Service Fund

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 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 District also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The District adopts an annual appropriated budget for the operating fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
032 - Operating Fund	599,519.00	685,564.36	-86,045.36
265 - UTGO Bond 2-Debt Service		18,275.00	-18,275.00
266 - LTGO Bond-Debt Service		16,175.00	-16,175.00
362 - Capital Project -General		7,476.59	-7,476.59
365 - UTGO Construction	642,258.00	226,286.52	415,971.48

Budgeted amounts are authorized to be transferred between departments within any fund; 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 District's legislative body.

D. Cash and Investments

See Note 3, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

By contract the Fire Chief may accrue a maximum of 90 days of unused paid time off which may be carried over from one year to the next. Any leave remaining unused at the end of the calendar year that is in excess of 90 days will be cashed out. In the event of termination of employment, the employee shall be paid for any accrued but unused paid time off leave, up to a maximum of 90 days accrual. The Schedule 9 includes the 7.65% increase for payroll costs.

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Other Financing Sources or Uses

The District's *Other Financing Sources or Uses* consist of interfund transfers.

I. Risk Management

Financial Note to Enduris Member Financial Statements

The District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers crime coverage up to a limit of \$1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown on the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by District Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following.

<u>Fund Number and Name</u>	<u>Reserve Amount</u>	<u>Description</u>
361-Apparatus Reserve	\$559,343	Reserved for future fire apparatus purchases
363-New Fire Station	\$566,320	Reserved for capital construction
265-UTGO Bond debt service	\$23,348	Reserved for voted debt service
266-LTGO Bond debt service	\$17,413	Reserved for non-voted debt service
365 UTGO Construction	\$875,604	Reserved for new fire station construction
366 LTGO Construction	\$1,102,042	Reserved for new fire station construction

Note 2 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month, with the exception of December when they are distributed at the end of the 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 tax is levied.

The District's regular levy for the year 2014 was \$1.50 per \$1,000 on an assessed valuation of \$301,658,991 for a total regular levy of \$452,488.49.

The District's EMS levy for the year 2014 was \$0.50 per \$1,000 on an assessed valuation of \$301,658,991 for a total regular levy of \$ 150,829.50.

Note 3 – Deposits and Investments

Deposits and Investments

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District and the County acting as its agent.

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

<u>Type of investment</u>	<u>District's own investments</u>	<u>Total</u>
S.C.I.P	\$3,409,183	\$3,409,183

Note 4 – Debt Service Requirements

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

DATE	UTGO (VOTED)	LTGO (NON- VOTED)	TOTAL
2015	\$70,484.44	\$80,235.56	\$150,720.00
2016	\$81,050.00	\$80,650.00	\$161,700.00
2017	\$80,150.00	\$79,750.00	\$159,900.00
2018	\$84,250.00	\$83,850.00	\$168,100.00
2019	\$83,250.00	\$82,850.00	\$166,100.00
2020-2024	\$412,550.00	\$410,550.00	\$823,100.00
2025-2029	\$419,400.00	\$407,800.00	\$827,200.00
2030-2033	\$330,600.00	\$330,600.00	\$661,200.00

Note 5 - Pension Plans

- a. Substantially all District's full-time employees participate in LEOFF II 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 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

- b. Some part-time paid district employees participate in the Washington State Board of Volunteer Firefighters Pension Program. The District pays a fixed rate per year for each volunteer/part-time employee.

Note 6 - Other Disclosures

Significant transaction with related parties

A monthly stipend volunteer (officer) was paid as a vendor for clothing, embroidery services, and signage in 2014 by the District for a total of \$477.19.

Component units or joint ventures

The District has mutual aid agreements with all fire districts and fire departments within Spokane County, Washington and Kootenai County, Idaho, all in which no payments are made between parties.

The District has a mutual aid agreement with Washington State Department of Natural Resources.

Compliance and Accountability

The expenditures for the following funds exceeded legal appropriations. The legislative body did not amend the budget for interfund transfers, new loan funds or the Capital Project emergency septic.

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
032 - Operating Fund	599,519.00	685,564.36	-86,045.36
265 - UTGO Bond 2-Debt Service		18,275.00	-18,275.00
266 - LTGO Bond-Debt Service		16,175.00	-16,175.00
362 - Capital Project -General		7,476.59	-7,476.59

Fund Presentation

Fund 362 – Capital Projects – General: Changed legal classification from “Reserved” to “Unreserved” because the Resolution 2012-06, which establishes this fund does not specify a project, but instead establishes a General Capital Project reserve for any emergency needs.

Spokane County Fire Protection District No. 13
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations						
251.11	G.O. Bond Non-voted fire station	12/1/2033	1,100,000	-	35,000	1,065,000
251.12	G.O. Bond Voted fire station	12/1/2033	1,100,000	-	25,000	1,075,000
Total General Obligations:			2,200,000	-	60,000	2,140,000
Revenue Obligations						
259.12	Compensated Absences		35,956	8,528	-	44,484
Total Revenue Obligations:			35,956	8,528	-	44,484
Total Liabilities:			2,235,956	8,528	60,000	2,184,484

Spokane County Fire Protection District No. 13
Schedule of Liabilities
For the Year Ended December 31, 2014

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations						
259.11	Compensated Absences		31,807	4,149	-	35,956
251.11	G.O. Bond Non-voted Fire Station	12/1/2033	-	1,100,000	-	1,100,000
251.12	G.O. Bond Voted Fire Station	12/1/2033	-	1,100,000	-	1,100,000
Total General Obligations:			<u>31,807</u>	<u>2,204,149</u>	<u>-</u>	<u>2,235,956</u>
Total Liabilities:			<u>31,807</u>	<u>2,204,149</u>	<u>-</u>	<u>2,235,956</u>

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov