



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
King County Fire Protection District
No. 20

For the period January 1, 2015 through December 31, 2016

Published July 19, 2018

Report No. 1021331





Office of the Washington State Auditor
Pat McCarthy

July 19, 2018

Board of Commissioners
King County Fire Protection District No. 20
Seattle, Washington

Report on Financial Statements

Please find attached our report on King County Fire Protection District No. 20'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 "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy
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**

**King County Fire Protection District No. 20
January 1, 2015 through December 31, 2016**

Board of Commissioners
King County Fire Protection District No. 20
Seattle, 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 King County Fire Protection District No. 20, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 11, 2018.

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

July 11, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County Fire Protection District No. 20 January 1, 2015 through December 31, 2016

Board of Commissioners
King County Fire Protection District No. 20
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of King County Fire Protection District No. 20, Washington, for the years ended December 31, 2016 and 2015, 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 opinions 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, King County Fire Protection District No. 20 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 King County Fire Protection District No. 20, for the years ended December 31, 2016 and 2015, 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 King County Fire Protection District No. 20, as of December 31, 2016 and 2015, 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 opinions on the financial statements taken as a whole. The 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 11, 2018 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 "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

July 11, 2018

FINANCIAL SECTION

King County Fire Protection District No. 20 January 1, 2015 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016 and 2015
Notes to Financial Statements – 2016 and 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016 and 2015

King County Fire Protection District No. 20
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	000 General	200 Debt	201 Debt
Beginning Cash and Investments					
30810	Reserved	917,321	850,000	31,723	35,598
30880	Unreserved	2,121,582	2,121,582	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	2,998,427	2,994,193	4,220	14
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,290	1,290	-	-
340	Charges for Goods and Services	257,496	257,496	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	45,937	45,232	418	287
Total Revenues:		3,303,150	3,298,211	4,638	301
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,447,477	2,447,459	9	9
Total Expenditures:		2,447,477	2,447,459	9	9
Excess (Deficiency) Revenues over Expenditures:		855,673	850,752	4,629	292
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	2,622	2,622	-	-
Total Other Increases in Fund Resources:		2,622	2,622	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	131,163	131,163	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	966	966	-	-
Total Other Decreases in Fund Resources:		132,129	132,129	-	-
Increase (Decrease) in Cash and Investments:		726,166	721,245	4,629	292
Ending Cash and Investments					
5081000	Reserved	922,242	850,000	36,352	35,890
5088000	Unreserved	2,842,827	2,842,827	-	-
Total Ending Cash and Investments		3,765,069	3,692,827	36,352	35,890

The accompanying notes are an integral part of this statement.

King County Fire Protection District No. 20
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	000 General	200 Debt	201 Debt
Beginning Cash and Investments					
30810	Reserved	59,230	-	24,041	35,189
30880	Unreserved	2,505,385	2,505,385	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	2,768,241	2,760,685	7,349	207
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,341	1,341	-	-
340	Charges for Goods and Services	276,563	276,563	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	29,673	29,147	318	208
Total Operating Revenues:		3,075,818	3,067,736	7,667	415
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,437,865	2,437,876	(17)	6
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,437,865	2,437,876	(17)	6
Net Operating Increase (Decrease):		637,953	629,860	7,684	409
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	330	330	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		330	330	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	1,952	1,952	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	162,041	162,041	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		163,993	163,993	-	-
Net Increase (Decrease) in Cash and Investments:		474,290	466,197	7,684	409
Ending Cash and Investments					
5081000	Reserved	917,321	850,000	31,723	35,598
5088000	Unreserved	2,121,582	2,121,582	-	-
Total Ending Cash and Investments		3,038,903	2,971,582	31,723	35,598

The accompanying notes are an integral part of this statement.

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

King County Fire Protection District No. 20 is a special purpose local government that provides fire protection and emergency medical services to the general public of approximately 15,000 residents in a 3.06 square mile area of south King County (east of Seattle) and is supported primarily through property taxes. The District was incorporated in 1943 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts. A board of Fire Commissioners, composed of three elected registered voters residing in the District, manages the affairs of the District.

King County Fire Protection District No. 20 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 classification 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 and its 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. This General Fund includes the unreserved fund balances from the District's Reserve Fund.

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting (Continued)

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. There are two debt service funds, fund #100208510 and #10020851, with the latter representing the partial defeasance of the Unlimited Tax General Obligation Bonds. The bond was paid off on December 1, 2014.

Capital Project 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. This fund has maintained a zero balance since 2011.

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.

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. Budgets

The District adopts an annual appropriated budget for the General 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:

<u>Fund Name</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund	\$ 3,319,205	\$ 3,230,040	\$ 89,165
Totals	\$ 3,319,205	\$ 3,230,040	\$ 89,165

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets (Continued)

Budgeted amounts are authorized to be transferred between each budget category; however, any revisions that alter the appropriated 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 Board of Commissioners.

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 \$500 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may accumulate in accordance with employment and union contracts, with limits determined by these contracts. Accumulated vacation is payable upon separation or retirement, based on employment contract provisions. Comp time may accumulate up to 120 hours. Upon separation or retirement, employees will be compensated for all accrued comp time. Sick leave may accumulate up to 1,020 hours for firefighters and 960 hours for administrative personnel. Upon separation or retirement, employees receive payment for unused sick leave based on their employment or union contract. Administrative personnel currently do not receive cash out of sick leave upon termination of employment. Union personnel receive cash out based on the following schedule:

- Resignation or layoff - 10% of sick leave bank up to 85 hours
- Retirement or separation due to disability - 25% of sick leave bank up to 180 hours
- Death - 50% of sick leave bank up to 360 hours
- Death in the line of duty - 100% of sick leave bank

The District's estimated liability for vacation leave was \$26,176, comp time was \$9,162, and sick leave (when calculated at the maximum possible payout for all employees) was \$349,429 at December 31, 2016, for a total maximum liability of \$384,767. This level of actual sick leave liability is highly unlikely to ever be realized. If sick leave is calculate at the maximum amount that could be cashed out (due to resignation) at December 31, 2016, the total would be \$34,943 instead of \$349,429. Payments are recognized as expenditures when paid.

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Risk Management

The District obtains insurance covering property, errors and omissions, liability, business auto, Good Samaritan, and umbrella through Volunteer Firefighters Insurance. Premiums are paid from the Current Expense Fund. Deductibles vary among coverage from \$0 to \$1,000. The District self-insures for unemployment compensation, Employee Prescription/copay reimbursements (up to \$300 per year per employee), and LEOFF I dental/Medicare out of pocket expenses.

Medical/Dental/Vision insurance for employees is provided through Washington Fire Commissioners Association. Financial Statements from our insurance providers can be obtained directly from them.

Volunteer Firefighters Insurance: www.vfis.com

Washington Fire Commissioners Association: www.wfca.wa.gov.

I. Reserved Portion of Ending Cash 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 the Board of 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 \$500,000 for any possible LEOFF 1 liabilities and \$350,000 for accrued leave liabilities.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's cash and investment balances at December 31, 2016 are listed below:

Petty Cash	\$ 1,000
Bank Deposit Account	3,000
Investment in King County	
Investment Pool	<u>3,761,069</u>
Total Cash and Investments	<u>\$ 3,765,069</u>

It is the District's policy to invest all temporary cash surpluses. The District does this through its membership in the King County Investment Pool. The interest on these investments is deposited in the fund in which it was earned.

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

All deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and/or by the Washington Public Deposit Protection Commission (PDPC).

Investments are reported at original cost.

In accordance with State law, the District's governing body has entered into a formal interlocal agreement with the District's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of December 31, 2016, the District had the following investment in the King County Investment Pool:

Investment in King County Investment Pool by Fund

	<u>12/31/16</u>
Expense Fund	\$ 839,762
Maint & Oper Fund	(35)
Reserve Fund	2,849,100
GO Bond Fund	36,352
ULTD Bond Fund	<u>35,890</u>
Total Investment in King County Investment Pool	<u>\$ 3,761,069</u>

NOTE 3 - PROPERTY TAX

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

Property tax revenues are recognized when cash is received by 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 for collection in 2016 was \$1.50 per \$1,000 on an assessed valuation of \$1,437,585,868 for a total regular levy of \$2,156,379.

In 2015, for collection in 2016, the District also levied \$850,000 for maintenance and operations with the voter-approved Excess Levy from the General Election on November 6, 2012.

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 4 - DEBT SERVICE REQUIREMENTS

Debt Service

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, 2016. The District had no debt service requirements left in 2016.

NOTE 5 - PENSION PLAN

State Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in one of 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:

- Public Employees' Retirement System (PERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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.

King County Fire Protection District No. 20
Notes to Financial Statements
December 31, 2016

NOTE 5 - PENSION PLAN (Continued)

At June 30, 2016 (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)
PERS 1 UAAL	0.001795%	\$ 96,400
PERS 2/3	0.002297%	\$ 115,652
LEOFF 1	0.003071%	\$ (31,640)
LEOFF 2	0.034299%	\$(199,493)

The District also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

The District also participates in 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 POST RETIREMENT BENEFITS (OPEB)

The District has a commitment to pay for past employment benefits for one retiree belonging to the LEOFF 1 group. These benefits include medical, nursing care, dental, etc. Benefits paid during 2016 include 0 claims for a total of \$0.00.

King County Fire District #20

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

King County Fire District 20 is a special purpose local government that provides fire protection and emergency medical services to the general public of approximately 15,000 residents in a 3.06 square mile area of south King County (east of Seattle) and is supported primarily through property taxes. The District was incorporated in 1943 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. A board of Fire Commissioners, composed of three elected registered voters residing in the District, manages the affairs of the District.

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 (Current Expense) Fund

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund. This General Fund includes the unreserved and reserved fund balances from the District's Reserve Fund.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. There are two debt service funds including Fund #10-020-8510 and #10-020-8511 with the latter representing the partial defeasance of the Unlimited Tax General Obligation Bonds. The bond was paid off on December 1, 2014.

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. This fund has maintained a zero balance since 2011.

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.

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

King County Fire District #20

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2015

is expensed when purchased.

C. Budgets

King County Fire District 20 adopts an annual appropriated budget for the General 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 Name	Appropriated Expenditures	Actual Expenditures	Variance
General Fund	\$2,958,829	\$2,602,301	\$356,528
	-----	-----	-----
Totals	\$2,958,829	\$2,602,301	\$356,528
	=====	=====	=====

Any revisions that alter the appropriated 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 Board of Commissioners.

D. Cash and Investments

See Note X, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may accumulate in accordance with employment and union contracts, with limits determined by these contracts. Accumulated vacation is payable upon separation or retirement, based on employment contract provisions. Comp time may accumulate up to 120 hours. Upon separation or retirement, employees will be compensated for all accrued comp time. Sick leave may accumulate up to 1,020 hours for firefighters and 960 hours for administrative personnel. Upon separation or retirement employees receive payment for unused sick leave based on their employment or union contract. Administrative personnel currently do not receive cash out of sick leave upon termination of employment. Union personnel receive cash out based on the following schedule:

- * Resignation or layoff-10% of sick leave bank up to 85 hours
- * Retirement or separation due to disability-25% of sick leave bank up to 180 hours.
- * Death-50% of sick leave bank up to 360 hours.
- * Death in the line of duty-100% of sick leave bank

The District's estimated liability for vacation leave was \$15,006; comp time was \$5,180; and sick leave (when calculated at the maximum possible payout for all employees) was \$337,225 on December 31, 2015 for a total maximum liability of \$357,411. This level of actual sick leave liability is highly unlikely to ever be realized. If sick leave is calculated at the maximum amount that could be cashed out on December 31, 2015 (cash out would require resignation) the total would be \$29,140.81 instead of \$337,225. Payments are recognized as expenditures when paid.

G. Long-Term Debt

King County Fire District #20

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2015

See Note X, Debt Service Requirements.

H. Other Financing Sources or Uses - None

I. Risk Management

The District obtains insurance covering property, errors and omissions, liability, business auto, good Samaritan, and umbrella through Volunteer Firefighters Insurance. Premiums are paid from the Current Expense Fund. Deductibles vary among coverage from \$0 to \$1,000. The District self-insures for unemployment compensation, Employee Prescription/copay reimbursements (up to \$300/yr/employee), and LEOFF I dental/medicare out of pocket expenses. Medical/Dental/Vision insurance for employees is provided through Washington Fire Commissioners Association. Financial Statements from our insurance providers can be obtained directly from them. VFIS: www.vfis.com and www.wfca.wa.gov.

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 the board of fire 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 \$500,000 for any possible LEOFF I liabilities and \$350,000 for accrued leave liabilities.

NOTE X - DEPOSITS & INVESTMENTS

It is the District's policy to invest all temporary cash surpluses. The District does this through its membership in the King County Investment Pool. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments. The interest of these investments is deposited in the fund in which it was earned. The District maintains petty cash authorized in the amount of \$1,000 and an imprest account, which is held at US Bank, for Advance Travel authorized in the amount of \$3,000. Both of these are reconciled by the CFO and internal controls are in place regarding disbursement of the funds. These amounts are included in the General Fund report.

All deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission). All investments are insured, registered or held by the District or its agent in the government's name. The District participates in the King County Investment Pool.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

Type of Investment	Total
King County Investment Pool:	
Expense Fund	\$ 587,286.56
Reserve Fund	\$ 2,381,944.32
GO Bond	\$ 31,739.82
ULTD Bond	\$ 35,616.54
Total	\$ 3,036,587.24

NOTE X - 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.

King County Fire District #20

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2015

The District regular levy for the year 2014 for collection in 2015 was \$1.50 per \$1,000 on an assessed valuation of \$1,294,621,081 for a total regular levy of \$1,941,932.

In 2014, for collection in 2015, the District also levied \$850,000 with the voter-approved Excess Levy from the General Election on November 6, 2012 for Maintenance and Operations.

NOTE X - DEBT SERVICE REQUIREMENTS

Debt Service:

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 2015. The district had no debt service requirements left in 2015.

NOTE X - 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 1 (one retiree), LEOFF 2, and PERS 2.

The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

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 LEOFF 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.

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)
PERS 1 UAAL	.001839%	\$96,197
PERS 2/3	.002375%	\$84,860
LEOFF 1	.003038%	(\$36,615)
LEOFF 2	.034497%	(354,560)

King County Fire District #20

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2015

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

NOTE X - OTHER DISCLOSURES (OTHER POST EMPLOYMENT BENEFITS (OPEB))

The District has a commitment to pay for post employment benefits for one retiree belonging to the LEOFF I group. These benefits include medical, nursing care, dental, etc. Benefits paid during 2015 include 0 claims for a total of \$0.00

Prepared on 05/05/2016

King County Fire Protection District No. 20
Schedule of Liabilities
For the Year Ended December 31, 2016

<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>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Accumulated Comp Time		5,180	3,982	-	9,162
259.12	Accumulated Sick Time		337,225	12,204	-	349,429
259.12	Accumulated Vacation		15,006	11,170	-	26,176
264.30	Net Pension Liability		181,057	30,995	-	212,052
Total Revenue and Other (non G.O.) Debt/Liabilities:			538,468	58,351	-	596,819
Total Liabilities:			538,468	58,351	-	596,819

King County Fire Protection District No. 20
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>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Accumulated Comp Time		4,219	28,478	27,517	5,180
259.12	Accumulated Sick Leave		315,462	81,232	59,469	337,225
259.12	Accumulated Vacation		24,950	77,426	87,370	15,006
264.30	DRS Pension Net Liability		-	181,057	-	181,057
Total Revenue and Other (non G.O.) Debt/Liabilities:			344,631	368,193	174,356	538,468
Total Liabilities:			344,631	368,193	174,356	538,468

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