



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Shoreline Fire Department

For the period January 1, 2017 through December 31, 2017

Published January 14, 2019

Report No. 1023031





**Office of the Washington State Auditor
Pat McCarthy**

January 14, 2019

Board of Commissioners
Shoreline Fire Department
Shoreline, Washington

Report on Financial Statements

Please find attached our report on Shoreline Fire Department's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

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**

**Shoreline Fire Department
January 1, 2017 through December 31, 2017**

Board of Commissioners
Shoreline Fire Department
Shoreline, 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 Shoreline Fire Department, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated January 4, 2019.

We issued an unmodified opinion on the fair presentation of the Department'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 Department using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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 Department's financial statements are free from material misstatement, we performed tests of the Department'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 Department'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 Department'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

January 4, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Shoreline Fire Department January 1, 2017 through December 31, 2017

Board of Commissioners
Shoreline Fire Department
Shoreline, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Shoreline Fire Department, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Department'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department'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 Department'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, Shoreline Fire Department 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 Shoreline Fire Department, for the year ended December 31, 2017, 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 Department 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 Shoreline Fire Department, as of December 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019 on our consideration of the Department’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 Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

January 4, 2019

FINANCIAL SECTION

Shoreline Fire Department January 1, 2017 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017

Shoreline Fire Department
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

| | | Total for All Funds (Memo Only) | 000 General | 101 Special | 102 Special |
|---|--------------------------------|--|--------------------|--------------------|--------------------|
| Beginning Cash and Investments | | | | | |
| 30810 | Reserved | 10,974,089 | - | - | 1,916,467 |
| 30880 | Unreserved | 8,245,226 | 6,603,956 | 31,233 | - |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 9,708,283 | 8,814,758 | - | - |
| 320 | Licenses and Permits | 151,486 | 151,486 | - | - |
| 330 | Intergovernmental Revenues | 3,506 | 2,236 | - | 1,270 |
| 340 | Charges for Goods and Services | 14,682,215 | 7,016,831 | - | 7,117,832 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 234,300 | 85,140 | 8,474 | 18,817 |
| Total Revenues: | | 24,779,790 | 16,070,451 | 8,474 | 7,137,919 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | 22,669,537 | 15,211,344 | 42 | 7,144,897 |
| Total Expenditures: | | 22,669,537 | 15,211,344 | 42 | 7,144,897 |
| Excess (Deficiency) Revenues over Expenditures: | | 2,110,253 | 859,107 | 8,432 | (6,978) |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 1,146,962 | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | - | - |
| 381, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | 1,146,962 | - | - | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 3,525,401 | - | 10,674 | - |
| 591-593, 599 | Debt Service | 853,858 | - | - | - |
| 597 | Transfers-Out | 1,146,962 | 879,950 | - | 267,012 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 5,526,221 | 879,950 | 10,674 | 267,012 |
| Increase (Decrease) in Cash and Investments: | | (2,269,006) | (20,843) | (2,242) | (273,990) |
| Ending Cash and Investments | | | | | |
| 5081000 | Reserved | 8,041,374 | - | - | 1,642,478 |
| 5088000 | Unreserved | 8,908,935 | 6,583,114 | 28,991 | - |
| Total Ending Cash and Investments | | 16,950,309 | 6,583,114 | 28,991 | 1,642,478 |

The accompanying notes are an integral part of this statement.

Shoreline Fire Department
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

| | | 103 Special | 201 Debt | 301 Capital | 302 Capital |
|---|--------------------------------|--------------------|-----------------|--------------------|--------------------|
| Beginning Cash and Investments | | | | | |
| 30810 | Reserved | - | 88,253 | - | 747,986 |
| 30880 | Unreserved | 24,478 | - | 1,585,559 | - |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | 893,525 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | 547,552 | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 1,237 | 4,292 | 20,556 | 7,882 |
| Total Revenues: | | 548,789 | 897,817 | 20,556 | 7,882 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | 313,254 | - | - | - |
| Total Expenditures: | | 313,254 | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 235,535 | 897,817 | 20,556 | 7,882 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | 879,950 | 267,012 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | - | - |
| 381, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | 879,950 | 267,012 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | 449,248 | 591,792 |
| 591-593, 599 | Debt Service | - | 853,858 | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| Total Other Decreases in Fund Resources: | | - | 853,858 | 449,248 | 591,792 |
| Increase (Decrease) in Cash and Investments: | | 235,535 | 43,959 | 451,258 | (316,898) |
| Ending Cash and Investments | | | | | |
| 5081000 | Reserved | - | 132,211 | - | 431,087 |
| 5088000 | Unreserved | 260,013 | - | 2,036,817 | - |
| Total Ending Cash and Investments | | 260,013 | 132,211 | 2,036,817 | 431,087 |

Shoreline Fire Department
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

| | | <u>303 Capital</u> |
|---|--------------------------------|--------------------|
| Beginning Cash and Investments | | |
| 30810 | Reserved | 8,221,383 |
| 30880 | Unreserved | - |
| 388 / 588 | Prior Period Adjustments, Net | - |
| Revenues | | |
| 310 | Taxes | - |
| 320 | Licenses and Permits | - |
| 330 | Intergovernmental Revenues | - |
| 340 | Charges for Goods and Services | - |
| 350 | Fines and Penalties | - |
| 360 | Miscellaneous Revenues | 87,902 |
| Total Revenues: | | 87,902 |
| Expenditures | | |
| 510 | General Government | - |
| 520 | Public Safety | - |
| Total Expenditures: | | - |
| Excess (Deficiency) Revenues over Expenditures: | | 87,902 |
| 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 | - |
| Total Other Increases in Fund Resources: | | - |
| Other Decreases in Fund Resources | | |
| 594-595 | Capital Expenditures | 2,473,687 |
| 591-593, 599 | Debt Service | - |
| 597 | Transfers-Out | - |
| 585 | Special or Extraordinary Items | - |
| 586 / 589 | Custodial Activities | - |
| Total Other Decreases in Fund Resources: | | 2,473,687 |
| Increase (Decrease) in Cash and Investments: | | (2,385,785) |
| Ending Cash and Investments | | |
| 5081000 | Reserved | 5,835,598 |
| 5088000 | Unreserved | - |
| Total Ending Cash and Investments | | 5,835,598 |

NOTES TO FINANCIAL STATEMENT

For the Period Ended **December 31, 2017**

The following notes are an integral part of the accompanying financial statements.

Note 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Shoreline Fire Department (Department) is a special purpose government that provides fire protection services to the general public and is supported primarily through property taxes. The Department was incorporated in 1939 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts. The Department provides fire suppression services, emergency medical services, Fire prevention services, special operations services, disaster preparedness and response, community education and outreach.

The Department 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 Department 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 Department'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 - 000 (Expense Fund)

This fund is the primary operating fund of the Shoreline Fire Department. It accounts for all financial resources except those required or elected to be accounted for in another fund. The General Expense, General Reserve, General Benefits, Imprest Petty Cash Checking Accounts and Imprest Petty Cash fund are accounted for in Fund 000.

Special Revenue - 101 (EMS Donations Fund)

This fund was established to receive and account for funds donated to Shoreline Fire Department for basic life support. This account is funded by donations from the community.

Special Revenue - 102 (ALS Expense Fund)

This fund is used for the day-to-day operations of the ALS Division. This account is funded through a contract with King County EMS. King County EMS receives its funding from a countywide EMS property tax levy.

Special Revenue - 103 (CMT Expense Fund)

This fund is used for the day-to-day operations of the Community Medicine Technician (CMT) program. This account is primarily funded through a contract with King County EMS. King County EMS receives its funding from a countywide EMS property tax levy.

Debt Service Fund - 201 (GO Bond Fund)

This fund accounts for the financial resources that are restricted, committed, or assigned to expenditures to pay principal, interest, and related costs on the general long-term bonded debt.

Capital Projects Fund - 301 (Capital Replacement Fund)

This fund primarily accounts for the accumulation of resources for the purchase of major equipment. This fund is used to track and maintain long-range plans. The fund allows the Department to plan for large purchases without depleting the current year's expense budget.

Capital Projects Fund - 302 (ALS Capital Fund)

This fund primarily accounts for the accumulation of resources for the purchase of major equipment. This fund is used to track and maintain long-range plans. The fund allows the Department to plan for large purchases without depleting the current year's expense budget.

Capital Projects Fund - 303 (CIP Fund)

The Capital Improvement Plan (CIP) fund will be used for tracking revenues and expenses resulting from the Capital Bond that was approved by voters in August, 2015. This fund will be used during the life of the \$9.5 million capital bond, approximately ten years.

B. Basis of Accounting and Measurement Focus

The Department's financial statements are prepared using the cash basis of accounting. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Budget

The Department adopts annual appropriated budgets for Gen Expense, Gen Capital, Gen Benefits, ALS Expense, ALS Capital, ALS Benefits, and CMT funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

| <u>Funds/Department</u> | <u>Final Approp. Amounts</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|-------------------------|------------------------------|----------------------------|-------------------------|
| Gen Expense | 16,020,761 | 15,993,317 | 27,444 |
| Gen Capital | 879,950 | 449,248 | 430,702 |
| Gen Benefits | 606,197 | 249,688 | 356,509 |
| ALS Expense | 7,380,320 | 7,411,909 | (31,589) |
| ALS Capital | 837,850 | 591,792 | 246,058 |
| CMT Expense | 546,457 | 313,254 | 233,203 |
| TOTAL GENERAL | <u>26,271,535</u> | <u>25,009,208</u> | <u>1,262,327</u> |

D. Cash and Investments

See Note 1, Deposits and Investments.

E. Capital Assets

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

F. Compensated Absences

Sick Leave: The majority of the employees are members of the bargaining unit with sick leave hours processed according to the following:

Upon LEOFF retirement (does not include termination for cause); employees shall have 50% of any unused sick leave hours remaining in their sick leave bank converted to a dollar value and contributed to HRA (VEBA) or equivalent health care trust account recognized by IRS code 501c9. The conversion rate will be 50% of their actual sick leave hours at the time of retirement times their final base hourly rate of pay.

The estimated sick time liability effective 12/31/17 as indicated above was \$2,727,314.58.

Vacation Leave: The total vacation time liability effective 12/31/17 was \$1,545,782.24. This amount accounts for all hours accumulated in 2017 and eligible for use in 2018.

Compensatory Time: The total compensatory time liability effective 12/31/17 was \$413,420.06

Clothing Allowance: The total unpaid clothing allowance liability effective 12/31/17 was \$37,412.32.

G. Long-Term Debt

See Note 3, Debt Service Requirements.

H. Risk Management

The Shoreline Fire Department is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2017, there are 201 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,784,067.00

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has not employees. Claims are filed by members/brokers with ClearRisk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under the arrangement for the year ending December 1, 2017 were \$1,501,903.83

I. Reserved Portion of 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 the internal commitments established by the Board of Commissioners for Shoreline Fire Department.

Reservations of Ending Cash and Investments consist of 12/31/2017 were:

| | |
|-------------------|-------------|
| ALS Expense Fund: | \$1,642,477 |
| ALS Capital Fund: | \$431,088 |
| GO Bond Fund: | \$132,212 |
| CIP Fund: | \$5,835,598 |

Note 1 – Deposits and Investments

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

The Department's investments are held by King County Treasury as its agent in the Department's name.

Note 2 – Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at/after the end of each month. The Department recognizes property tax revenues when cash is recorded as received by the County. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The King County Assessor, pursuant to the duty imposed on them by RCW 84.48.130, certified that the assessed valuation of all the taxable property situated within the boundaries of the Shoreline Fire Department for the assessment year **2016** and tax year **2017** was **\$8,848,670,771** and was recorded as such in the King County Certification of Assessed Valuation.

The regular levy rate for **2017** was **\$1.00** per **\$1,000**.

Note 3 – Debt Services

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year 2017.

The debt service requirements, including interest, are as follows:

| <u>Description</u> | <u>Issued Amount</u> | <u>Maturity Date</u> | <u>Balance Payable: 12-31-17</u> |
|-----------------------|-------------------------|-------------------------|----------------------------------|
| 2015 GO Bond | \$9,150,000 | December 1, 2025 | \$8,605,000 |
| 2015 UTGO Bond | | | |
| <u>Years Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Debt Svc.</u> |
| 2017 | 545,000 | 303,250 | 848,250 |
| 2018 | 925,000 | 292,350 | 1,217,350 |
| 2019 | 965,000 | 264,600 | 1,229,600 |
| 2020 | 1,010,000 | 235,650 | 1,245,650 |
| 2021 | 1,050,000 | 205,350 | 1,255,350 |
| Totals | <u>4,495,000</u> | <u>1,301,200</u> | <u>5,796,200</u> |

Note 4 - PENSION PLANS

Substantially all Shoreline Fire Department 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, LEOFF 2 and PERS 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.

At **June 30, 2017**, the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

| | <u>Allocation%</u> | <u>Liability/ (Asset)</u> |
|-------------|--------------------|---------------------------|
| PERS 1 UAAL | 0.008069% | \$382,880 |
| PERS 2/3 | 0.010379% | \$360,621 |
| LEOFF 1 | 0.036753% | (\$557,624) |
| LEOFF 2 | 0.434319% | (\$6,026,941) |

LEOFF Plan 1:

The Department 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.

LEOFF Plan 2:

The Department 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 5 - OTHER DISCLOSURES

Post-Retirement Medical Benefits Coverage:

As part of savings generated by senior employees retiring, the Department offsets the cost of providing a post-retirement medical benefits to cover the gap between an eligible retirement and when Medicare provides coverage.

Joint Venture Note:

The Shoreline Fire Department is a participant with the cities of Bellevue, Bothell, Clyde Hill, Kirkland, Medina, Mercer Island and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, and Woodinville Fire and Life Safety District (Principal agencies) in a joint venture to operate NORCOM, a consolidated emergency service communications center. The North East King County Regional Public Safety Communications Agency (NORCOM), a nonprofit corporation, was created to provide highly efficient emergency service communications and all related incidental functions for communicating and dispatching services between the public and the Principals' directly served public safety departments in furtherance of improved public safety and emergency response. NORCOM is governed by an Executive Board composed of one representative from each Principal agency.

On dissolution of the corporation, the net position of NORCOM will be shared equitably by the Principals at the time of dissolution based on the average of the prior five years of user fees contributed. The Principal agencies are each obligated by interlocal agreement to remit costs related to NORCOM based upon the number of service calls for fire and police operations to supplement NORCOM's operating revenues. The Shoreline Fire Department paid **\$613,963** in user fees in **2017**. The Department's net investment in NORCOM is reported in the city's Statement of Net Position. Complete financial statements for NORCOM may be obtained at:

NORCOM
PO Box 50911
Bellevue, WA 98015-0911

2018 Limited Tax General Obligation Bond (LTGO)

On 08/02/18, the Board of Commissioners approved a \$5.5 million none-voted LTGO Capital bond for additional funding for the new Station 63 construction.

Capital Construction Project:

As part of the approved 2015 GO Bond, there is an ongoing construction of Station 63.

**Shoreline Fire Department
Schedule of Liabilities
For the Year Ended December 31, 2017**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|------------------------------|-----------------|------------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.12 | 2015 GO BOND | 12/1/2025 | 9,150,000 | - | 545,000 | 8,605,000 |
| Total General Obligation Debt/Liabilities: | | | 9,150,000 | - | 545,000 | 8,605,000 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 259.12 | Accrued SL,VAC,Comp,Clothing | 12/31/2017 | 4,557,952 | 165,977 | - | 4,723,929 |
| 264.30 | Pension Liability | | 1,041,084 | - | 297,583 | 743,501 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 5,599,036 | 165,977 | 297,583 | 5,467,430 |
| Total Liabilities: | | | 14,749,036 | 165,977 | 842,583 | 14,072,430 |

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 |