



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

King County Fire Protection District No. 2

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

Published January 17, 2019

Report No. 1023089





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

January 17, 2019

Board of Commissioners
King County Fire Protection District No. 2
Burien, Washington

Report on Financial Statements

Please find attached our report on King County Fire Protection District No. 2's financial statements.

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

Sincerely,

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. 2
January 1, 2017 through December 31, 2017**

Board of Commissioners
King County Fire Protection District No. 2
Burien, 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. 2, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 21, 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 audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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

December 21, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County Fire Protection District No. 2 January 1, 2017 through December 31, 2017

Board of Commissioners
King County Fire Protection District No. 2
Burien, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of King County Fire Protection District No. 2, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 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. 2 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. 2, 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 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. 2, 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 December 21, 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.



Pat McCarthy

State Auditor

Olympia, WA

December 21, 2018

FINANCIAL SECTION

King County Fire Protection District No. 2 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

King County Fire Protection District No. 2
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	201 UTGO Bond Fund	301 Construction Fund
Beginning Cash and Investments					
30810	Reserved	1,730,249	-	494,856	1,235,394
30880	Unreserved	8,369,230	8,369,230	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	12,830,582	11,028,006	1,802,576	-
320	Licenses and Permits	66,578	66,578	-	-
330	Intergovernmental Revenues	397,289	397,289	-	-
340	Charges for Goods and Services	598,822	598,822	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	164,160	139,687	11,149	13,323
Total Revenues:		14,057,432	12,230,383	1,813,726	13,323
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	12,069,374	12,069,374	-	-
Total Expenditures:		12,069,374	12,069,374	-	-
Excess (Deficiency) Revenues over Expenditures:		1,988,058	161,008	1,813,725	13,323
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	3,072	-	-	3,072
591-593, 599	Debt Service	1,737,983	-	1,737,983	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		1,741,055	-	1,737,983	3,072
Increase (Decrease) in Cash and Investments:		247,003	161,008	75,742	10,251
Ending Cash and Investments					
5081000	Reserved	1,816,243	-	570,598	1,245,645
5088000	Unreserved	8,530,239	8,530,239	-	-
Total Ending Cash and Investments		10,346,482	8,530,239	570,598	1,245,645

The accompanying notes are an integral part of this statement.



**KING COUNTY FIRE PROTECTION DISTRICT # 2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

King County Fire Protection District #2 was incorporated in 1939 and operates under the laws of the state of Washington applicable to a Fire District. The District is a general purpose local government and provides fire and emergency protection 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 District 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 District'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 – (001 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.

Special Revenue Fund – (002 Pension Fund)

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the District. This fund is established to meet LEOFF Plan 1 Retiree

obligations and is used for expenditures specific to LEOFF-1 retirees including retirement benefits and, by statute, uninsured medical and dental expenses. A local LEOFF-1 Pension Board authorizes expenditures from this account. This fund is rolled into the General Fund (001) for reporting purposes.

Debt Service Fund – (201 UTGO Bond 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. This fund accounts for the accumulation of resources to pay principal, interest and related costs on Unlimited Tax General Obligation Bonds authorized by the qualified electors of the District in November 2008. This is a reserved fund.

Capital Projects Fund – (301 Construction Fund)

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 is a reserved fund.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

The District adopts annual appropriated budgets for the General fund. This budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated		
	Amounts	Actual Expenses	Variance
001 - General Fund			
General Fund	\$ 12,062,726	\$ 12,069,374	\$ (6,648)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to one and one-half (1 ½) times their yearly vacation credit and is payable upon separation or retirement. Sick leave may be accumulated up to a maximum cap of 1800 hours. Each year in May, sick leave hours over the 1800 hour cap will be bought back by the District at 50%. Employees over the 1800 hour maximum shall sell back up to 270 hours each year in an effort to maintain 1800 hours. Upon separation or retirement employees do receive payment for unused sick leave. Payments are recognized as expenditures when paid. The cost of Compensated Absences as of December 31, 2017 is \$1,574,672.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. 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 Commissioners by resolution. 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 two (2) funds that are restricted (reserved); the UTGO Bond Fund and the Construction Fund. The purpose of the UTGO Bond Fund is for payment of debt service and the purpose of the Construction Fund is for capital construction. Fund Balances for these two funds as of December 31, 2017 are as follows:

Reserved Balances as of	
Reserved Fund	December 31, 2017
201 - UTGO Bond Fund	\$ 570,598
301 - Construction Fund	\$ 1,245,645

NOTE 2 – 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/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.

Investments are reported at fair value. Investments by type at December 31, 2017 are as follows:

Fund/Department	Value as of December 31, 2017	Cash Impaired Value	Total Value as of December 31, 2017
001 - Expense Fund	\$ 2,955,259	\$ 9,099	\$ 2,964,358
002 - Pension Fund	\$ 187,956	\$ 46	\$ 188,002
003 - Reserve Fund	\$ 5,367,955	\$ 7,074	\$ 5,375,029
201 - UTGO Bond Fund	\$ 570,598		\$ 570,598
301 - Construction Fund	\$ 1,245,645		\$ 1,245,645
Petty Cash - Checking	\$ 2,500		\$ 2,500
Petty Cash - Cash	\$ 350		\$ 350
	\$ 10,330,263	\$ 16,219	\$ 10,346,482

Included in the listing of funds above, are the Districts imprest funds and cash on hand. These funds, a petty cash and petty cash checking account are used for miscellaneous and minor disbursements. The combined balance of these petty cash accounts of December 31, 2017 is \$2,850 and is included in the beginning and ending balance. The account is replenished from the county treasurer for the exact amount of receipted disbursements. Internal controls are in place regarding the disbursement of these funds.

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 when received.

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 2017 was \$1.50 per \$1,000 on an assessed valuation of \$7,042,540,371 for a total regular levy of \$10,563,811.

In 2017, the District also levied approximately \$0.307 per \$1,000 for a total additional levy of \$1,806,594 to be used for the sole purpose of paying interest on and principal of the District's General Obligation Bonds. The assessed valuation of the excess levy taxable property levy for the assessment year 2016 and tax collection year 2017 is \$5,879,271,848.

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 debt transactions for year ended December 31, 2017.

The debt service requirements for general obligation bonds are as follows:

Year	Principal	Interest	Total
2018	\$ 1,130,000	\$ 609,260	\$ 1,739,260
2019	\$ 1,170,000	\$ 569,710	\$ 1,739,710
2020	\$ 1,255,000	\$ 531,100	\$ 1,786,100
2021	\$ 1,245,000	\$ 492,225	\$ 1,737,225
2022	\$ 1,275,000	\$ 461,100	\$ 1,736,100
2023-2027	\$ 7,245,000	\$ 1,430,550	\$ 8,675,550
2028-2029	\$ 3,300,000	\$ 174,350	\$ 3,474,350

NOTE 5 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all the 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:

1. LEOFF-2
2. PERS-2
3. PERS-3

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, 2017 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

Column1	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	14,160	0.002354%	111,699
PERS 2/3	18,494	0.003028%	105,209
LEOFF 1	0	0.015413%	-233,849
LEOFF 2	255,778	0.161913%	-2,246,828

LEOFF Plan 1

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.

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.

B. Local Government Pension Plan – Burien Firefighters Retirement Fund

The District also participates in the Burien Firefighters Retirement Plan which is a defined contribution plan, established as an alternative to the Federal Social Security System. By contract provisions with IAFF, Local 1461 and with an effective date of July 1, 1997, this alternative plan is designed to provide the employees with benefits based on employer contributions equal to the current year Social Security tax rates and wage base limits. Further, it has been designed to keep pace with or exceed future benefits of Social Security due to inflation. This plan provides for employer contributions only and no employee contributions.

All LEOFF Plan 2 employees are required to participate in The Burien Firefighter's Retirement Plan, however, there is a provision that allows for opt out at age 48 or over. Contributions are computed and deposited monthly to a third party administrator on behalf of each member. As of December 31, 2017 there were 49 members in the Burien Firefighters Retirement Fund, and \$308,326 was contributed in 2017 by the District on behalf of active members. Representatives of the District and Local 1461 are "Trustees" of the "Fund". Plan assets are not the property of the District and are not subject to the claims of the District's general creditors.

NOTE 6 – RISK MANAGEMENT

The District purchases private insurance for property and liability risks, including coverage for all District properties, crime, portable equipment, automobiles, and general, professional, and management liability. In addition, coverage includes excess liability coverage in the amount of \$10,000,000 per occurrence up to an aggregate limit of \$20,000,000. As of December 31, 2017, coverage was provided through VFIS Insurance Group.

The District pays premiums to the Department of Labor and Industries to insure workers compensation benefits. Premiums include contributions by both the District and the employees based on hours worked.

The District is self-insured (reimbursable) for unemployment compensation benefits. Unemployment Insurance is provided through Employment Security Department of Washington State. As of December 31, 2017, there were zero (0) claims received/paid for the year.

NOTE 7 – RELATED PARTY TRANSACTIONS

The District continues to extend a 2011 Fire and Emergency Protection Agreement with North Highline Fire District. This agreement calls North Highline Fire District to provide fire and emergency services to the portion of the City of Burien which lies in King County Fire District #2's jurisdiction. As of December 31, 2017 the District received \$586,163 from North Highline Fire Department for shared employee costs and \$236,526 for reimbursement of miscellaneous shared costs. District #2 paid \$2,302,881 to North Highline Fire Department for fire and emergency services as outlined in the Agreement. In addition to sharing certain employees, the agreement establishes a unified chain of command with operations responsibility in both jurisdictions under the direction of the District #2 Fire Chief. The Fire Chief is responsible for managing the assets and supervising personnel for both King County Fire District #2 and North Highline Fire District.

NOTE 8 – OPEB

The District has a commitment to pay for post-employment benefits for employees that qualify for the voluntary Retirement Incentive Program. The purpose of this plan is to bridge the gap between firefighter retirement age fifty-three (53) and Medicare eligibility at age sixty-five (65). This benefit includes payments made into an approved retirees' VEBA account of five hundred dollars (\$500) per month until the earlier of the month when the employee reaches age sixty-five (65) or achieves Medicare eligibility. If the retiree passes away before the Medicare eligibility or age sixty-five (65), the VEBA contributions will terminate. Eight retirees received benefits during 2017 and \$42,000 was paid out for those benefits during the year. The anticipated contribution for year 2018 will include a total of eight retirees and a benefit payment of \$48,000.

King County Fire Protection District No. 2
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	Voted General Obligation Bonds	12/1/2029	17,715,000	-	1,095,000	16,620,000
	Total General Obligation Debt/Liabilities:		17,715,000	-	1,095,000	16,620,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Vaca & S/L Accruals	12/31/2017	1,804,869	-	230,197	1,574,672
264.30	Pension Liability	12/31/2017	261,582	-	44,674	216,908
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,066,451	-	274,871	1,791,580
	Total Liabilities:		19,781,451	-	1,369,871	18,411,580

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