

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

**Stevens County Fire Protection District
No. 2**

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008328

Issue Date
September 24, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 24, 2012

Board of Commissioners
Stevens County Fire Protection District No. 2
Hunters, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Stevens County Fire Protection District No. 2's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

Stevens County Fire Protection District No. 2 January 1, 2011 through December 31, 2011

The results of our audit of Stevens County Fire Protection District No. 2 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

FEDERAL AWARDS

Internal Control Over Major Programs:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
97.044	Assistance to Firefighters Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Stevens County Fire Protection District No. 2 January 1, 2011 through December 31, 2011

Board of Commissioners
Stevens County Fire Protection District No. 2
Hunters, Washington

We have audited the financial statements of Stevens County Fire Protection District No. 2, Stevens County, Washington, as of and for the year ended December 31, 2011, and have issued our report thereon dated September 6, 2012.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 6, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Stevens County Fire Protection District No. 2
January 1, 2011 through December 31, 2011**

Board of Commissioners
Stevens County Fire Protection District No. 2
Hunters, Washington

COMPLIANCE

We have audited the compliance of Stevens County Fire Protection District No. 2, Stevens County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The District's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

September 6, 2012

Independent Auditor's Report on Financial Statements

Stevens County Fire Protection District No. 2 January 1, 2011 through December 31, 2011

Board of Commissioners
Stevens County Fire Protection District No. 2
Hunters, Washington

We have audited the accompanying financial statements of Stevens County Fire Protection District No. 2, Stevens County, Washington, for the year ended December 31, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Stevens County Fire Protection District No. 2, for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular

A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also 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.

The report is intended for the information and use of the governing body and management of the District. 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, appearing to read "Brian Sonntag", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 6, 2012

Financial Section

Stevens County Fire Protection District No. 2 January 1, 2011 through December 31, 2011

FINANCIAL STATEMENTS

Resources and Uses Arising from Cash Transactions – 2011
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SUPPLEMENTARY INFORMATION

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Stevens County Fire District #2

**Fund Resources and Uses arising from cash transactions
For the Year ending December 31, 2011**

BARS Account	Description	Current Expense - 001 <u>Actual Amount</u>
308.80	Unreserved Beginning	\$ 75,019.10
Revenues and Other Sources		\$ 75,019.10
310	Taxes	\$ 54,177.00
330	Intergovernmental Revenues	\$ 756,618.00
360	Miscellaneous	\$ 10,710.00
Total Revenues and Other Financing Sources		\$ 821,505.00
Total Resources		\$ 896,524.10
Expenditures and Other uses		
520	Public Safety	\$ 77,060.00
Total Operating Expenditures		\$ 77,060.00
591-592	Debt Service	\$ 1,257.00
594	Capital Expenditures	\$ 737,488.00
Total Expenditures and Other Financing Uses		\$ 815,805.00
Excess (Deficit) of Resources Over Users		\$ 80,719.10
508.8	Unreserved Ending	80,719.10

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

Stevens County Fire District #2 is a special purpose government that provides fire protection to the general public and is supported primarily through property taxes. The Fire District was incorporated in 1958 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts.

a. **Fund Accounting**

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

- General (Current Expense) Funds: This fund is the primary operating fund of the District. It accounts for all financial resources.

b. **Basis of Accounting**

The Fire District reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the Cash Basis Budgeting Accounting and Reporting Systems (BARS) manual. This basis of accounting and reporting is another comprehensive basis of counting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid.

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

c. **Cash**

District funds are held by the county treasurer in a non-interest bearing account.

d. **Deposits**

The Fire District's deposits (and certificates of deposit) are submitted to and completed by the Stevens County Treasurer. The overall county accounts are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

e. **Capital Assets**

Capital assets are long-lived assets of the District and are recorded as capital expenditures when purchased.

NOTE 2 – PROPERTY TAX

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

Property tax revenue are recognized when cash is received by Stevens County Fire District #2. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

Steven County Fire District regular levy for the year 2011 for collection in 2011 was \$0.678685 per \$1,000 on an assessed valuation of \$ 76,194,220 for a total regular levy of \$51,711.00.

NOTE 3 – INVESTMENTS

There were no investments being held by the Stevens County Treasurer for the year FY 2011.

NOTE 4 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the Fire District and summarizes the District's debt transactions for year 2011. The debt service requirements, included interest, are as follows:

Year	General Obligation Bonds	Other Debt	Total Debt
2012	\$ 0.0	\$ 4,491.00	\$ 4,491.00
2013	\$ 0.0	\$ 4,491.00	\$ 4,491.00
2014	\$ 0.0	\$ 4,491.00	\$ 4,491.00
2015	\$ 0.0	\$ 4,491.00	\$ 4,491.00
2016	\$ 0.0	\$ 4,491.00	\$ 4,491.00
2017-2018	<u>\$ 0.0</u>	<u>\$ 8,777.58</u>	<u>\$ 8,777.58</u>
Totals	\$0.0	\$31,232.58	\$31,232.58

OTHER DISCLOSURES

As noted, the large federal grant has pushed the Fire District into a financial revenue and expenditure that it has never seen in the history of the fire district. This project was successfully completed in August of 2012 on budget.

No other disclosures have been noted for FY 2011

Stevens County Fire Protection District No. 2

Schedule of Liabilities
For the Year Ended December 31, 2011

ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
97-03	USDA Loan 2008	06/16/2011	\$ 8,276	\$ -	\$ 916	592.22.83.000	\$ 7,361
97-05	USDA Loan 2010		\$ -	\$ 19,400	\$ -	592.22.83.000	\$ 19,400
Total			\$ 8,276	\$ 19,400	\$ 916		\$ 26,761

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011**

Federal Agency Name	Federal Program Name	CFDA Number	Other I.D Number	Expenditures from Direct Awards	Foot- note Ref.
U.S Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2009-FR-00140	\$ 624,943.42	2
U.S Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2010-F0-01029	\$ 13,800.00	2
U.S. Department of Agriculture	Community Facilities Loans and Grants	10.766	97-05	\$ 19,400.00	3A
U.S. Department of Agriculture	Community Facilities Loans and Grants	10.766		<u>\$ 22,600.00</u>	3B
Total Federal Awards					
Expended				\$ 680,743.42	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STEVENS COUNTY, WASHINGTON
STEVENS COUNTY FIRE DISTRICT #2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the district's financial statements. The STEVENS COUNTY FIRE DISTRICT #2 uses the CASH BASIS FOR ITS ACCOUNTING.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the STEVENS COUNTY FIRE DISTRICT #2 portion, are more than shown.

NOTE 3 - FEDERAL LOANS

- (a) The STEVENS COUNTY FIRE DISTRICT #2 was approved by the USDA Rural DEVELOPMENT to receive a loan totaling \$19,400 to purchase a used fire truck.
- (b) The STEVENS COUNTY FIRE DISTRICT #2 was approved by the USDA Rural DEVELOPMENT to receive a grant totaling \$22,600 to purchase a used fire truck
- (c) The amount listed for each loan includes the proceeds received during the year and the outstanding loan balance from prior years. Both the current and prior year loans are also reported on the STEVENS COUNTY FIRE DISTRICT #2 Schedule of Liabilities.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
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Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free Citizen Hotline

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