



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

**Jefferson County Fire Protection
District No. 3
(Port Ludlow Fire & Rescue)**

For the period January 1, 2012 through December 31, 2013

Published January 15, 2015

Report No. 1013441





Washington State Auditor Troy Kelley

January 15, 2015

Board of Commissioners
Port Ludlow Fire & Rescue
Port Ludlow, Washington

Report on Financial Statements

Please find attached our report on the Port Ludlow Fire & Rescue's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Port Ludlow Fire & Rescue
Jefferson County
January 1, 2012 through December 31, 2013**

Board of Commissioners
Port Ludlow Fire & Rescue
Port Ludlow, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port Ludlow Fire & Rescue, Jefferson County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 23, 2014.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 23, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port Ludlow Fire & Rescue Jefferson County January 1, 2012 through December 31, 2013

Board of Commissioners
Port Ludlow Fire & Rescue
Port Ludlow, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port Ludlow Fire & Rescue, Jefferson County, Washington, for the years ended December 31, 2013 and 2012, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Port Ludlow Fire & Rescue has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Port Ludlow Fire & Rescue, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port Ludlow Fire & Rescue, as of December 31, 2013

and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

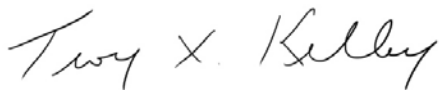
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 23, 2014

FINANCIAL SECTION

**Port Ludlow Fire & Rescue
Jefferson County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
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Schedule of Liabilities – 2013
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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code	Total for All funds*	000	101	300
Beginning Cash and Investments				
30810 Beg Fund Bal-Reserved	2,054,418	0	0	2,054,418
30880 Beg Fund Bal-Unreserved	2,929,335	1,442,388	1,486,947	0
38800/58800 Prior Period Adjustments, net	0	0	0	0
Operating Revenues				
310 Taxes	2,626,936	1,900,077	726,859	0
320 Licenses & Permits	1,900	1,900	0	0
330 Intergovernmental Revenues	4,035	1,712	2,323	0
340 Charges for Goods and Services	3,335,509	1,529,775	1,805,734	0
350 Fines & Penalties	0	0	0	0
360 Miscellaneous Revenues	32,222	20,626	9,132	2,464
Total Operating Revenues:	6,000,602	3,454,090	2,544,048	2,464
Operating Expenditures				
510 General Government	0	0	0	0
520 Public Safety	4,773,009	2,509,100	2,263,909	0
598 Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:	4,773,009	2,509,100	2,263,909	
Net Operating Increase (Decrease):	1,227,593	944,990	280,139	2,464
Nonoperating Revenues				
370, 380, 395, 398 Other Financing Sources	105,248	88,680	15,368	1,200
391-393 Debt Proceeds	4,240,752	0	0	4,240,752
397 Transfers-In	106,098	106,098	0	0
Total Nonoperating Revenues:	4,452,098	194,778	15,368	4,241,952
Nonoperating Expenditures				
580, 596, 599 Other Financing Uses	0	0	0	0
591-593 Debt Service	4,237,636	460,933	0	3,776,703
594-595 Capital Expenditures	2,384,856	147,310	143,077	2,094,469
597 Transfers-Out	106,097	0	102,061	4,036
Total Nonoperating Expenditures:	6,728,589	608,243	245,138	5,875,208
Increase (Decrease) in Cash and Investments	-1,048,898	531,525	50,369	-1,630,792
Ending Cash and Investments				
50810 End Fund Bal-Reserved	423,625	0	0	423,625
50880 End Fund Balance-Unreserved	3,511,233	1,973,917	1,537,316	0

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General Fund	101 EMS Fund	200 2008 LTGO Bond Repayment Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	1,888,401	1,690,848	75,572	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	1,845,801	1,380,437	465,364	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	65,640	64,106	1,534	0
340	Charges for Goods and Services	204,899	662	204,237	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	3,064	2,498	375	0
Total Operating Revenues:		2,119,404	1,447,703	671,510	
Operating Expenditures					
510	General Government	46,463	46,463	0	0
520	Public Safety	1,958,711	1,365,722	592,989	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,005,174	1,412,185	592,989	
Net Operating Increase (Decrease):		114,230	35,518	78,521	
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	5,291	1,647	3,644	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	208,465	0	100,000	108,465
Total Nonoperating Revenues:		213,756	1,647	103,644	108,465
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	-2,577	-2,577	0	0
591-593	Debt Service	108,463	0	0	108,463
594-595	Capital Expenditures	25,203	0	0	0
597	Transfers-Out	208,465	154,384	54,081	0
Total Nonoperating Expenditures:		339,554	151,807	54,081	108,463
Increase (Decrease) in Cash and Investments		-11,568	-114,642	128,084	2
Ending Cash and Investments					
50810	End Fund Bal-Reserved	898,274	898,274	0	0
50880	End Fund Balance-Unreserved	978,558	677,931	203,656	2

The accompanying notes are an integral part of this Statement.

BARS Code		300 Capital Project Fund
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	121,981
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	191
Total Operating Revenues:		191
Operating Expenditures		
510	General Government	0
520	Public Safety	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		
Net Operating Increase (Decrease):		191
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	25,203
597	Transfers-Out	0
Total Nonoperating Expenditures:		25,203
Increase (Decrease) in Cash and Investments		-25,012
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	96,969

The accompanying notes are an integral part of this Statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson County Fire Protection District No. 3 is a special purpose government that provides fire protection and emergency medical services and is supported primarily through property taxes. The District was incorporated in 1965 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to other 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 comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the District:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes of the district.

Capital Projects Fund

This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Debt Service Fund

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

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 System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (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 acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions.

D. Deposits

The District's deposits (and certificates of deposit) are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

E. Capital Assets

The District does not have a capitalization policy. The Capital assets of the District are recorded as expenditures when purchased.

F. Compensated Absences

No more than ninety-six (96) hours of vacation time accrued in one year may carry-over from one year to the next with the exception of the first year of employment, and is payable upon separation or retirement.

Sick leave may be accumulated up to a maximum of one thousand four hundred and fifty six (1456) hours for twenty four (24) hours shift employees, one thousand ninety two (1092) hours for twelve (12) hour shift employees, and one thousand forty (1040) hours for eight (8) hours shift employees. Upon separation or retirement employees receive payment for unused sick leave in excess of seven hundred twenty eight (728) hours at twenty five percent (25%) of their regular rate of pay. Compensatory time may be carried over from year to year, but any hours exceeding seventy-two (72) will be automatically cashed out at the earliest payroll cycle. Upon termination or retirement, employees shall be paid at their current rate of pay for all unused compensatory time.

The accompanying compensated absences balance presented on the Schedule 9 includes an estimated employer liability of 10%.

G. Reserved Fund Balance

The District has established that \$450,000.00 or 20% of the Districts' annual expenditures, whichever is greater, as the minimum amount of Reserve Funds dedicated for emergency spending.

H. Budgets

The District adopts annual appropriated budgets for the all 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.

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

Jefferson County Fire Protection District 3 Notes to Financial Statements for Year 2013

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund	1,756,281.25	1,548,798.54	207,482.71
101 - EMS Fund	700,881.25	619,597.97	81,283.28
200 - 2008 LTGO Bond Repayment Fund	110,666.00	110,784.25	-118.25
300 - Capital Project Fund	0	0	0

NOTE 2 – INVESTMENTS

The Districts investments are either insured, registered or held by the Jefferson County Treasurer as its agent in the District's name.

Investments by type at December 31, 2013 were as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P. (fmv)	\$1,193,784.78
CD (cost)	<u>\$ 700,000.00</u>
	\$1,893,784.78

NOTE 3 – PROPERTY TAX

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

Property tax revenues are recognized when cash is received by Jefferson County Fire Protection District 3. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

Jefferson County Fire Protection District No. 3's Regular Levy assessed in the year 2012 for collection in 2013 was \$1.50 per \$1,000 on an assessed valuation of \$909,916,165.00 for a total regular levy of \$1,364,874.26.

Jefferson County Fire Protection District No. 3's Emergency Medical Services Levy assessed in the year 2012 for collection in 2013 was \$0.50 per \$1,000 on an assessed valuation of \$912,750,755.00 for a total special levy of \$456,375.38.

NOTE 4 – Long Term Debt

LTGO BOND 2008: (\$860,000)

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt of the district for the LTGO BOND 2008 and summarizes the District's debt transactions for year 2013.

Jefferson County Fire Protection District 3 Notes to Financial Statements for Year 2013

The debt service payment requirements for general obligation bonds including both principle and interest are as follows:

	General Obligation Debt
2013	\$110,362.50
2014	\$107,175.00
2015	\$108,562.50
2016	\$109,512.50
2017	\$110,000.00
2018	\$105,250.00
TOTALS	\$650,862.50

NOTE 5 - PENSION PLANS

Substantially all of District's full-time firefighters and Fire Chief's participate in the WA State DRS LEOFF II plan and the full-time administrative employees participate in either the WA State PERS II or PERS III plans all administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia WA 98504-8380

NOTE 6 - OTHER DISCLOSURES

EMS Special Agency Fund Interlocal Agreement

The district is a member of the EMS Special Agency Fund Interlocal Agreement with Fire Districts #1-5 in Jefferson County. The parties to this agreement participate in cooperative funding for contribution to the Emergency Medical Services (EMS) Special Agency Fund to provide financial compensation for the following contractor positions: Jefferson County Medical Program Director (MPD), Jefferson County Emergency Medical Services Training Coordinator, and the Eastern Jefferson County EMS & Trauma Care Council Secretary/Treasurer/Clerk.

3-2 ALS Agreement

The district has an Interlocal agreement to provide ALS services to Jefferson County Fire Protection District No. 2.

During the term of this agreement, PLFR shall furnish ALS services including ambulance transport to all persons within the geographical boundaries of the Recipient District. Such ALS services shall be rendered on the same basis as such services are rendered to persons within PLFR but PLFR assumes no liability for failure to provide such services by reason of circumstances beyond its control. In the event of simultaneous emergency medical calls whether within or outside the Recipient District whereby the facilities and personnel of PLFR are taxed beyond its ability to render ALS services, the officers and agents of PLFR shall have discretion as to which call shall be answered first and shall be the sole judge as to the most expeditious manner of handling and responding to such calls. PLFR will be compensated \$30,000.00 annually in quarterly payments of \$7,500.00.

JeffCom

The district has an Interlocal agreement with JeffCom to provide emergency dispatching, communications and other public safety services.

LTGO Bond Replacement Fund

The expenditures of the fund are over budget by \$118.25. This is due to the Jefferson County Treasurer charging new quarterly Safekeeping Fee of \$30.00 that was not budgeted.

Closure of Mitigation Fund

In October of 2013 the remaining money in the Mitigation Fund was transferred into the General Fund and was closed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Jefferson County Fire Protection District No. 3 was incorporated in 1965 and operates under the laws of the state of Washington applicable to a Fire Protection District. The district is a general purpose government and provides fire protection and emergency medical services. The district uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

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 comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the District:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes of the district.

Capital Projects Fund

This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Debt Service Fund

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

b. Basis of Accounting

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, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Jefferson County Fire Protection District 3 Notes to Financial Statements for Year 2012

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

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

The District adopts annual appropriated budgets for the all 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.

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	1,931,653.00	1,563,988.85	367,664.15
101 - EMS Fund	697,643.00	647,067.50	50,575.50
200 - 2008 LTGO Bond Repayment Fund	108,464.25	108,462.50	1.75
300 - Capital Project Fund	132,998.43	25,203.48	107,794.95

Budgeted amounts are authorized to be transferred between (departments within any fund/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

It is the District's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

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

f. Investments

See (Investment Note No.2)

g. Capital Assets

The District does not have a capitalization policy. The Capital assets of the District are recorded as expenditures when purchased.

h. **Compensated Absences**

No more than ninety-six (96) hours of vacation time accrued in one year may carry-over from one year to the next with the exception of the first year of employment.

Sick leave may be accumulated up to a maximum of one thousand four hundred and fifty six (1456) hours for twenty four (24) hours shift employees, one thousand ninety two (1092) hours for twelve (12) hour shift employees, and one thousand forty (1040) hours for eight (8) hours shift employees. Upon separation or retirement employees receive payment for unused sick leave in excess of seven hundred twenty eight (728) hours at twenty five percent (25%) of their regular rate of pay. Compensatory time may be carried over from year to year, but any hours exceeding seventy-two (72) will be automatically cashed out at the earliest payroll cycle. Upon termination or retirement, employees shall be paid at their current rate of pay for all unused compensatory time.

The accompanying compensated absences balance presented on the Schedule 9 includes an estimated employer liability of 10%.

i. **Long-Term Debt**

See (Long-Term Debt Note No. 3).

j. **Other Financing Sources or Uses**

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

k. **Risk Management**

The District is not self insured. We use ESIP as our third party insurance carrier and we have a liability limit of \$7,000,000.00.

l. **Reserved Fund Balance**

\$897,717.22 in the general fund is reserved for future considerations.

NOTE 2 – INVESTMENTS

The Districts investments are either insured, registered or held by the Jefferson County Treasurer as its agent in the District's name.

Investments are presented at fair market value and cost.

Investments by type at December 31, 2012 were as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P. (fmv)	\$1,133,948.24
CD (cost)	\$ 700,000.00

NOTE 3 – PROPERTY TAXES

The Jefferson County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed on the last day of each month and are available for use by the fire district on the first day of the month proceeding.

Jefferson County Fire Protection District 3 Notes to Financial Statements for Year 2012

Property tax revenues are recognized when cash is received by Jefferson County Fire Protection District 3. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

Jefferson County Fire Protection District No. 3's Regular Levy assessed in the year 2011 for collection in 2012 was \$1.50 per \$1,000 on an assessed valuation of \$911,457,145 for a total regular levy of \$1,367,185.72.

Jefferson County Fire Protection District No. 3's Emergency Medical Services Levy assessed in the year 2011 for collection in 2012 was \$0.50 per \$1,000 on an assessed valuation of \$913,007,640 for a total special levy of \$456,503.82.

NOTE 3 – Long Term Debt

LTGO BOND 2008: (\$860,000)

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt of the district for the LTGO BOND 2008 and summarizes the District's debt transactions for year 2012. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Debt
2012	\$108,162.50
2013	\$110,362.50
2014	\$107,175.00
2015	\$108,562.50
2016	\$109,512.50
2017 - 2018	\$215,250.00
TOTALS	<u>\$759,028.00</u>

NOTE 4 - PENSION PLANS

Substantially all of District's full-time firefighters and Fire Chief's participate in the WA State DRS LEOFF II plan and the full-time administrative employees participate in either the WA State PERS II or PERS III plans all administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia WA 98504-8380

NOTE 5 OTHER DISCLOSURES

EMS Special Agency Fund Interlocal Agreement

The district is a member of the EMS Special Agency Fund Interlocal Agreement with Fire Districts #1-5 in Jefferson County. The parties to this agreement participate in cooperative funding for contribution to the Emergency Medical Services (EMS) Special Agency Fund to provide financial compensation for the following contractor positions: Jefferson County Medical Program Director (MPD), Jefferson County Emergency Medical Services Training Coordinator, and the Eastern Jefferson County EMS & Trauma Care Council Secretary/Treasurer/Clerk.

3-2 ALS Agreement

The district has an Interlocal agreement to provide ALS services to Jefferson County Fire Protection District No. 2.

During the term of this agreement, PLFR shall furnish ALS services including ambulance transport to all persons within the geographical boundaries of the Recipient District. Such ALS services shall be rendered on the same basis as such services are rendered to persons within PLFR but PLFR assumes no liability for failure to provide such services by reason of circumstances beyond its control. In the event of simultaneous emergency medical calls whether within or outside the Recipient District whereby the facilities and personnel of PLFR are taxed beyond its ability to render ALS services, the officers and agents of PLFR shall have discretion as to which call shall be answered first and shall be the sole judge as to the most expeditious manner of handling and responding to such calls. PLFR will be compensated \$30,000.00 annually in quarterly payments of \$7,500.00.

JeffCom

The district has an Interlocal agreement with JeffCom to provide emergency dispatching, communications and other public safety services.

Jefferson County Fire Protection District No. 3
Schedule of Liabilities
For the Year Ended December 31, 2013

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences - Gov		25,730	3,559	-	29,289
251.11	General Obligation Bonds Non Voted	12/1/2018	555,000	-	85,000	470,000
Total General Obligations:			580,730	3,559	85,000	499,289
Total Liabilities:			580,730	3,559	85,000	499,289

Jefferson County Fire Protection District No. 3
Schedule of Liabilities
For the Year Ended December 31, 2012

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences - Gov		34,950	3,648	12,868	25,730
251.11	General Obligation Bonds Non Voted	12/1/2018	635,000	-	80,000	555,000
Total General Obligations:			669,950	3,648	92,868	580,730
Total Liabilities:			669,950	3,648	92,868	580,730

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov