



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **King County Fire Protection District No. 10**

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

**Published February 9, 2015**

**Report No. 1013525**





## Washington State Auditor Troy Kelley

February 9, 2015

Board of Commissioners  
King County Fire Protection District No. 10  
Issaquah, Washington

### Report on Financial Statements

Please find attached our report on King County Fire Protection District No. 10'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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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### King County Fire Protection District No. 10 January 1, 2012 through December 31, 2013

#### **2013-001 The District's internal controls over financial statement preparation are inadequate to ensure accurate and complete financial reporting.**

##### ***Background***

It is the responsibility of District management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

*Government Auditing Standards*, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies, defined in the Applicable Laws and Regulations section below, as a finding

Our audit identified a material weakness in internal controls over financial reporting that affected the District's ability to produce reliable financial statements.

##### ***Description of Condition***

The District prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

We identified the following deficiencies in internal controls over financial reporting that, when combined, represent a material weakness over financial reporting:

- District staff responsible for compiling the financial statements did not have a sufficient understanding of generally accepted accounting principles (GAAP) and did not effectively use the *Budget Accounting and Reporting System* (BARS) Manual when preparing the financial statements.
- The District lacks an effective review process to ensure amounts reported on the financial statements agree to supporting records and are prepared in accordance with GAAP and the BARS.

### ***Cause of Condition***

The District staff did not have the technical knowledge or sufficient understanding of the financial statement preparation requirements detailed in the BARS manual and GAAP.

Further, the review process was not sufficiently detailed to ensure the financial statement balances were reasonable and accurate.

### ***Effect of Condition***

During our review of the financial statements, we noted the following errors that were not detected by the District:

- Restricted Net Position for Capital Projects was incorrectly calculated in 2012. The District reported zero when it should have been \$5.1 million. The balance represents the District's equity that is externally restricted for capital projects.
- Restricted Net Position for Capital Projects was incorrectly calculated in 2013. The District reported \$910,297 when it should have been \$3.4 million.
- The District continued to receive a fire insurance premium tax from 2003 to 2012 even though its pension ended in 2002. The tax was remitted by the Office of State Treasurer (OST) totaling \$956,845. Our audit determined OST expects repayment however, the amount has not been confirmed. As a result, the District must report a contingent liability until the final repayment amount is determined. This account should have been reported in both 2012 and 2013 but was not.
- The District reported unrestricted net position of \$3.2 million and \$2.4 million in 2012 and 2013, respectively. Taking the errors into account, the unrestricted net position balances should be negative \$2.8 million and negative \$988,036 in 2012 and 2013 respectively.

We noted additional errors that, although less significant, were not detected by management.

### ***Recommendation***

We recommend the District dedicate the necessary time and resources to ensure accurate financial reporting. Additionally, we recommend the District:

- Use the current accounting and reporting guidance provided in BARS manual when preparing the financial statements and supplemental schedules.
- Pursue additional technical guidance when unsure of accounting treatments.
- Provide adequate training for staff for financial accounting and reporting to ensure compliance with reporting requirements.
- Ensure a detailed, technical review is performed of the financial statements by a person knowledgeable of BARS and reporting requirements.
- Work with the Office of State Treasurer to determine the amount of overpayment that is expected.

### ***District's Response***

*The District misinterpreted a couple of the GASBs that resulted in the incorrect reporting of the District's financial statements. Also, our review failed to catch these errors. The District will take steps to ensure the GASBs are applied correctly in the future and will revamp our review process to ensure that these errors do not occur in the future.*

### ***Auditor's Remarks***

We appreciate the District's commitment to correcting the condition described. We will determine the status of the finding during the next audit.

### ***Applicable Laws and Regulations***

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budget Accounting and Reporting System (BARS) Manual, Accounting, Accounting Principles and General Procedures, Internal Control, states:*

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that

reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

*Government Auditing Standards*, July 2007 Revision – Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants, *Statement on Auditing Standards*

No. 115 defines significant deficiencies and material weaknesses as follows:

- a. Significant deficiency: 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.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

GASBS 62 — Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Paragraph 96 states:

96 For the purpose of applying paragraphs 96–113, a contingency is defined as an existing condition, situation, or set of circumstances involving uncertainty as to possible gain (referred to as a gain contingency) or loss<sup>37</sup> (referred to as a loss contingency) to a government that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset or the reduction of a liability or the loss or impairment of an asset or the incurrence of a liability.

Paragraph 101 states:

### **Accrual of Loss Contingencies**

101 The conditions for accrual of loss contingencies in paragraph 102 do not amend any other present requirement in a pronouncement to accrue a particular type of loss or expense/expenditure. 102 An estimated loss from a loss contingency (as defined in paragraph 96) should be accrued if both of the following conditions are met: a. Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it should be probable that one or more future events will occur confirming the fact of the loss. b. The amount of loss can be reasonably estimated.



# 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. 10 January 1, 2012 through December 31, 2013**

Board of Commissioners  
King County Fire Protection District No. 10  
Issaquah, 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 governmental activities and each major fund of King County Fire Protection District No. 10, King 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 basic financial statements, and have issued our report thereon dated January 22, 2015.

### **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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2013-001 to be material weaknesses.

## **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*.

## **DISTRICT'S RESPONSE TO FINDINGS**

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

January 22, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **King County Fire Protection District No. 10 January 1, 2012 through December 31, 2013**

Board of Commissioners  
King County Fire Protection District No. 10  
Issaquah, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of King County Fire Protection District No. 10, King 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 basic financial statements as listed on page 15.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of King County Fire Protection District No. 10, as of December 31, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

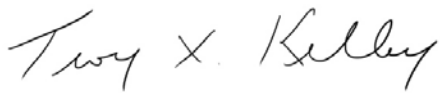
## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 21 and budgetary comparison information on pages 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015 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

January 22, 2015

## **FINANCIAL SECTION**

### **King County Fire Protection District No. 10 January 1, 2012 through December 31, 2013**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2013 and 2012

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2013

Statement of Net Position – 2012

Statement of Activities – 2013

Statement of Activities – 2012

Governmental Funds – Balance Sheet – 2013

Governmental Funds – Balance Sheet – 2012

Statement of Revenues, Expenditures and Changes in Fund Balance – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – 2012

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities – 2012

Notes to Financial Statements – 2013 and 2012

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –  
General Fund – 2013

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –  
General Fund – 2012

# KING COUNTY FIRE PROTECTION DISTRICT NO. 10

## Management's Discussion and Analysis

King County Fire Protection District No. 10's discussion and analysis provides a narrative overview of the District's financial activity for the fiscal year ended December 31, 2013 and 2012. The intent of the discussion and analysis is to review the District's financial performance as a whole.

This Management's Discussion and Analysis (MD&A) combined with the Financial Statements and the Notes to the Financial Statements represent the complete 2013 and 2012 financial activities for King County Fire Protection District No. 10. These are all intended to help the reader understand the District's significant financial issues. This MD&A provides an overview of the District's financial records. The data in this financial report also identifies any material deviations from the financial plan and the adopted annual budget. Finally, the intent of the MD&A and other financial information is to isolate and identify individual fund issues or concerns.

### Financial Highlights

- The District's total assets as of December 31, 2013, exceeded liabilities by \$7.3 million. As of December 31, 2012, the District's total assets exceeded liabilities by \$7.36 million.
- For 2013, Investment in Capital Assets (net of depreciation and related debt) comprise \$4.8 million of the \$7.3 million in net position. For 2012, Investment in Capital Assets (net of depreciation and related debt) comprise \$4.9 million of the \$8.3 million in net position.
- The District's total net position decreased by \$1.02 million or 12.3% in 2013. For 2012, the District's total net position decreased by \$792 thousand or 9.8%.
- The District's General fund balances at the end of 2013 was \$2.37 million, a 6.7% decrease over the prior year. The District's General fund balances at the end of 2012 was \$2.5 million, a 25.3% increase over 2011. All of the general fund balance is unassigned and available to fund ongoing activities.
- For 2013, the District's debt decreased by \$489.4 thousand during the current fiscal year. This decrease is due to the District's payment on its UTGO Bonds and its payment for the asset transfer obligation to the City of Sammamish. For 2012, the District's debt increased by \$6.4 million during the fiscal year. This increase is due to the District's issuance of \$5.5 million of UTGO Bonds and the contingent liability to the Washington State Treasury for possible overpayment of fire premium tax revenue in the amount of \$954.8 thousand.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the District's basic financial statements. The basic financial statements are comprised of three components:

1. Government-wide Financial Statements;
2. Fund Financial Statements; and
3. Notes to the Financial Statements.



## KING COUNTY FIRE PROTECTION DISTRICT NO. 10

### Government-wide Financial Statements

**The Government-Wide Financial Statements** are designed to provide the readers with a broad overview of the King County Fire Protection District No. 10's finances, in a manner similar to a private-sector business. They provide both short-term and long-term information about the District's overall financial status.

**The Statement of Net Position** presents information of the King County Fire Protection District No. 10's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenue, Expense, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. Delinquent taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and public safety. The District does not have any business-type activities.

### Fund Financial Statements.

The District uses funds to ensure and demonstrate fiscal integrity and compliance with finance related legal requirements with a focus on Major Funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only governmental funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

King County Fire Protection District No. 10 maintains three governmental funds. The District adopts an annual appropriated budget for its general fund. The General Fund budget is established in accordance with state law and is adopted at the fund level.

## KING COUNTY FIRE PROTECTION DISTRICT NO. 10

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the District's financial position. The overall financial position has increased for King County Fire Protection District No. 10 over the prior year. The District's assets exceeded liabilities by \$8.25 million and \$8.32 million as of December 31, 2013 and 2012 respectively. The following is a condensed version of the government-wide statement of net assets.

|                                     | Governmental Activities |                     |                     |
|-------------------------------------|-------------------------|---------------------|---------------------|
|                                     | 2013                    | 2012                | 2011                |
| <b>ASSETS</b>                       |                         |                     |                     |
| Current and other assets            | \$ 7,683,442            | \$ 9,120,415        | \$ 3,274,343        |
| Capital Assets, net of depreciation | 6,632,470               | 5,378,022           | 5,590,670           |
| <b>TOTAL ASSETS</b>                 | <b>14,315,912</b>       | <b>14,498,437</b>   | <b>8,865,013</b>    |
| <b>LIABILITIES</b>                  |                         |                     |                     |
| Long-term liabilities outstanding   | 6,602,877               | 7,092,317           | 724,913             |
| Other liabilities                   | 417,117                 | 46,674              | 51,570              |
| <b>TOTAL LIABILITIES</b>            | <b>7,019,994</b>        | <b>7,138,991</b>    | <b>776,483</b>      |
| <b>NET POSITION</b>                 |                         |                     |                     |
| Investment in Capital Assets        | 4,827,218               | 4,925,022           | 5,590,670           |
| Restricted                          | 3,458,268               | 5,237,399           | 0                   |
| Unrestricted                        | (989,568)               | (2,802,975)         | 2,297,860           |
| <b>TOTAL NET POSITION</b>           | <b>\$ 7,295,917</b>     | <b>\$ 7,359,447</b> | <b>\$ 8,088,530</b> |

Investments in Capital Assets are 66.2% and 66.9% of the District's net position in 2013 and 2012 respectively. The District's capital assets are used to provide fire service to its citizens. The District issued \$ 5.5 million in ULGO Bonds in 2012 for the construction of a new fire station and remodel of other fire stations. The District expects to complete the construction of the new fire station in 2014. As a result, the District's unrestricted net position is a negative \$ 0.99 million in 2013 and a negative \$ 2.8 million in 2012.

## KING COUNTY FIRE PROTECTION DISTRICT NO. 10

### Statement of Changes in Net Position

The change in net position table illustrates the increase or decrease in net position of the District resulting from its operating activities. The District's net position decreased \$76.6 thousand in 2013. For 2012, the District's net position decrease \$729 thousand.

The following table is a condensed version of the District's changes in net position. The table shows revenues, expenses, and related changes in net position in tabular form for the governmental activities.

|                                  | Governmental Activities |              |              |
|----------------------------------|-------------------------|--------------|--------------|
|                                  | 2013                    | 2012         | 2011         |
| <b>REVENUES</b>                  |                         |              |              |
| General Revenues                 |                         |              |              |
| Property Taxes                   | \$ 4,731,723            | \$ 4,805,428 | \$ 5,007,046 |
| Fire Benefit Charge              | 3,071,852               | 2,514,604    | 2,320,170    |
| Other taxes                      | 11,111                  | 115,319      | 114,955      |
| Other                            | 111,368                 | 813,429      | 401,953      |
| Total Revenues                   | 7,926,054               | 8,248,780    | 7,844,124    |
| <b>EXPENSES</b>                  |                         |              |              |
| General Government               | 837,963                 | 1,652,053    | 531,403      |
| Public Safety                    | 7,164,719               | 7,325,811    | 7,151,312    |
| Total Expenses                   | 8,002,682               | 8,977,864    | 7,682,715    |
| Increase(decrease) in net assets | (76,628)                | 729,083      | 161,409      |
| Net Position – Beginning         | 7,359,447               | 8,088,530    | 7,927,121    |
| Prior Period Adjustment          | 13,099                  | 0            | 0            |
| Net Assets – Ending              | \$ 7,295,918            | \$ 7,359,447 | 8,088,530    |

### Governmental activities

In 2013, Governmental activities decreased the total net position by \$1.03 million or 12.4%. Key element of this decrease is the lower taxes received due to lower assessed values as well as recording a contingent liability relating to a possible overpayment received from the Washington State Treasury. In 2012, Governmental activities increased the total net position by \$227 thousand or 2.8%. Key element of this increase is the lower payments made to Eastside Fire & Rescue for fire and emergency medical services.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, King County Fire Protection District No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of King County Fire Protection District No. 10's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing King County Fire Protection District No. 10's financing requirements. In particular,

## KING COUNTY FIRE PROTECTION DISTRICT NO. 10

unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2013, the District's governmental funds reported an ending fund balance of \$5.8 million, a decrease of \$1.95 million in comparison to the prior year. The decrease is mostly due to the construction of a new fire station. Most of the decreased amount constitutes restricted fund balance, which is available for the construction of the new fire station.

At the end of 2012, the District's governmental funds reported an ending fund balance of \$7.78 million, an increase of \$5.75 million in comparison to the prior year. The increase is mostly due to the issuance of \$5.5 million in Unlimited Tax General Obligation bonds in 2012. Most of the increased amount constitutes unassigned fund balance, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of King County Fire Protection District No. 10. The General Fund unassigned fund balance represents 32% of total general fund expenditures in 2013. For 2012, the General Fund unassigned fund balance represents 34% of total general fund expenditures.

### BUDGETARY HIGHLIGHTS

King County Fire Protection District No. 10 budgets on an annual basis. Appropriations for operating funds are authorized each year. In 2013, the District increased the budget by \$84,053 from the original budget for operating projects. For 2012, the District increased the budget by \$17,450 from the original budget for operating projects.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

King County Fire Protection District No. 10's investment in capital assets as of December 31, 2013 amounts to \$6.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, Building improvements, and equipment. Capital assets increased by \$280 thousand, through the purchase of equipment and apparatus.

|                          | 2013         | 2012         | 2011         |
|--------------------------|--------------|--------------|--------------|
| Land                     | \$ 1,666,862 | \$ 1,666,862 | \$ 1,666,862 |
| Buildings                | 430,780      | 478,736      | 558,971      |
| Building Improvements    | 367,897      | 143,414      | 88,229       |
| Machinery & Equipment    | 84,052       | 103,410      | 122,769      |
| Autos                    | 65,794       | 82,693       | 104,824      |
| Engines & Tenders        | 2,015,965    | 2,275,803    | 2,535,642    |
| Aid Cars                 | 125,564      | 160,104      | 194,643      |
| FF Equipment             | 12,000       | 14,000       | 16,000       |
| Capital Work in Progress | 1,863,555    | 452,999      | 302,730      |
| TOTAL                    | \$ 6,632,469 | \$ 5,378,021 | \$ 5,590,670 |

During 2013, the District completed building improvements to station 85 for \$261,977. During 2012, the District received title to a tender and an aid car, purchased through its partnership in Eastside Fire & Rescue. The tender cost \$284,656 and the aid car cost \$182,048.

## **KING COUNTY FIRE PROTECTION DISTRICT NO. 10**

### **Long-term debt**

At the end of 2013, the District had total debt outstanding of \$6.6 million. The District's total debt decreased by \$489.4 thousand due to the principal payment on the UTGO bonds and the annual payment to the City of Sammamish for the asset transfer.

At the end of 2012, the District had total debt outstanding of \$7.1 million. During 2012, the voters approved the issuance of \$5.5 million Unlimited Tax General Obligation Bond to finance the cost of constructing, remodeling and equipping District fire stations and facilities for firefighting and life safety purposes and other District capital purposes. The District also recorded a contingent liability regarding a possible overpayment to the Washington State Treasury relating to the fire insurance premium tax revenue it received. From 2002 to 2012, it received \$956,845. The District is working with the State Treasurer to resolve this issue. The District's total debt increased by \$6.4 million due to the issuance of the UTGO bonds and the possible overpayment to the Washington State Treasury.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's assessed values increased for the first time after a couple of years with decreasing assessed values. Prior to 2013, the downturn in the housing assessed value combined with prior annexations limited the revenue growth for the District. For the 2013 budget, the District's total assessed value increased by 6%. It is expected that future revenues will rise at a slow rate for the next few years.

The 2013 and 2012 budget was developed under challenging economic conditions. The downturn in the housing assessed value combined with prior annexations is projected to continue to limit the revenue growth for the District in the coming years. It is expected that revenues will increase slowly for the next few years.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of King County Fire Protection District No. 10's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to our Budget Finance Analyst at Eastside Fire & Rescue, 175 Newport Way NW, Issaquah, WA 98027.

KING COUNTY FIRE PROTECTION DISTRICT No. 10  
STATEMENT OF NET POSITION  
As of December 31, 2013

| <b>Assets</b>                           | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| Cash and Cash Equivalents               | \$ 6,181,965                       |
| Accounts Receivable                     | 224,981                            |
| Restricted Cash - Retainage             | 59,943                             |
| Investment in Joint Venture             | 1,216,553                          |
| Capital Assets, net of depreciation     | 6,632,470                          |
| TOTAL ASSETS                            | <u>14,315,912</u>                  |
| <br><b>LIABILITIES</b>                  |                                    |
| Accounts Payable                        | 357,174                            |
| Restricted Accounts Payable - Retainage | 59,943                             |
| Non Current Liabilities                 |                                    |
| Due within one year                     | 374,440                            |
| Due in more than one year               | 6,228,437                          |
| TOTAL LIABILITIES                       | <u>7,019,994</u>                   |
| <br><b>NET POSITION</b>                 |                                    |
| Investment in Capital Assets            | 4,827,218                          |
| Restricted                              |                                    |
| Debt service                            | 71,900                             |
| Capital Projects                        | 3,386,368                          |
| Unrestricted                            | (989,568)                          |
| TOTAL NET POSITION                      | <u>\$ 7,295,917</u>                |

The Notes to the Financial Statements are an integral part of this statement.

KING COUNTY FIRE PROTECTION DISTRICT No. 10  
STATEMENT OF NET POSITION  
As of December 31, 2012

|                                     | <b>Governmental<br/>Activities</b> |
|-------------------------------------|------------------------------------|
| <b>ASSETS</b>                       |                                    |
| Cash and Cash Equivalents           | \$ 7,696,325                       |
| Accounts Receivable                 | 222,546                            |
| Investment in Joint Venture         | 1,201,544                          |
| Capital Assets, net of depreciation | <u>5,378,022</u>                   |
| TOTAL ASSETS                        | <u>14,498,438</u>                  |
| <b>LIABILITIES</b>                  |                                    |
| Accounts Payable                    | 46,674                             |
| Non Current Liabilities             |                                    |
| Due within one year                 | 489,440                            |
| Due in more than one year           | <u>6,602,877</u>                   |
| TOTAL LIABILITIES                   | <u>7,138,991</u>                   |
| <b>NET POSITION</b>                 |                                    |
| Investment in Capital Assets        | 4,925,023                          |
| Restricted                          |                                    |
| Debe service                        | 184,577                            |
| Capital Prjects                     | 5,052,822                          |
| Unrestricte                         | <u>(2,802,975)</u>                 |
| TOTAL NET POSITION                  | <u><u>\$ 7,359,447</u></u>         |

The Notes to the Financial Statements are an integral part of this statement.

KING COUNTY FIRE PROTECTION DISTRICT NO. 10  
STATEMENT OF ACTIVITIES  
For the Year ended December 31, 2013

| FUNCTION/PROGRAM              | Expenses     | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Net (Expense) Revenue<br>and Changes in Net Position |
|-------------------------------|--------------|-------------------------|---------------------------------------|-------------------------------------|--|
| <b>Primary Government</b>     |              |                         |                                       |                                     |  |
| General Government            | \$ 837,963   | \$ -                    | \$ -                                  | \$ -                                | (837,963)  |
| Public Safety                 | 7,164,719    |                         |                                       |                                     | (7,164,719)  |
| Total Governmental Activities | \$ 8,002,682 | \$ -                    | \$ -                                  | \$ -                                | (8,002,682)  |
| <br>                          |              |                         |                                       |                                     |  |
| Property Tax                  |              |                         |                                       |                                     | 4,731,723  |
| Timber Harvest Tax            |              |                         |                                       |                                     | 5,570  |
| Excise Tax                    |              |                         |                                       |                                     | 5,542  |
| Intergovernmental Revenue     |              |                         |                                       |                                     | 22,713   |
| Fire Benefit Charge           |              |                         |                                       |                                     | 3,071,852  |
| Investment (net)              |              |                         |                                       |                                     | 69,398   |
| Miscellaneous Revenue         |              |                         |                                       |                                     | 19,257   |
| Total General Revenue         |              |                         |                                       |                                     | 7,926,054  |
| <br>                          |              |                         |                                       |                                     |  |
| Change in Net Assets          |              |                         |                                       |                                     | (76,628)   |
| <br>                          |              |                         |                                       |                                     |  |
| Net Positions - Beginning     |              |                         |                                       |                                     | 7,359,447  |
| Prior Period Adjustment       |              |                         |                                       |                                     | 13,099   |
| Net Position - Ending         |              |                         |                                       |                                     | \$ 7,295,918   |

The Notes to the Financial Statements are an integral part of this statement.



KING COUNTY FIRE PROTECTION DISTRICT NO. 10  
STATEMENT OF ACTIVITIES  
For the Year ended December 31, 2012

| FUNCTION/PROGRAM              | Net (Expense) Revenue<br>and Changes in Net Assets |                         |                                       |                                     |
|-------------------------------|--|-------------------------|---------------------------------------|-------------------------------------|
|                               | Expenses   | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |
| Primary Government            | \$ 1,652,053                                       | \$ -                    | \$ -                                  | \$ -                                |
| General Government            | 7,325,811  | -                       | -                                     | -                                   |
| Public Safety                 | 8,977,864  | -                       | -                                     | -                                   |
| Total Governmental Activities |  |                         |                                       |                                     |
| Property Tax                  |  |                         |                                       | 4,805,428                           |
| Timber Harvest Tax            |  |                         |                                       | 5,324                               |
| Excise Tax                    |  |                         |                                       | 5,496                               |
| Intergovernmental Revenue     |  |                         |                                       | 91,874                              |
| Fire Insurance Premium Tax    |  |                         |                                       | 104,499                             |
| Fire Benefit Charge           |  |                         |                                       | 2,514,604                           |
| Investment Income             |  |                         |                                       | 423,505                             |
| Premium on GO Bonds           |  |                         |                                       | 298,051                             |
| Total General Revenue         |  |                         |                                       | 8,248,780                           |
| Change in Net Assets          |  |                         |                                       | (729,083)                           |
| Net Positions - Beginning     |  |                         |                                       | 8,088,530                           |
| Net Position - Ending         |  |                         |                                       | \$ 7,359,447                        |

The Notes to the Financial Statements are an integral part of this statement.

KING COUNTY FIRE PROTECTION DISTRICT NO. 10  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2013

|  | General Fund        | Debt Service Fund | Capital Projects Fund | Total               |
|--|---------------------|-------------------|-----------------------|---------------------|
| <b>ASSETS</b>                              |                     |                   |                       |                     |
| Cash and Cash Equivalents                  | \$ 1,905,557        | \$ 70,368         | \$ 4,206,040          | \$ 6,181,965        |
| Accounts Receivable                        | 723,621             | 1,532             | -                     | 725,153             |
| Restricted Cash - Retainage                |                     |                   | 59,943                | 59,943              |
| <b>TOTAL ASSETS</b>                        | <b>\$ 2,629,177</b> | <b>\$ 71,900</b>  | <b>\$ 4,265,983</b>   | <b>\$ 6,967,061</b> |
| <b>LIABILITIES</b>                         |                     |                   |                       |                     |
| Accounts Payable                           | \$ 37,674           | \$ -              | \$ 819,672            | \$ 857,346          |
| Restricted - Retainage Payable             | -                   | -                 | 59,943                | 59,943              |
| <b>TOTAL LIABILITIES</b>                   | <b>37,674</b>       | <b>-</b>          | <b>879,615</b>        | <b>917,289</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                     |                   |                       |                     |
| Deferred Revenue                           | \$ 217,112          | \$ 1,532          | \$ -                  | \$ 218,645          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b>217,112</b>      | <b>1,532</b>      | <b>-</b>              | <b>218,645</b>      |
| <b>FUND BALANCE</b>                        |                     |                   |                       |                     |
| Restricted                                 | -                   | 71,900            | 3,386,368             | 3,458,268           |
| Unassigned                                 | 2,374,391           |                   |                       | 2,374,391           |
| <b>TOTAL FUND BALANCE</b>                  | <b>2,374,391</b>    | <b>71,900</b>     | <b>3,386,368</b>      | <b>5,832,659</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>  | <b>\$ 2,412,065</b> | <b>\$ 71,900</b>  | <b>\$ 4,265,983</b>   | <b>\$ 6,749,949</b> |

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements \$ 6,632,470

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the Fund financial statements

Joint Venture Investments used to provide governmental activities are not financial resources and, therefore are not reported in the fund financial statements 1,216,553

Long term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements (6,384,233)

Net Position of the Governmental Activities \$ 7,297,450

The Notes to the Financial Statements are an integral part of this statement.

KING COUNTY FIRE PROTECTION DISTRICT NO. 10  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2012

|   | General Fund        | Debt Service Fund | Capital Projects Fund | Total               |
|---|---------------------|-------------------|-----------------------|---------------------|
| <b>ASSETS</b>                             |                     |                   |                       |                     |
| Cash and Cash Equivalents                 | \$ 2,455,071        | \$ 184,577        | \$ 5,056,677          | \$ 7,696,325        |
| Accounts Receivable                       | 222,546             | -                 | -                     | 222,546             |
| <b>TOTAL ASSETS</b>                       | <b>2,677,617</b>    | <b>184,577</b>    | <b>5,056,677</b>      | <b>7,918,871</b>    |
| <b>LIABILITIES</b>                        |                     |                   |                       |                     |
| Accounts Payable                          | 132,259             | -                 | 3,855                 | 136,114             |
| <b>TOTAL LIABILITIES</b>                  | <b>132,259</b>      | <b>-</b>          | <b>3,855</b>          | <b>136,114</b>      |
| <b>FUND BALANCE</b>                       |                     |                   |                       |                     |
| Restricted                                |                     | 184,577           | 5,052,822             | 5,237,399           |
| Unassigned                                | 2,545,358           |                   |                       | 2,545,358           |
| <b>TOTAL FUND BALANCE</b>                 | <b>2,545,358</b>    | <b>184,577</b>    | <b>5,052,822</b>      | <b>7,782,757</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 2,677,617</b> | <b>\$ 184,577</b> | <b>\$ 5,056,677</b>   | <b>\$ 7,918,871</b> |

Amounts reported for governmental activities in the statement of net assets are different because:

|  |           |
|--|-----------|
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements | 5,378,022 |
|--|-----------|

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the Fund financial statements

|  |           |
|--|-----------|
| Joint Venture Investments used to provide governmental activities are not financial resources and, therefore are not reported in the fund financial statements | 1,201,544 |
|--|-----------|

|   |             |
|---|-------------|
| Long term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements | (7,002,877) |
|---|-------------|

|   |                     |
|---|---------------------|
| Net Position of the Governmental Activities | <u>\$ 7,359,447</u> |
|---|---------------------|

The Notes to the Financial Statements are an integral part of this statement.

**KING COUNTY FIRE PROTECTION DISTRICT NO. 10**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2013**

|  | General fund        | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-------------------|-----------------------|--------------------------|
| <b>REVENUES</b>  |                     |                   |                       |                          |
| Taxes  | \$ 4,412,046        | \$ 432,142        | \$ -                  | \$ 4,844,189             |
| Intergovernmental                                      | 20,959              | 1,754             | -                     | 22,713                   |
| Cost of Goods and Services                             | 2,994,261           | -                 | -                     | 2,994,261                |
| Interest Income  | 45,856              | 3,945             | 38,854                | 88,655                   |
| Total Revenues   | <u>7,473,123</u>    | <u>437,840</u>    | <u>38,854</u>         | <u>7,949,817</u>         |
| <b>Expenditures</b>                                    |                     |                   |                       |                          |
| General Government                                     | 160,494             | -                 | 13,808                | 174,302                  |
| Public Safety  | 7,252,360           | -                 | -                     | 7,252,360                |
| Debt Services  |                     |                   |                       |                          |
| Principal  |                     | 400,000           |                       | 400,000                  |
| Interest   |                     | 152,050           |                       | 152,050                  |
| Capital Outlay   | -                   | -                 | 1,691,500             | 1,691,500                |
| Total Expenditures                                     | <u>7,412,854</u>    | <u>552,050</u>    | <u>1,705,307</u>      | <u>9,670,212</u>         |
| Excess(Deficiency) of Revenue over(under) Expenditures | 60,268              | (114,210)         | (1,666,454)           | (1,720,395)              |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                     |                   |                       |                          |
| Refunding Fire Benefit Charge                          | (28,124)            | -                 | -                     | (28,124)                 |
| Interfund Transfers                                    |                     |                   |                       |                          |
| Total Other Financing Sources (Uses)                   | <u>(28,124)</u>     | <u>-</u>          | <u>-</u>              | <u>(28,124)</u>          |
| Net Change in Fund Balance                             | 32,144              | (114,210)         | (1,666,454)           | (1,748,519)              |
| Fund Balance - Beginning                               | 2,329,148           | 184,577           | 5,052,822             | 7,566,547                |
| Prior Period Adjustment                                | 13,099              |                   |                       | 13,099                   |
| Fund Balance - Ending                                  | <u>\$ 2,374,391</u> | <u>\$ 70,368</u>  | <u>\$ 3,386,368</u>   | <u>\$ 5,831,127</u>      |

The Notes to the Financial Statements are an integral part of this statement.

**KING COUNTY FIRE PROTECTION DISTRICT NO. 10**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2012**

|  | General fund        | Debt Service Fund | Capital Projects Fund | Total               |
|--|---------------------|-------------------|-----------------------|---------------------|
| <b>REVENUES</b>  |                     |                   |                       |                     |
| Taxes  | \$ 4,812,984        | \$ -              | \$ -                  | \$ 4,812,984        |
| Intergovernmental                                      | 196,372             | -                 | -                     | 196,372             |
| Cost of Goods and Services                             | 2,508,735           | -                 | -                     | 2,508,735           |
| Interest Income  | 266,223             | -                 | -                     | 266,223             |
| <b>Total Revenues</b>                                  | <u>7,784,314</u>    | <u>-</u>          | <u>-</u>              | <u>7,784,314</u>    |
| <b>EXPENDITURES</b>                                    |                     |                   |                       |                     |
| General Government                                     | 125,619             | 88,273            | 25,375                | 239,267             |
| Public Safety  | 7,415,251           | -                 | -                     | 7,415,251           |
| Capital Outlay   | -                   | -                 | 176,811               | 176,811             |
| <b>Total Expenditures</b>                              | <u>7,540,870</u>    | <u>88,273</u>     | <u>202,186</u>        | <u>7,831,330</u>    |
| Excess(Deficiency) of Revenue over(under) Expenditures | <u>243,444</u>      | <u>(88,273)</u>   | <u>(202,186)</u>      | <u>(47,016)</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                     |                   |                       |                     |
| Bond Proceeds  | -                   | 272,851           | 5,525,200             | 5,798,051           |
| Interfund Transfers                                    | 270,192             | -                 | (270,192)             | -                   |
| <b>Total Other Financing Sources (Uses)</b>            | <u>270,192</u>      | <u>272,851</u>    | <u>5,255,008</u>      | <u>5,798,051</u>    |
| Net Change in Fund Balance                             | 513,636             | 184,577           | 5,052,822             | 5,751,035           |
| Fund Balance - Beginning                               | 2,031,722           | -                 | -                     | 2,031,722           |
| <b>Fund Balance - Ending</b>                           | <u>\$ 2,545,358</u> | <u>\$ 184,577</u> | <u>\$ 5,052,822</u>   | <u>\$ 7,782,757</u> |

The Notes to the Financial Statements are an integral part of this statement.

**King County Fire Protection District No. 10**  
**Reconciliation of the Statements of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2013**

Amount reported for Governmental Activities in the Statement of Activates are different because:

|   |                              |
|---|------------------------------|
| Net Change in Fund Balance  | \$ (1,748,519)               |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.                                  | 1,286,513                    |
| Long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt. | (556,845)                    |
| The sale of an asset is reported as revenue for the amount received. However, in the Statement of activities, only the gain or loss is reported. The is the amount by which revenue received less the gain received.  |                              |
| Joint Venture Investment increase/(decrease) are not reported in the fund statements but are included in the government wide statement.   | 15,009                       |
| Revenue recognition difference between the fund statements (modified accrual) and the government wide statements (full accrual).  | (29,631)                     |
| Changes in net assets of governmental activities  | <u><u>\$ (1,033,473)</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

**KING COUNTY FIRE PROTECTION DISTRICT NO. 10**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Amount reported for Governmental Activities in the Statement of  
 Activates are different because:

|   |                   |
|---|-------------------|
| Net Change in Fund Balance  | \$ 5,751,035      |
| Governmental funds report capital outlays as expenditures. However,<br>in the Statement of Activities the cost of those assets are allocated<br>over their estimated useful lives and reported as depreciation<br>expense. This is the amount by which depreciation expense<br>exceeded capital outlays in the current period.                                      | (252,588)         |
| Long-term debt provide current financial resources to governmental<br>funds, while the repayment of the principal of long-term debt<br>consumes the current financial resources of governmental funds.<br>Neither transaction, however, has any effect on net assets. This<br>amount is the net effect of these differences in the treatment of long-<br>term debt. | (5,500,000)       |
| The sale of an asset is reported as revenue for the amount received.<br>However, in the Statement of activities, only the gain or loss is<br>reported. The is the amount by which revenue received less the gain<br>received.   |                   |
| Joint Venture Investment increase/(decrease) are not reported in the<br>fund statements but are included in the government wide statement.  | 338,243           |
| Revenue recognition difference between the fund statements<br>(modified accrual) and the government wide statements (full accrual).   | (108,929)         |
| Changes in net assets of governmental activities  | <u>\$ 227,762</u> |

The Notes to the Financial Statements are an integral part of this statement.

## KING COUNTY FIRE DISTRICT 10

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### Notes to the Financial Statements January 1, 2012 through December 31, 2013

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District utilizes governmental fund accrual basis of accounting which are in conformance with generally accepted accounting principles (GAAP). The King County Treasurer maintains the official cash transaction records of the District and custody of the District's deposits and cash investments.

##### **A. Reporting Entity**

King County Fire Protection District 10 was incorporated in 1941 and operates under the laws of the State of Washington applicable to a fire district. The District is a general-purpose government and provides fire and medical aid services through its participation in Eastside Fire and Rescue (EF&R), a joint venture comprised of five principals. Although the employer of record is King County Fire Protection District 10, the Eastside Fire & Rescue Interlocal agreement passes all employment responsibility to the partnership and is, therefore, disclosed in the Eastside Fire & Rescue financial statements. A Board of Fire Commissioners, composed of five elected registered voters residing in the District, manage the affairs of the District.

Certain County officials serve as agents of the District in the assessment and collection of property taxes, custody of all District funds and the issuance and payment of District warrants. While the District monitors the actions of these County officials, it has no control over methods by which they perform their duties or the financial statements and reports they prepare and send to the District.

The District uses the revenue, expenditure, asset, liability and fund balance classifications contained in the Category 1 Budgeting Accounting and Reporting System (BARS) manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

##### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financials statements. The District only presents one fund.

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash



flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District has only the General Fund. The general (or current expense) fund is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

#### D. Budgetary Information

##### 1. Scope of Budget

Annual appropriated budgets are adopted for general (expense) funds on the accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Other budgets are adopted at the level of the fund, except in the General (Current Expense) Fund, where expenditures may not exceed appropriations and the budgets constitute the legal authority for expenditures at that level. Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

##### 2. Amending the Budget

The Fire Chief is authorized to transfer budgeted line item (BARS Natural Account Codes) amounts within the expenditure budget, 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 commissioners. Changes to other budgets require approval by the commissioners.

When commissioners determine that it is in the best interest of the District to increase or decrease the appropriation for a particular budget, it may do so by agenda bill motion approved by one more than the majority after a regular monthly open public meeting. The original budget was amended in 2013 and 2012.

#### E. Assets, Liabilities and Equities

##### 1. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2013 and 2012, the King County treasurer was holding \$ 6,167,842 and \$7,682,660, respectfully, in short-term

residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is credited directly to the various funds by the King County Treasury and identified as such in the financial statements. There are no material reconciling differences between the book and bank balances.

## 2. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Property Taxes Note No.5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

## 3. Capital Assets (See Note 6, Capital Assets).

Capital assets, which include property, plant, and equipment, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets is included as part of the capitalized value of the assets constructed. The total capital project interest expense incurred by the district during fiscal year 2013 is zero.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Type</u>     | <u>Years of Useful Life</u> |
|-----------------------|-----------------------------|
| Buildings             | 30                          |
| Machinery & Equipment | 10-20                       |
| Autos                 | 10                          |
| Engines & Tenders     | 15-25                       |
| Aid Cars              | 8-10                        |
| FF Equipment          | 5-20                        |

## 4. Long-Term Debt: See Note (Long-Term Debt and Leases Note No.8).

## 5. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, the liability account is reduced and corresponding revenue is recorded. Deferred revenues include uncollected property taxes, grants, and accounts receivable invoices not paid within 60 days of year end. Unearned revenues are those revenues received in advance of their due date. Unearned revenues consist of lease payments received in December for the following year.

## 6. Fund Balance

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Non-Spendable: This fund balance category includes amounts not available to be spent because they are not in spendable form or are legally required to be maintained intact. The District does not have non-spendable balances.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained. When expenditures are incurred for which restricted and unrestricted amounts are available, the District considers restricted amounts to be used first, followed by committed, then assigned, and lastly unassigned amounts.

Restricted: Fund balance constrained externally, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements. The District currently does not have restricted fund balances.

Committed: Fund balance constrained either through District resolution or agenda bill as adopted by the District's commissioners. The District currently does not have committed fund balances.

Assigned: Amounts that are constrained by the Commissioner's intent as to the use for specific purposes, but are neither restricted nor committed. The District currently does not have assigned fund balances.

Unassigned: Unrestricted fund balance not committed or assigned in the General fund is considered unassigned.

## **NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position**

The governmental funds' balance sheet includes a reconciliation between fund balance – total governmental funds and net assets—governmental activities as reported in the government-wide statement of net position.

### **B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

## **NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriation of any funds of the District.

## **NOTE 4 - INVESTMENTS**

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

As of December 31, 2013, the District had the following investments:

| <u>Investment Type</u>      | <u>Fair Value</u> | <u>Effective Duration</u> |
|-----------------------------|-------------------|---------------------------|
| King County Investment Pool | \$ 6,167,842      | 1.23 Years                |

As of December 31, 2012, the District had the following investments:

| <u>Investment Type</u>      | <u>Fair Value</u> | <u>Effective Duration</u> |
|-----------------------------|-------------------|---------------------------|
| King County Investment Pool | \$ 7,682,660      | 1.36 Years                |

**Impaired Investments.** As of December 31, 2013 and 2012, *all impaired commercial paper investments have completed enforcement events.* The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash out option. *The District's share of the impaired investment pool principle is \$23,831.75 and \$27,826 respectfully, and the District's fair value of these investments is \$14,123 and \$13,665 respectfully.*

**Interest Rate Risk.** As of December 31, 2013, the Pool's average duration was 1.23 years. As of December 31, 2012, the Pool's average duration was 1.36 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

**Credit Risk.** As of December 31, 2013 and 2012, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of A-1 by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and Local Government Investment Pool managed by the Washington State Treasurer's office.

## **NOTE 5 - PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

### **Property Tax Calendar**

- January 1 Taxes are levied and become an enforceable lien against properties.
- February 15 Tax bills are mailed.
- April 30 First of two equal installment payments is due.
- May 31 Assessed value of property established for next year's levy at 100 percent of market value.
- October 31 Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The District may levy up to \$1.00 per \$1,000 of assessed valuation for general governmental services.

The District's regular levy for 2013 and 2012 was \$1.00 per \$1,000 on an assessed valuation of \$4,398,868,431 and \$4,805,427,560 for a total regular levy of \$4,398,868 and \$4,805,428 respectfully. Washington State Constitution and Washington State law, RCW 84.55.010, limits the rate. For 2013, the District received property tax of \$4,410,486, which is made up of \$4,308,664 for 2013 property tax revenue and \$101,822 in delinquent property tax revenue. For 2012, the District received property tax of \$4,806,643, which is made up of \$4,699,936 for 2012 property tax revenue and \$106,707 in delinquent property tax revenue.

In 2003 the District voters approved the imposition of a Fire Benefit Charge (RCW 52.18) for collection in 2004. Every six years, the District needs to request approval from the District voters to continue the use of the fire benefit charge for an additional six years. In 2009, the District voters approved to continue the use of the fire benefit charge. RCW 52.18 requires the District to lower the regular statutory rate of \$1.50 per thousand of assessed valuation property tax collections to a maximum of \$1.00 per thousand. The Board of Fire Commissioners may then impose a charge not to exceed sixty percent of the total budget. For 2013 the District imposed a charge of \$3,071,852, which represented 41 percent of the annual operating budget. For 2012 the District imposed a charge of \$2,514,604, which represented 33 percent of the annual operating budget.

## NOTE 6 – CAPITAL ASSETS

### A. Capital Assets

Capital assets activity for the year ended December 31, 2013 was as follows:

|   | Beginning   | Increases    | Decreases  | Ending      |
|---|-------------|--------------|------------|-------------|
| Capital Assets Not Being Depreciated:       |             |              |            |             |
| Land  | \$1,666,862 | \$ 0         | \$ 0       | \$1,666,862 |
| Capital Work in Progress                    | 452,999     | 1,672,533    | 261,977    | 1,863,555   |
| Total Capital Assets Not Being Depreciated: | 2,119,861   | 1,672,533    | 261,977    | 3,530,417   |
| Capital Assets Being Depreciated:           |             |              |            |             |
| Buildings                                   | 2,577,053   | 0            | 0          | 2,577,053   |
| Building Improvement                        | 180,333     | 261,977      | 0          | 442,310     |
| Machinery & Equipment                       | 240,452     | 0            | 0          | 240,452     |
| Autos                                       | 239,674     | 0            | 0          | 239,674     |
| Engines & Tenders                           | 4,469,940   | 0            | 0          | 4,469,940   |
| Aid Cars                                    | 1,030,066   | 0            | 0          | 1,030,066   |
| FF Equipment                                | 120,000     | 0            | 0          | 120,000     |
| Total Capital Assets Being Depreciated:     | 8,857,518   | 261,977      | 0          | 9,119,495   |
| Depreciation:                               |             |              |            |             |
| Accum Dep Buildings                         | 2,098,317   | 47,955       | 0          | 2,146,272   |
| Accum Dep Building Improvements             | 36,919      | 37,494       | 0          | 74,413      |
| Accum Dep M & E                             | 137,042     | 19,358       | 0          | 156,400     |
| Accum Dep Autos                             | 156,981     | 16,899       | 0          | 173,880     |
| Accum Dep Eng.& Tend.                       | 2,194,137   | 259,839      | 0          | 2,453,976   |
| Accum Dep Aid Cars                          | 869,962     | 34,540       | 0          | 904,502     |
| Accum Dep FF Equip                          | 106,000     | 2,000        | 0          | 108,000     |
| Total Accumulated Depreciation:             | 5,599,358   | 418,085      | 0          | 6,017,443   |
| Total Capital Assets Being Depreciated Net  | 3,258,160   | (156,108)    | 0          | 3,102,052   |
| Total Capital Assets Net                    | \$5,378,021 | \$ 1,516,425 | \$ 261,977 | \$6,632,469 |

Capital assets activity for the year ended December 31, 2012 was as follows:

|   | Beginning   | Adjustments | Increases   | Decreases | Ending      |
|---|-------------|-------------|-------------|-----------|-------------|
| Capital Assets Not Being Depreciated:       |             |             |             |           |             |
| Land  | \$1,666,862 | \$ 0        | \$ 0        | \$ 0      | \$1,666,862 |
| Capital Work in Progress                    | 302,730     | 822         | 149,447     | 0         | 452,999     |
| Total Capital Assets Not Being Depreciated: | 1,969,592   | 822         | 149,447     | 0         | 2,119,861   |
| Capital Assets Being Depreciated:           |             |             |             |           |             |
| Buildings                                   | 2,577,053   | 0           | 0           | 0         | 2,577,053   |
| Building Improvement                        | 113,852     | 0           | 66,481      | 0         | 180,333     |
| Machinery & Equipment                       | 240,452     | 0           | 0           | 0         | 240,452     |
| Autos                                       | 239,674     | 0           | 0           | 0         | 239,674     |
| Engines & Tenders                           | 4,469,940   | 0           | 0           | 0         | 4,469,940   |
| Aid Cars                                    | 1,030,066   | 0           | 0           | 0         | 1,030,066   |
| FF Equipment                                | 120,000     | 0           | 0           | 0         | 120,000     |
| Total Capital Assets Being Depreciated:     | 8,791,037   | 0           | 66,481      | 0         | 8,857,518   |
| Depreciation:                               |             |             |             |           |             |
| Accum Dep Buildings                         | 2,018,082   | 0           | 80,235      | 0         | 2,098,317   |
| Accum Dep Building Improvements             | 25,623      | 0           | 11,296      | 0         | 36,919      |
| Accum Dep M & E                             | 117,683     | 0           | 19,359      | 0         | 137,042     |
| Accum Dep Autos                             | 134,850     | 0           | 22,131      | 0         | 156,981     |
| Accum Dep Eng.& Tend.                       | 1,934,298   | 0           | 259,839     | 0         | 2,194,137   |
| Accum Dep Aid Cars                          | 835,423     | 0           | 34,539      | 0         | 869,962     |
| Accum Dep FF Equip                          | 104,000     | 0           | 2,000       | 0         | 106,000     |
| Total Accumulated Depreciation:             | 5,169,959   | 0           | 429,399     | 0         | 5,599,358   |
| Total Capital Assets Being Depreciated Net  | 3,621,078   | 0           | (362,918)   | 0         | 3,258,160   |
| Total Capital Assets Net                    | \$5,590,670 | \$ 882      | (\$213,471) | \$ 0      | \$5,378,021 |

Depreciation expense was charged to functions of the primary government as governmental activities.

## NOTE 7 - RISK MANAGEMENT

Eastside Fire & Rescue (see Joint Venture Note 10) purchases commercial insurance policies covering property, errors & omissions, liability, crime, business auto, inland marine and umbrella. The District is named as an insured. Premiums are paid by Eastside Fire & Rescue. Deductibles vary between coverage and range from \$ 0 to \$ 1,000. The General aggregate limit is \$3,000,000 with various smaller limits imposed for specific coverage's. The District Secretary attends a quarterly risk management assessment meeting. As of December 31, 2013 the Board of Fire Commissioners' believe there is no liability for risk beyond that covered by existing insurance policies.

## NOTE 8 - LONG-TERM DEBT

### A. Long-Term Debt

In 2000, the City of Sammamish was incorporated removing 40.3 percent of the District's assessed value. An asset transfer agreement was executed identifying the real and personal property transfer with provision for cash payments, without interests, for a twenty year period for the remaining asset balance. The annual amount is \$89,440. As of December 31, 2013, the balance remaining is \$546,032. On December 31, 2012, the balance remaining is \$635,472.

In 2012, the voters approved \$5.5 million Unlimited Tax General Obligation (GO) Bond to finance the cost of constructing, remodeling and equipping District fire stations and facilities for firefighting and life safety purposes and other District capital purposes. The bonds will mature over a period not to exceed 20 years and will be repaid from property taxes levied and collected for that purpose. The interest rates range from 2.0% to 3.0%.

The following represents the total outstanding long-term debt obligations of the District as of December 31, 2013:

Changes in Long Term Liabilities:

|   | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|--------------------------|------------------|-------------------|-----------------------|----------------------------|
|   |                          | \$               |                   |                       |                            |
| 2012 GO Bond  | \$ 5,500,000             | 0                | \$ 400,000        | \$5,100,000           | \$ 285,000                 |
| Asset Transfer Due to Other Government (See Note 9) | 635,472                  | 0                | 89,441            | 546,032               | \$ 89,440                  |
|   | 956,845                  | 0                | 0                 | 956,845               | 0                          |
| Total Long Term Liabilities                         | \$ 7,092,317             | \$ 0             | \$ 489,441        | \$6,602,877           | \$ 374,440                 |

The following represents the total outstanding long-term debt obligations of the District as of December 31, 2012:

Changes in Long Term Liabilities:

|  | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|--------------------------|------------------|-------------------|-----------------------|----------------------------|
|  |                          | \$5,500,00       |                   |                       |                            |
| 2012 GO Bond                                       | \$ 0                     | 0                | \$ 0              | \$5,500,000           | \$ 400,000                 |
| Asset Transfer Due to Other Government(See Note 9) | 724,913                  | 0                | 89,441            | 635,472               | 89,440                     |
|  | 0                        | 956,845          | 0                 | 956,845               | 0                          |
| Total Long Term Liabilities                        | \$ 724,913               | \$6,456,845      | \$ 89,441         | \$7,092,317           | \$ 489,440                 |



## B. Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2013 are as follows:

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total Debt Service</u> |
|-------------|---------------------|---------------------|---------------------------|
| 2014        | \$ 374,440          | \$ 144,050          | \$ 518,490                |
| 2015        | 389,440             | 138,350             | 527,790                   |
| 2016        | 399,440             | 132,350             | 531,790                   |
| 2017        | 414,440             | 126,150             | 540,590                   |
| 2018        | 434,440             | 116,400             | 550,840                   |
| 2019-2023   | 2,133,831           | 414,600             | 2,548,431                 |
| 2024-2026   | 2,456,845           | 91,500              | 2,548,345                 |
| Total       | <u>\$ 6,602,876</u> | <u>\$ 1,163,400</u> | <u>\$ 7,766,276</u>       |

## NOTE 9 - CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the District will have to make payment. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

In 2013, the District stopped receiving payments from the Washington State Treasurer for Fire Insurance Premium Tax revenue. The revenue was received based on RCW 41.16.050 which allocated a portion of state funds to the 1947 Act Fire fighters pension fund. The District is in discussions with the Washington State Treasurer regarding any overpayment it may have received. The maximum liability that the District would need to pay back to the Washington State Treasurer would be \$956,845.

## NOTE 10 - JOINT VENTURES

The District is a partner in Eastside Fire & Rescue, formed under provisions of an interlocal agreement (Compilation Agreement 2001) as provided by RCW Title 39, Interlocal Cooperation Act. The partnership is for the delivery of Fire Suppression, Public Education, Fire Prevention and Emergency Medical Services. As of December 31, 2012, the partners include the Cities of Issaquah, North Bend and Sammamish and King County Fire Protection Districts 10 and 38. A funding model utilizes calls for service and assessed value to assign costs to each partner which collectively funds the overall operation. The District makes monthly payments for their annual operating contribution and an annual payment for their portion of the equipment replacement fund to the joint venture partnership. The District's portion of collectively owned assets of the partnership, which consists mainly of cash reserves, is represented by the District's Investment in Joint Venture. The Investment as of December 31, 2013 is \$1,216,553. The Investment as of December 31, 2012 is \$1,201,544.

Complete audited financial statements for Eastside Fire & Rescue can be obtained from Eastside Fire & Rescue, 175 Newport Way NW, Issaquah, WA 98027, or by telephone (425) 313-3200.



**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

In 2011 and 2012, the District remodeled station 85 located in Carnation. The remodel was completed in 2012. However, the cost of the remodel were not moved out of the Capital Work In Progress until 2013. As a result, the depreciation on the remodel of \$13,099 was not part of the depreciation expense reported on the 2012 Statement of Activities.

**NOTE 12 – SUBSEQUENT EVENT**

There were no significant subsequent events that occurred after the end of the reporting period and before the issuance of the financial statements.

KING COUNTY FIRE PROTECTION DISTRICT NO. 10  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND  
For the year ended December 31, 2013

|  | BUDGETED AMOUNTS    |                     | ACTUAL<br>AMOUNTS   | VARIANCE WITH<br>FINAL BUDGET |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | ORIGINAL            | FINAL               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Taxes  | \$ 4,386,272        | \$ 4,386,272        | \$ 4,412,046        | \$ 25,774                     |
| Intergovernmental                                      | 50,000              | 50,000              | 20,959              | (29,041)                      |
| Cost of Goods and Services                             | 3,050,500           | 3,050,500           | 2,994,261           | (56,239)                      |
| Interest Income  | 10,200              | 10,200              | 45,856              | 35,656                        |
| <b>Total Revenues</b>                                  | <u>7,496,972</u>    | <u>7,496,972</u>    | <u>7,473,123</u>    | <u>(23,849)</u>               |
| <b>Expenditures</b>                                    |                     |                     |                     |                               |
| General Government                                     | 143,978             | 197,978             | 160,494             | (37,484)                      |
| Public Safety  | <u>7,341,749</u>    | <u>7,341,749</u>    | <u>7,252,360</u>    | <u>(89,389)</u>               |
| <b>Total Expenditures</b>                              | <u>7,485,727</u>    | <u>7,539,727</u>    | <u>7,412,854</u>    | <u>(126,873)</u>              |
| Excess(Deficiency) of Revenue over(under) Expenditures | 11,245              | (42,755)            | 60,268              | 103,023                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                     |                     |                     |                               |
| Refunding Fire Benefit Charge                          |                     | (30,053)            | (28,124)            | 1,929                         |
| <b>Total Other Financing Sources (Uses)</b>            | <u>-</u>            | <u>(30,053)</u>     | <u>(28,124)</u>     | <u>1,929</u>                  |
| Net Change in Fund Balance                             | 11,245              | (72,808)            | 32,144              | 104,952                       |
| Fund Balance - Beginning                               | 2,329,148           | 2,329,148           | 2,329,148           | -                             |
| Prior Period Adjustment                                |                     |                     | 13,099              | 13,099                        |
| <b>Fund Balance - Ending</b>                           | <u>\$ 2,340,393</u> | <u>\$ 2,256,340</u> | <u>\$ 2,374,391</u> | <u>\$ 118,051</u>             |

KING COUNTY FIRE PROTECTION DISTRICT NO. 10  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND  
For the year ended December 31, 2012

|  | BUDGETED AMOUNTS    |                     | ACTUAL<br>AMOUNTS   | VARIANCE WITH<br>FINAL BUDGET |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | ORIGINAL            | FINAL               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Taxes  | \$ 4,864,793        | \$ 4,864,793        | \$ 4,812,984        | \$ (51,809)                   |
| Intergovernmental                                      | 156,000             | 156,000             | 196,372             | 40,372                        |
| Cost of Goods and Services                             | 2,499,312           | 2,499,312           | 2,508,735           | 9,423                         |
| Interest Income  | 25,200              | 25,200              | 266,223             | 241,023                       |
| <b>Total Revenues</b>                                  | <u>7,545,305</u>    | <u>7,545,305</u>    | <u>7,784,314</u>    | <u>239,009</u>                |
| <b>EXPENDITURES</b>                                    |                     |                     |                     |                               |
| General Government                                     | 131,587             | 149,037             | 125,619             | (23,418)                      |
| Public Safety  | 7,413,691           | 7,413,691           | 7,415,251           | 1,560                         |
| <b>Total Expenditures</b>                              | <u>7,545,278</u>    | <u>7,562,728</u>    | <u>7,540,870</u>    | <u>(21,858)</u>               |
| Excess(Deficiency) of Revenue over(under) Expenditures | <u>27</u>           | <u>(17,423)</u>     | <u>243,444</u>      | <u>260,867</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                     |                     |                     |                               |
| Interfund Transfers                                    |                     | -                   | 270,192             | 270,192                       |
| <b>Total Other Financing Sources (Uses)</b>            | <u>-</u>            | <u>-</u>            | <u>270,192</u>      | <u>270,192</u>                |
| Net Change in Fund Balance                             | 27                  | (17,423)            | 513,636             | 531,059                       |
| Fund Balance - Beginning                               | 2,031,721           | 2,031,722           | 2,031,722           | -                             |
| <b>Fund Balance - Ending</b>                           | <u>\$ 2,031,748</u> | <u>\$ 2,014,299</u> | <u>\$ 2,545,358</u> | <u>\$ 531,059</u>             |

## 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.

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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.

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| Contact information for the State Auditor's Office |  |
|--|--|
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| <b>Toll-free Citizen Hotline</b>                   | (866) 902-3900   |
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