



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

Woodinville Fire & Rescue

King County

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

Published March 19, 2015

Report No. 1013793





Washington State Auditor Troy Kelley

March 19, 2015

Board of Commissioners
Woodinville Fire & Rescue
Woodinville, Washington

Report on Financial Statements

Please find attached our report on Woodinville Fire & Rescue's financial statements.

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

Sincerely,

A handwritten signature in blue ink that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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

**Woodinville Fire & Rescue
King County
January 1, 2013 through December 31, 2013**

Board of Commissioners
Woodinville Fire & Rescue
Woodinville, 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 Woodinville Fire & Rescue, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 12, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 12, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Woodinville Fire & Rescue King County January 1, 2013 through December 31, 2013

Board of Commissioners
Woodinville Fire & Rescue
Woodinville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Woodinville Fire & Rescue, King County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Woodinville Fire & Rescue, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 12, 2015

FINANCIAL SECTION

**Woodinville Fire & Rescue
King County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

Woodinville Fire & Rescue
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	000	201	202	301
Beginning Cash and Investments						
30810	Reserved	-	-	-	-	-
30880	Unreserved	8,834,760	8,430,433	83	27	404,217
388 & 588	Prior Period Adjustments, Net	-	-	-	-	-
Operating Revenues						
310	Taxes	7,500,799	7,500,799	-	-	-
320	Licenses & Permits	-	-	-	-	-
330	Intergovernmental Revenues	1,208	1,208	-	-	-
340	Charges for Goods and Services	4,590,315	4,590,315	-	-	-
350	Fines & Penalties	-	-	-	-	-
360	Miscellaneous Revenues	144,408	141,794	77	366	2,171
Total Operating Revenues:		12,236,730	12,234,116	77	366	2,171
Operating Expenditures						
510	General Government	-	-	-	-	-
520	Public Safety	10,735,562	10,735,530	1	-	31
Total Operating Expenditures:		10,735,562	10,735,530	1	-	31
Net Operating Increase (Decrease):		1,501,168	1,498,586	76	366	2,140
Nonoperating Revenues						
370-380, 395 & 398	Other Financing Sources	2,969	2,969	-	-	-
391-393	Debt Proceeds	-	-	-	-	-
397	Transfers-In	5,552	5,552	-	-	-
Total Nonoperating Revenues:		8,521	8,521	-	-	-
Nonoperating Expenditures						
580, 596 & 599	Other Financing Uses	-	-	-	-	-
591-593	Debt Service	-	-	-	-	-
594-595	Capital Expenditures	102,719	4,901	-	-	97,818
597	Transfers-Out	5,552	-	159	393	5,000
Total Nonoperating Expenditures:		108,271	4,901	159	393	102,818
Net Increase (Decrease) in Cash and Investments:		1,401,418	1,502,206	(83)	(27)	(100,678)
Ending Cash and Investments						
50810	Reserved	-	-	-	-	-
50880	Unreserved	10,236,178	9,932,639	-	-	303,539

The accompanying notes are an integral part of this statement.

Woodinville Fire & Rescue

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NOTES TO FINANCIAL STATEMENT For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Woodinville Fire & Rescue (the "District") is a special purpose government that provides fire protection and emergency medical aid services to the general public and is supported primarily through property taxes and benefit charges. The District was incorporated on August 23, 1948 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Funds

The General Fund is the primary operating fund for the District. For operational purposes it is broken down into the following sub-funds which are rolled up into one fund for financial reporting purposes.

The Expense Fund (King County Fund No. 10-036-0010) accounts for all financial activities except those required by State law, or directed by Board resolution, to be accounted for in another fund.

The Benefit Charge Fund (King County Fund No. 10-036-0030) accounts for the collection of the fire benefit charges (a special assessment) imposed by the Board pursuant to RCW 52.18. All collections in the fund are automatically transferred to the Expense Fund each month.

Reserve Funds

The Reserve Fund (King County Fund No. 10-036-6010) accounts for general reserves held for unexpected future expenditures or emergencies.

The Benefit Liability Reserve Fund (King County Fund No. 10-036-6020) was created in 2011 to account for the District's encumbered liabilities at the end of the year. These include, but are not limited to, accrued vacation and sick leave, unused balances in Health Reimbursement Arrangement (HRA) accounts, future payments related to the 2010 and 2013 Retirement Incentive Plans (RIP) or any other employee benefits-related liability of the District.

Debt Service Funds

The 2001 Limited Tax General Obligation Bond Fund-Headquarters (King County Fund No. 10-036-8880) accounts for the debt service (payment of interest and repayment of principal) on the \$2,000,000 Local Agency Financing Contract with the Washington State Office of State Treasurer authorized by the Board on March 20, 2001 for the construction of the headquarters fire station. This debt was paid off in 2012 and the fund closed in 2014.

The 2003 Limited Tax General Obligation Bond Fund-Annex (King County Fund No. 10-36-8410) accounts for the debt service (payment of interest and repayment of principal) on the \$1,165,000 bond issued to

Woodinville Fire & Rescue

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NOTES TO FINANCIAL STATEMENT For the Year Ended December 31, 2013

Banner Bank in May 2003 for the purchase of the property adjacent to the headquarters fire station. This debt was paid off in 2012 and the fund closed in 2014.

Capital Project Fund

The Capital Project Fund (King County Fund No. 10-036-3020) accounts for the resources designated by the Board for the acquisition, design, development, construction, renovation or major repair of capital facilities.

B. Basis of Accounting

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

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. The basis of accounting described above represents a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

C. Budgets

The District adopts annual appropriated budgets for general funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	11,797,289	10,740,242	1,057,047
Capital Project Fund	154,660	102,849	51,811

Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2013

D. Cash

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

The District has entered into a Cash Management Services Agreement with King County which allows King County to: (a) conduct daily sweeps of the District's cash balances using Zero Balance Accounts and automatically invest such balances in the King County Investment Pool; and (b) credit District bank deposits on date of deposit without regard to check float.

E. Capital Assets

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

F. Compensated Absences

Employees may carry over up to one year's worth of vacation under certain circumstances. Any accrued and unused vacation hours are payable upon separation or retirement at the then current hourly rate for the specific employee. The District's estimated liability for these benefits on December 31, 2013 was \$635,812.

Upon retirement, any outstanding sick leave is bought back on the following schedule: 1-300 hours at 10¢/\$1; 301-600 hours at 20¢/\$1; 601-900 hours at 30¢/\$1; 901 and above at 40¢/\$1. If the individual terminates for any other reason, the outstanding sick leave is forfeited. The District's estimated liability for sick leave upon retirement was \$644,684 at December 31, 2013.

G. Compensated Health Benefits

The District provides its employees with a medical plan that has a high deductible; it is currently managed by Northwest Firefighters Trust. A Health Reimbursement Arrangement (HRA) is provided to employees to help offset out-of-pocket medical expenses.

The annual HRA limit for 2013 was set at \$2,478.40 for individual employees and \$5,478.40 for employees on a family plan. Any unused HRA balance in the employee's account is added to the following year's limit and remains with the employee (even after s/he leaves the District) until it is fully utilized. The District's estimated liability for HRA benefits (unused HRA balances) on December 31, 2013 was \$468,851.

NOTE 2 - PROPERTY TAXES

The King County treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. The King County Treasurer also collects the District's benefit charge. Collections are distributed daily by the county to the District.

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

The District's regular levy for the year 2013 was \$1.00 per \$1,000 on an assessed valuation of \$6,945,111,363 for a total regular levy of \$6,905,448.

Woodinville Fire & Rescue

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NOTES TO FINANCIAL STATEMENT For the Year Ended December 31, 2013

The District benefit charge levy for the year 2013 was \$.65 per \$1,000 on the District-wide assessed valuation of \$6,945,111,363 for a total of \$4,506,481. The amount assessed to each property owner may vary as the assessment formula is based on size and type of use of the property.

NOTE 3 - INVESTMENTS

The District's investments are held by King County as its agent in the King County Investment Pool under the terms of the King County Investment Pool Agreement. The investments by type at December 31, 2013 are as follows:

Type of Investment	Investments held by King County as agent for the District
US T-Bills or notes	2,138,337
US Agencies	5,628,874
WA State Treasurer's LGIP	1,775,976
Other	692,991
	\$ 10,236,178

In addition to the King County Investment Pool, the District maintains \$8,500 in Petty Cash accounts at Bank of America. Any funds utilized from these accounts are replenished through the voucher process.

NOTE 4 - DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2013. Included in Schedule 09 is our estimated obligation for compensated absences. Due to the uncertainty of when this obligation will be paid we cannot estimate our annual debt service.

NOTE 5 - PENSION PLANS

All of the District's full-time employees participate in the LEOFF 2, PERS 2 and PERS 3 plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

Department of Retirement Systems
Communication Unit
P.O. Box 48380
Olympia, WA 98504-8380

Or online at: <http://www.drs.wa.gov/administration/annual-report/>

Woodinville Fire & Rescue

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NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2013

NOTE 6 - OTHER DISCLOSURES

The District offered a Retirement Incentive Plan (RIP) in 2010 which resulted in early retirement of five (5) employees. The severance pay was spread over a five year period, and there is a balance of \$71,211 for this liability as of December 31, 2013.

The District offered a Retirement Incentive Plan (RIP) in 2013 which resulted in early retirement of six (6) employees. The severance pay was spread over a five year period, and there is a balance of \$349,774 for this liability as of December 31, 2013.

Woodinville Fire & Rescue

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	259.11	Compensated Absences	12/31/2013	1,521,888	0	241,392	1,280,496
	263.98	2010 Retirement Incentive	1/1/2015	133,666	0	62,455	71,211
	263.98	2013 Retirement Incentive	12/31/2018	0	362,440	12,666	349,774
		Total General Obligations:		1,655,554	362,440	316,513	1,701,481
		Total Liabilities:		1,655,554	362,440	316,513	1,701,481

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
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