



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
King County Fire Protection District
No. 45

For the period January 1, 2014 through December 31, 2015

Published February 9, 2017

Report No. 1018013





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

February 9, 2017

Board of Commissioners
King County Fire Protection District No. 45
Duvall, Washington

Report on Financial Statements

Please find attached our report on King County Fire Protection District No. 45's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy
State Auditor
Olympia, WA

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

**King County Fire Protection District No. 45
January 1, 2014 through December 31, 2015**

Board of Commissioners
King County Fire Protection District No. 45
Duvall, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of King County Fire Protection District No. 45, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 18, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated January 27, 2017.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 18, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County Fire Protection District No. 45 January 1, 2014 through December 31, 2015

Board of Commissioners
King County Fire Protection District No. 45
Duvall, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of King County Fire Protection District No. 45, King County, Washington, for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, King County Fire Protection District No. 45 has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of King County Fire Protection District No. 45, for the years ended December 31, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of King County Fire Protection District No. 45, as of December 31, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

November 18, 2016

FINANCIAL SECTION

King County Fire Protection District No. 45 January 1, 2014 through December 31, 2015

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015

Fund Resources and Uses Arising from Cash Transactions – 2014

Notes to Financial Statements – 2015

Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015

Schedule of Liabilities – 2014

King County Fire Protection District No. 45
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Expense 100450010	103 CERF 100456030
Beginning Cash and Investments				
30810	Reserved	1,843,947	1,578,097	156,986
30880	Unreserved	1,407,034	1,407,034	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	3,961,181	3,604,205	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	340,867	334,340	-
340	Charges for Goods and Services	11,532	11,532	-
350	Fines and Penalties	3,100	3,100	-
360	Miscellaneous Revenues	360,000	357,148	1,258
Total Operating Revenues:		4,676,680	4,310,325	1,258
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	3,267,355	3,267,075	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		3,267,355	3,267,075	-
Net Operating Increase (Decrease):		1,409,325	1,043,250	1,258
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	3,500	3,500	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	45,300	-	45,000
Total Nonoperating Revenues:		48,800	3,500	45,000
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	5,876	5,230	39
591-593	Debt Service	351,575	-	-
594-595	Capital Expenditures	46,176	46,176	-
597	Transfers-Out	45,300	45,300	-
Total Nonoperating Expenditures:		448,926	96,706	39
Net Increase (Decrease) in Cash and Investments:		1,009,198	950,044	46,219
Ending Cash and Investments				
5081000	Reserved	1,263,854	938,849	203,204
5088000	Unreserved	2,995,774	2,995,774	-
Total Ending Cash and Investments		4,259,628	3,934,623	203,204

The accompanying notes are an integral part of this statement.

104 Vehicle Charging Station Fund 100456010	201 GO Bond 100458510
51	108,814
-	-
-	-
-	356,976
-	-
-	6,528
-	-
-	-
80	1,513
<u>80</u>	<u>365,017</u>
-	-
280	-
-	-
<u>280</u>	<u>-</u>
<u>(200)</u>	<u>365,017</u>
-	-
-	-
300	-
<u>300</u>	<u>-</u>
-	606
-	351,575
-	-
-	-
-	352,181
<u>100</u>	<u>12,836</u>
151	121,649
-	-
<u>151</u>	<u>121,649</u>

The accompanying notes are an integral part of this statement.

King County Fire Protection District No. 45
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 Expense 100450010	103 CERF 100456030
Beginning Cash and Investments				
30810	Reserved	750,000	750,000	-
30880	Unreserved	1,765,621	1,590,415	161,801
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	3,742,685	2,376,518	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	481,494	409,627	-
340	Charges for Goods and Services	8,066	8,066	-
350	Fines and Penalties	6,300	6,300	-
360	Miscellaneous Revenues	50,048	47,862	1,272
Total Operating Revenues:		4,288,593	2,848,373	1,272
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	2,932,009	2,895,679	36,075
Total Operating Expenditures:		2,932,009	2,895,679	36,075
Net Operating Increase (Decrease):		1,356,584	(47,306)	(34,803)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	7,625	7,625	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	1,018,636	988,636	30,000
Total Nonoperating Revenues:		1,026,261	996,261	30,000
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	2,973	2,553	12
591-593	Debt Service	337,422	-	-
594-595	Capital Expenditures	288,455	288,455	-
597	Transfers-Out	1,018,636	30,000	-
Total Nonoperating Expenditures:		1,647,486	321,007	12
Net Increase (Decrease) in Cash and Investments:		735,359	627,947	(4,815)
Ending Cash and Investments				
5081000	Reserved	1,093,947	811,329	156,986
5088000	Unreserved	2,157,034	2,157,034	-
Total Ending Cash and Investments		3,250,980	2,968,363	156,986

The accompanying notes are an integral part of this statement.

104 Vehicle Charging Station Fund	105 M&O Levy 100450020	201 GO Bond 100458510
-	-	-
201	6,483	6,721
-	-	-
-	741,554	624,613
-	-	-
-	38,921	32,946
-	-	-
-	-	-
104	-	811
104	780,474	658,370
-	-	-
255	-	-
255	-	-
(151)	780,474	658,370
-	-	-
-	-	-
-	-	-
-	190	219
-	-	337,422
-	-	-
-	770,000	218,636
-	770,190	556,277
(151)	10,284	102,093
51	16,767	108,814
-	-	-
51	16,767	108,814

The accompanying notes are an integral part of this statement.

King County Fire District 45
Notes to Financial Statement
For the year ended 12/31/2015

Note 1 - Summary of Significant Accounting Policies

The King County Fire District 45 was incorporated on September 21, 1959 and operates under the laws of the state of Washington applicable to a fire district. The fire district is a special purpose local government and provides fire and emergency medical services.

King County Fire District 45 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. **Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. The Special Revenue Funds are Capital Expense Reserve fund, Vehicle Charging Station fund and Maintenance & Operations Levy.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

King County Fire District 45 adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$6,018,928	\$3,364,331	\$2,654,597
CERF Fund	\$15,000	\$39	\$14,961
Vehicle Charging Station	\$255	\$280	(\$25)
GO Bond Fund	\$354,975	\$352,181	\$2,794

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

Negative variance reflects unanticipated County fees not reflected in the approved budget. Going forward, budgets will reflect the King County fees.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to the amounts listed in the Districts Non-Represented Employees policy, the Collective Bargaining Agreement and any personal services contracts/agreements. Upon retirement or separation, employees will be compensated for vacation time accrued at the hourly base rate of pay in effect when the time was earned.

Non-Represented Employee Vacation Accrual will be earned based on the following schedule of years of continued service with District.

- Year 1 40 hours vacation
- Year 2 – 5 80 hours vacation
- Year 6 – 10 120 hours vacation
- Year 11 – 15 160 hours vacation
- Year 16 – 20 200 hours vacation
- Years 20 and above 240 hours vacation

Permanent part time non-represented employees, working 20 or more hours per week, shall accrue vacation time at one half the rates shown above.

Collective Bargaining members shall receive paid vacation according to the following schedule:

	Schedule A (day shift)	Schedule B & C (24 hour shift)
Year 1	88 hours	100 hours
Years 2 through 5	132 hours	150 hours
Years 6 through 10	176 hours	200 hours
Years 11 through 15	220 hours	250 hours
Years 16 through 20	264 hours	300 hours
Years 21 and above	308 hours	350 hours

Sick leave may be accumulated as indicated in the District's Non-Represented Employees Policy, the Collective Bargaining Agreement and any personal services contracts/agreements. Upon separation or retirement employees will receive payment for unused sick leave pay at the rate indicated in the District's Non-Represented Employees Policy, the Collective Bargaining Agreement and any personal services contracts/agreements.

Non Represented employees shall receive the following sick leave:

- Full time employees will accrue sick leave time at the rate of eight (8) hours per month for each full calendar month of continuous employment. Sick leave for non-exempt employees will be deducted as used on an hour-for-hour basis.
- Permanent part time employees, working at least .5 FTE, shall accrue sick leave time at a percentage of the rate shown above equivalent to his or her FTE percentage.
- Upon DRS LEOFF II or PERS retirement or death, an employee's sick leave bank shall be cashed out at \$.35 on the dollar. The payment may go to the employee (or his or her estate) as cash or be transferred, if allowable, to the employee's post-retirement health care account (such as a Health Reimbursement Arrangement).

Members of the Collective Bargaining Agreement shall receive the following sick leave:

- Schedule A (day shift) 10 hours per month
- Schedule B & C (24 hour shift) 12 hours per month
- Upon DRS LEOFF II retirement or death, an employee's sick leave bank shall be cashed out at \$.35 on the dollar. The payment shall be transferred to the Employee's Medical Expense Reimbursement Plan.

Payments are recognized as expenditures when paid. A fund has been created at King County to cover accrued time liability.

G. Deferred Compensation

The District contributes to two deferred compensation plans, DRS and Nationwide Retirement. This program is voluntary for employees who may select either Washington State Department of Retirement Systems or Nationwide.

- i. There are currently twenty-one District employees participating.
- ii. The District will match the contribution to each account as set in policy and the collective bargaining agreement.
- iii. Under the Non-Represented Employee policy, the District will match the full time employee's contribution into one of the District's deferred compensation program options (State of Washington and Nationwide) up to \$175.00 per month. Permanent part time employees may participate at a percent rate equivalent to their FTE percentage (for example, a .5 FTE position would be eligible for \$87.50 per month matching contribution).
- iv. Under the Collective Bargaining Agreement, the District will match up each members contribution up to \$100 per pay period.

H. Long-Term Debt

See Note 4, *Debt Service Requirements*.

I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$1,843,947.

Note 2 - Property Tax

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

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

The Districts regular levy for the year 2015 was \$1.41 per \$1,000 on an assessed valuation of \$2,004,949,654 for a total regular levy of \$2,942,764. The reported levy amount is based on the preliminary levy limit worksheet as provided by King County. The final number may vary. A voter approved Maintenance and Operations Levy was passed in 2012 for collection in years 2013 through 2016

Note 3 – Deposits and Investments

It is the Districts policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the County or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>District's own investments</u>	Investments held by King County as an agent for other local governments, individuals or private organizations.	<u>Total</u>
L.G.I.P.	\$ _____	<u>\$3,957,437.17</u>	<u>\$3,957,437.17</u>
Total	\$ _____	<u>\$3,957,437.17</u>	<u>\$3,957,437.17</u>

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the Districts debt transactions for year ended December 31, 2015.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$344,975	\$18,375	\$363,350
2017	\$363,622	\$12,023	\$375,645
2018	<u>\$169,728</u>	<u>\$7,072</u>	<u>\$176,800</u>
TOTALS	\$878,325	\$37,470	\$915,795

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the Districts full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS II, LEOFF II).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The District also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2015 (the measurement date of the plans), the Districts proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.001988%	\$103,991
PERS 2/3	.002569%	\$91,792
SERS 2/3		
PSERS 2		
LEOFF 1		
LEOFF 2	.052386%	(\$538,423)
VFFRPF	.27%	(\$52,737)

LEOFF Plan 2

The District also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 6 – Risk Pool Membership

King County Fire District 45 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of

construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Note 7 – Subsequent Event

The District has contracted with an architect and consultants to plan the construction of a new fire station to be built in the eastern portion of the District. Funding will come from various sources (current fund, reserve funds, property taxes). The anticipated construction in 2016 has been delayed.

On January 21, 2016, the District became the victim of a cryptovirus when an email link was selected. The email appeared to be from our dispatch center. Our contracting IT Department (City of Snoqualmie) worked with law enforcement and was able to recover the corrupted files after paying for an encryption key using bitcoin. The District did not pay any amount for the recovery. The District's attorney along with the State Auditors office were notified. The files affected were administrative in nature, at no time were any confidential files compromised. As the contracted backups were not taking place, the City of Snoqualmie IT paid the amount necessary to recover the files. The file backup error has been corrected and verified.

On April 26, 2016, the voters approved renewing the Maintenance and Operations Levy, which provides for a collection of up to \$750,000 for four consecutive years (2017-2020).

King County Fire District 45
Notes to Financial Statement
For the year end 12/31/2014

Note 1 - Summary of Significant Accounting Policies

King County Fire District 45 was incorporated on September 21, 1959 and operates under the laws of the state of Washington applicable to a fire district. The fire district is a general purpose government and provides fire and emergency medical services. The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

King County Fire District 45 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. The Special Revenue Funds are Capital Expense Reserve fund, Vehicle Charging Station fund and Maintenance & Operations Levy.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

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

C. Budgets

The District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department 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.

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$5,069,998	\$3,216,686	\$1,853,312
CERF Fund	\$129,221	\$36,087	\$93,134
Vehicle Charging Station	\$255	\$255	\$0
GO Bond Fund	\$558,520	\$556,227	\$2,293

Budgeted amounts are authorized to be transferred between departments within any fund; 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 Districts legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the District are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to the amounts indicated in the District's Non-Represented Employees Policy, the Collective Bargaining Agreement and any personal services contracts/agreements. Upon retirement or separation, employees will be compensated for vacation time accrued at the hourly base rate of pay in effect when the time was earned.

Non-Represented Employee Vacation Accrual will be earned based on the following schedule of years of continued service with District.

- Year 1 40 hours vacation
- Year 2 – 5 80 hours vacation
- Year 6 – 10 120 hours vacation
- Year 11 – 15 160 hours vacation
- Year 16 – 20 200 hours vacation
- Years 20 and above 240 hours vacation

Permanent part time non-represented employees, working 20 or more hours per week, shall accrue vacation time at one half the rates shown above.

Collective Bargaining members shall receive paid vacation according to the following schedule:

	Schedule A (day shift)	Schedule B & C(24 hour shift)
Year 1	88 hours	100 hours
Years 2 through 5	132 hours	150 hours
Years 6 through 10	176 hours	200 hours
Years 11 through 15	220 hours	250 hours
Years 16 through 20	264 hours	300 hours
Years 21 and above	308 hours	350 hours

Sick leave may be accumulated as indicated in the District's Non-Represented Employees Policy, the Collective Bargaining Agreement and any personal services contracts/agreements. Upon separation or retirement employees will receive payment for unused sick leave pay at the rate indicated in the District's Non-Represented Employees Policy, the Collective Bargaining Agreement and any personal services contracts/agreements.

Non Represented employees shall receive the following sick leave:

- Full time employees will accrue sick leave time at the rate of eight (8) hours per month for each full calendar month of continuous employment. Sick leave for non-exempt employees will be deducted as used on an hour-for-hour basis.
- Permanent part time employees, working at least .5 FTE, shall accrue sick leave time at a percentage of the rate shown above equivalent to his or her FTE percentage.
- Upon DRS LEOFF II or PERS retirement or death, an employee's sick leave bank shall be cashed out at \$.35 on the dollar. The payment may go to the employee (or his or her estate) as cash or be transferred, if allowable, to the employee's post-retirement health care account (such as a Health Reimbursement Arrangement).

Members of the Collective Bargaining Agreement shall receive the following sick leave:

- Schedule A (day shift) 10 hours per month
- Schedule B & C (24 hour shift) 12 hours per month
- Upon DRS LEOFFII retirement or death, an Employee's sick leave bank shall be cashed out at \$.35 on the dollar. The payment shall be transferred to the Employee's Medical Expense Reimbursement Plan.

G. Deferred Compensation

The District contributes to two deferred compensation plans, DRS and Nationwide Retirement. This program is voluntary for employees who may select either Washington State Department of Retirement Systems or Nationwide.

- There are currently twenty-one District employees participating.
- The District will match the contribution to each account as set in policy and the collective bargaining agreement.
- Under the Non-Represented Employee policy, the District will match the full time employee's contribution into one of the District's deferred compensation program options (State of Washington and Nationwide) up to \$175.00 per month. Permanent part time employees may participate at a percent rate equivalent to their FTE percentage (for example, a .5 FTE position would be eligible for \$87.50 per month matching contribution).
- Under the Collective Bargaining Agreement, the District will match up each members contribution up to \$100 per pay period.

H. Long-Term Debt

See Note 4, *Debt Service Requirements*.

Note 2 – Deposits and Investments

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

King County Fire District 45's investments are held by King County as its agent in the District's name. The District participates as a shareholder in the King County Investment Pool. As of December 31, 2014 the total amount invested for all funds was \$3,248,981.24.

In accordance with state investment laws, the district's governing body has entered into a formal inter-local 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.

Note 3 - Property Tax

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

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

The Districts regular levy for the year 2013 was \$1.5000 per \$1,000 on an assessed valuation of \$1,638,204,698 for a total regular levy of \$2,373,203. The reported levy amount is based on the preliminary levy limit worksheet as provided by the County. The final number may vary. A voter approved Maintenance and Operations Levy was passed in November 2012 for collection in years 2013 through 2016.

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2014.

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

	General Obligation <u>Bonds</u>	Revenue <u>Bonds</u>	Other <u>Debt</u>	Total <u>Debt</u>
2015	\$354,975			\$354,975
2016	\$363,350			\$363,350
2017	\$375,645			\$375,645
2018	\$176,800			\$176,800
TOTALS	\$1,270,700	\$ _____	\$ _____	<u>\$1,270,700</u>

Note 5 - Pension Plans

Substantially all King County Fire District 45's full-time and qualifying part-time employees participate in the LEOFF and PERS plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District 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 Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Note 6 – Risk Pool Membership

King County Fire District 45 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers crime coverage up to a limit of \$1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown on the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Note 7 – Reserve Fund status

As required under the BARS manual, funds used for specific purposes should be marked as reserved. Several funds have now been marked as reserve beginning on 12/31/2014 to be compliant. These funds include GO Bond, Maintenance & Operations Levy, Vehicle Charging Station Fund, CERF Fund, Time Accrual Liability Fund, Volunteer Pension Fund and Reserve Fund. The change was made when creating the annual report and will be noted in the ending fund balance for 2014 and carry forward.

Note 8 - Subsequent Events

The District has contracted with an architect and consultants to plan the construction of a new fire station to be built in the eastern portion of the District. Funding will come from various sources (current fund, reserve funds, property taxes). Construction is anticipated to be completed at the end of 2016 with staffing of the station to take place in early 2017.

The reason for this action is due to the Washington State Ratings Bureau reevaluation of insurance ratings, resulting in the area to be protected by the new fire station to have significantly increased fire rating in the area. This resulted in a high increase of insurance costs for the taxpayers in this zone.

King County Fire Protection District No. 45
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	2005 Bond	12/31/2018	1,080,000	-	310,000	770,000
	Total General Obligation Debt/Liabilities:		1,080,000	-	310,000	770,000
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension Liability	6/30/2015	-	195,783	-	195,783
259.12	Compensated Absences		271,007	21,607	-	292,614
	Total Revenue and Other (non G.O.) Debt/Liabilities:		271,007	217,390	-	488,397
	Total Liabilities:		1,351,007	217,390	310,000	1,258,397

King County Fire Protection District No. 45
Schedule of Liabilities
For the Year Ended December 31, 2014

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	2005 Bond	12/31/2018	1,365,000	-	285,000	1,080,000
	Total General Obligation Debt/Liabilities:		1,365,000	-	285,000	1,080,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		250,000	21,007	-	271,007
	Total Revenue and Other (non G.O.) Debt/Liabilities:		250,000	21,007	-	271,007
	Total Liabilities:		1,615,000	21,007	285,000	1,351,007

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov