



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Renton Regional Fire Authority

For the period July 1, 2016 through December 31, 2017

Published January 31, 2019

Report No. 1023090





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

January 31, 2019

Governance Board
Renton Regional Fire Authority
Renton, Washington

Report on Financial Statements

Please find attached our report on Renton Regional Fire Authority's financial statements.

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

Sincerely,

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**

**Renton Regional Fire Authority
July 1, 2016 through December 31, 2017**

Governance Board
Renton Regional Fire Authority
Renton, 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 Renton Regional Fire Authority, as of and for the year ended December 31, 2017 and the period ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 21, 2018.

We issued an unmodified opinion on the fair presentation of the Authority'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 Authority 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 Authority'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 Authority's

internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority's financial statements are free from material misstatement, we performed tests of the Authority'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 Authority'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 Authority'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

December 21, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Renton Regional Fire Authority July 1, 2016 through December 31, 2017

Governance Board
Renton Regional Fire Authority
Renton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Renton Regional Fire Authority, for the year ended December 31, 2017 and the period ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 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 Authority'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 Authority'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, Renton Regional Fire Authority 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 .

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Renton Regional Fire Authority, for the year ended December 31, 2017 and the period ended December 31, 2016, 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 Authority 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 Renton Regional Fire Authority, as of December 31, 2017 and 2016, 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 conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

December 21, 2018

FINANCIAL SECTION

Renton Regional Fire Authority July 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

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Renton Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	000 Current Expense	300 Equipment Reserve	301 Fire Impact Mitigation
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	7,199,682	4,250,514	2,346,629	602,539
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	15,983,668	15,983,668	-	-
320	Licenses and Permits	367,227	367,227	-	-
330	Intergovernmental Revenues	1,102,954	1,102,954	-	-
340	Charges for Goods and Services	19,590,088	19,108,336	-	481,752
350	Fines and Penalties	11,380	11,380	-	-
360	Miscellaneous Revenues	168,221	130,758	30,139	7,324
Total Revenues:		37,223,538	36,704,323	30,139	489,076
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	28,201,126	28,201,126	-	-
Total Expenditures:		28,201,126	28,201,126	-	-
Excess (Deficiency) Revenues over Expenditures:		9,022,412	8,503,197	30,139	489,076
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,833,950	1,833,950	-	-
397	Transfers-In	2,600,000	-	2,600,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		4,433,950	1,833,950	2,600,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,327,596	-	1,327,596	-
591-593, 599	Debt Service	1,833,950	1,833,950	-	-
597	Transfers-Out	2,600,000	2,600,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	158,696	-	-	158,696
Total Other Decreases in Fund Resources:		5,920,242	4,433,950	1,327,596	158,696
Increase (Decrease) in Cash and Investments:		7,536,120	5,903,197	1,302,543	330,380
Ending Cash and Investments					
5081000	Reserved	932,919	-	-	932,919
5088000	Unreserved	13,802,883	10,153,711	3,649,172	-
Total Ending Cash and Investments		14,735,802	10,153,711	3,649,172	932,919

The accompanying notes are an integral part of this statement.

Renton Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	000 Current Expense	300 Equipment Reserve	301 Fire Impact Mitigation
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	733,020	733,020	-	-
320	Licenses and Permits	150,677	150,677	-	-
330	Intergovernmental Revenues	16,732,162	15,335,598	848,764	547,800
340	Charges for Goods and Services	2,558,485	2,507,179	-	51,306
350	Fines and Penalties	5,890	5,890	-	-
360	Miscellaneous Revenues	69,717	61,705	4,579	3,433
Total Revenues:		20,249,951	18,794,069	853,343	602,539
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	12,542,953	12,542,953	-	-
Total Expenditures:		12,542,953	12,542,953	-	-
Excess (Deficiency) Revenues over Expenditures:		7,706,998	6,251,116	853,343	602,539
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,900,974	-	1,900,974	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,900,974	-	1,900,974	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	507,316	99,628	407,688	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,900,974	1,900,974	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		2,408,290	2,000,602	407,688	-
Increase (Decrease) in Cash and Investments:		7,199,682	4,250,514	2,346,629	602,539
Ending Cash and Investments					
5081000	Reserved	602,539	-	-	602,539
5088000	Unreserved	6,597,143	4,250,514	2,346,629	-
Total Ending Cash and Investments		7,199,682	4,250,514	2,346,629	602,539

The accompanying notes are an integral part of this statement.

**Renton Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2017**

Note 1 - Summary of Significant Accounting Policies

The Renton Regional Fire Authority (RFA) is a special purpose district that provides fire protection and medical emergency response services to the general public. Operations are supported primarily through property taxes and a fire benefit charge. The RFA was incorporated on July 1, 2016 and operates under RCW 52.26 and the laws of the state of Washington applicable to a fire districts.

The fire district 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 RFA reports the following types:

GOVERNMENTAL FUND TYPES:

General Fund (Operating Expense) - 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. Including amounts committed for the employee health and wellness program and the unemployment compensation reimbursement program.

Capital Projects Funds (Equipment Reserve and Fire Impact Mitigation) - These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

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

The District adopts an annual appropriated budget for the operating and equipment reserve fund. 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. The 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 (for year ending 12/31/2017) were as follows:

Fund	Final Budget	Actual	Variance
		Expenditures	
000 - Current Expense	36,898,384	32,553,414	4,344,970
300 - Equipment Reserve	1,680,000	1,326,922	353,078
301 - Fire Impact Mitigation	158,696	158,696	-

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

D. Cash and Investments

See Note 3, Deposits and Investments.

E. Capital Assets

Until the RFA is able to adopt all of their own policies, they default to the policies of the City of Renton. Under City of Renton policy, capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

The RFA has 3 union groups which each have different policies for compensated absences. The RFA permits employees to earn vacation hours at different rates based on the years of service and are eligible for payment upon separation or retirement. For employees hired prior to January 1, 1994, a 50% cash out of accumulated earned but unused sick leave, is also eligible for payment upon separation. Payments are recognized as expenditures when paid.

G. Long Term Debt

The RFA does not have any long term debt.

H. Other Financing Sources or Uses

The RFA's other financing sources and uses consist of interfund transfer activity.

I. Risk Management

Renton Regional Fire Authority 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, 2017, there are 540 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 \$995,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$25,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$225,000 on a property 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, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 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.

J. 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 formal action of the Board of Commissioners via resolution. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts. As of December 31, 2017 the RFA’s total reserved cash balances totaled

\$932,919, which accounts for unspent fire impact mitigation fees.

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 after the end of each month. Property tax revenues are recognized when cash is received by 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 2017 was \$16,250,000.

Note 3 – Deposits and Investments

The City of Renton and the King County Treasurer act as the RFA's fiscal agents. All cash and deposits are either kept in the District's name with King County or the City of Renton. Cash balances are invested and earn interest in either the King County Investment Pool or proportionately disbursed to each fund by the City of Renton.

All deposits and certificates of deposits held by the City of Renton are covered by the Federal Deposit Insurance Corporation (FDIC). All investments are insured, registered or held by the fiscal agent.

Cash and investment balances held with the King County Treasurer as of December 31, 2017 totaled \$10,153,250 and cash and investments held with the City of Renton as of December 31, 2017 totaled \$3,669,389; for a total of \$13,822,638 in cash in investments as of December 31, 2017.

These balances differ from amounts reported as Total Ending Cash and Investments in the financial statements due to: change in amounts held in trust for sales taxes collected on the sale of an asset (\$22); for a receivable from an employee (\$175); for change in balances of employee deductions such as the employee's portion of L&I taxes (\$34) and the employee elected Flexible Spending Account (\$5,930); and for the medical portion of employee benefits contributed by the employees (\$9,624).

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding liabilities of the district. The RFA has no debt for the year ended December 31, 2017.

Note 5 – Pension Plans

Substantially all of the RFA's 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 and LEOFF.

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.

At June 30, 2017 (the measurement date of the plans), the RFA's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.009384%	\$ 445,278.12
PERS 2/3	0.012071%	\$ 419,409.55
LEOFF 2	0.520421%	\$ (7,221,757)

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1

The LEOFF 1 plan is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2

The RFA 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 – Other Post Employment Benefits

LEOFF 1 Retiree Medical Benefit

In accordance with the Revised Code of Washington (RCW) 41.26, the RFA and the City of Renton administer a single-employer defined benefit healthcare plan for fire fighters employed prior to October 1, 1977. The healthcare plan provides for medical, prescription drug, dental, Medicare Part D premiums, long-term care, and vision expenses for LEOFF Plan 1 retirees. The City of Renton maintains the OPEB liability for all LEOFF 1 members who had retired prior to July 1, 2016. The OPEB liability of the King County Fire District #25's three LEOFF 1 retirees was transferred to the RFA effective July 1, 2016. As of December 31, 2017, there are three plan members eligible and receiving OPEB from the RFA.

**Renton Regional Fire Authority
Notes to the Financial Statements
For the year ended December 31, 2016**

Note 1 - Summary of Significant Accounting Policies

The Renton Regional Fire Authority (RFA) is a special purpose district that provides fire protection and medical emergency response services to the general public. Operations are supported primarily through property taxes and a fire benefit charge. The RFA was incorporated on July 1, 2016 and operates under RCW 52.26 and the laws of the state of Washington applicable to a fire districts.

The fire district 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 RFA reports the following types:

GOVERNMENTAL FUND TYPES:

General Fund (Operating Expense) - 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. Including amounts committed for the employee health and wellness program and the unemployment compensation reimbursement program.

Capital Projects Funds (Equipment Reserve and Fire Impact Mitigation) - These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

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

For the year ending December 31, 2016 a semi-annual budget was approved for the Operating Expense Fund. The budget constitutes the legal authority for expenditures at the fund level. Appropriations lapse at the fiscal year end.

The RFA's 6-month budget was determined by the "Plan", as adopted by the City of Renton Council and King County Fire District 25 Board of Commissioners. The RFA's budget was calculated by taking the City of Renton's remaining unspent 2016 adopted budget as of June 30, 2016. The RFA's final operating fund budget compared to actual expenditures as of December 31, 2016 was as follows:

CITY OF RENTON BUDGET 1/1/2016 - 6/30/2016					
FINAL BUDGET		ACTUAL		UNDER/(OVER)	
\$	28,455,843	\$	13,453,507	\$	15,002,336

RFA BUDGET 7/1/2016 - 12/31/2016					
FINAL BUDGET		ACTUAL		UNDER/(OVER)	
\$	15,002,336	\$	14,543,555	\$	458,781

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

D. Cash and Investments

See Note 3, Deposits and Investments.

E. Capital Assets

Until the RFA is able to adopt all of their own policies, they default to the policies of the City of Renton. Under City of Renton policy, capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

The RFA has 3 union groups which each have different policies for compensated absences. The RFA permits employees to earn vacation hours at different rates based on the years of service and are eligible for payment upon separation or retirement. For employees hired prior to January 1, 1994, a 50% cash out of accumulated earned but unused sick leave, is also eligible for payment upon separation. Payments are recognized as expenditures when paid.

G. Long Term Debt

The RFA does not have any long term debt.

H. Other Financing Sources or Uses

The RFA's other financing sources and uses consist of interfund transfer activity.

I. Risk Management

The RFA purchases private property and liability insurance from Enduris with deductibles of

\$25,000 for property, \$1,000 liability, and \$1,000 for auto physical damage. The following are the coverage types and limits:

Coverage Type	Limits
General Liability	\$ 20,000,000
Public Employee Errors and Omissions	\$ 20,000,000
Employment Practices	\$ 20,000,000
Automobile	\$ 20,000,000
Automobile Physical Damage	Schedule
Property - Blanket Coverage	\$ 25,953,729
Equipment Breakdown, Boiler and Machinery	\$ 25,953,729
Crime - Blanket Coverage	\$ 1,000,000
Identity Theft	\$ 25,000
Cyber Coverage	\$ 2,000,000
Prior Acts Coverage	\$ -
Criminal (Red Card Qualified Personnel)	\$100,000/\$500,000
Provident Accident and Health	\$25,000/\$150

J. 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 formal action of the Board of Commissioners via resolution. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts. As of December 31, 2016 the RFA's total reserved cash balances totaled \$602,539, which accounts for unspent fire impact mitigation fees.

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 after the end of each month. Property tax revenues are recognized when cash is received by district. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The RFA did not have authority to levy property taxes in 2016. There was a small amount of property tax collected by the RFA (\$733,020), however, this was the remaining 2016 property tax levied by King County Fire District #25 (KCFD #25) for 2016 and delinquent taxes levied prior to 2016. The RFA will continue to collect the remaining delinquent property taxes levied by KCFD #25 until all taxes have been collected.

Effective January 1, 2017 the RFA will levy property taxes at \$1.00 per \$1,000 on an assessed valuation. In addition, the RFA will levy a fire benefit charge. The fire benefit charge is collected and distributed by King County in the same manner Property Tax is collected and distributed.

Note 3 – Deposits and Investments

The City of Renton and the King County Treasurer act as the RFA's fiscal agents. All cash and deposits are either kept in the District's name with King County or the City of Renton. Cash balances are invested and earn interest in either the King County Investment Pool or proportionately disbursed to each fund by the City of Renton.

All deposits and certificates of deposits held by the City of Renton are covered by the Federal Deposit Insurance Corporation (FDIC). All investments are insured, registered or held by the fiscal agent.

Cash and investment balances held with the King County Treasurer as of December 31, 2016 totaled \$3,017,591 and cash and investment balances held with the City of Renton total \$4,186,457

These balances differ from amounts reported as Total Ending Cash and Investments in the financial statements due to some amounts held in trust for sales taxes collected on the sale of an asset (\$22), and for employee deductions such as the employee's portion of L&I taxes (\$1,396) and the employee elected Flexible Spending Account (\$2,949).

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding liabilities of the district. The RFA has no debt for the year ended December 31, 2016.

Note 5 – Pension Plans

Substantially all of the RFA's 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 and LEOFF.

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.

At June 30, 2016 (the measurement date of the plans), the RFA's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.005%	\$ 280,481.22
PERS 2/3	0.006%	\$ 327,193.41
LEOFF 1	0.129%	\$ (1,325,024.44)
LEOFF 2	0.527%	\$ (3,066,692.30)

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1

The LEOFF 1 plan is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2

The RFA 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 – Other Post Employment Benefits**LEOFF 1 Retiree Medical Benefit**

In accordance with the Revised Code of Washington (RCW) 41.26, the RFA and the City of Renton administer a single-employer defined benefit healthcare plan for fire fighters employed prior to October 1, 1977. The healthcare plan provides for medical, prescription drug, dental, Medicare Part D premiums, long-term care, and vision expenses for LEOFF Plan 1 retirees. The City of Renton maintains the OPEB liability for all LEOFF 1 members who had retired prior to July 1, 2016. The OPEB liability of the King County Fire District #25's three LEOFF 1 retirees was transferred to the RFA effective July 1, 2016. AS of December 31, 2016, there are three plan members eligible and receiving OPEB from the RFA.

**Renton Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.98	ACCRUED SALES TAXES	1/31/2018	22	-	22	-
263.98	RETAINAGE HELD	1/31/2018	-	-	-	-
263.98	ACCRUED EMPLOYEE BENEFITS	1/31/2018	2,949	2,983	2,949	2,983
263.98	FLEXIBLE SPENDING ACCOUNT	12/31/2018	1,396	7,326	1,396	7,326
Total General Obligation Debt/Liabilities:			4,367	10,309	4,367	10,309
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	COMPENSATED ABSENCES		1,898,089	-	145,474	1,752,615
264.30	NET PENSION LIABILITY		607,675	864,688	-	1,472,363
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,505,764	864,688	145,474	3,224,978
Total Liabilities:			2,510,131	874,997	149,841	3,235,287

**Renton Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.98	ACCRUED SALES TAXES	1/31/2017	-	22	-	22
263.98	ACCRUED EMPLOYEE BENEFITS	1/31/2017	-	2,949	-	2,949
263.98	FLEXIBLE SPENDING ACCOUNT	12/31/2017	-	1,396	-	1,396
Total General Obligation Debt/Liabilities:			-	4,367	-	4,367
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	COMPENSATED ABSENCES		-	1,898,089	-	1,898,089
264.30	NET PENSION LIABILITY		-	607,675	-	607,675
Total Revenue and Other (non G.O.) Debt/Liabilities:			-	2,505,764	-	2,505,764
Total Liabilities:			-	2,510,131	-	2,510,131

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