



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

# **Financial Statements Audit Report**

## **North Highline Fire District**

**For the period January 1, 2018 through December 31, 2018**

**Published February 3, 2020**

**Report No. 1025650**





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

February 3, 2020

Board of Commissioners  
North Highline Fire District  
Seattle, Washington

**Report on Financial Statements**

Please find attached our report on North Highline Fire District's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

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**

**North Highline Fire District  
January 1, 2018 through December 31, 2018**

Board of Commissioners  
North Highline Fire District  
Seattle, 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 North Highline Fire District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District’s financial statements, and have issued our report thereon dated January 28, 2020.

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 state law and the State Auditor’s *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

January 28, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## North Highline Fire District January 1, 2018 through December 31, 2018

Board of Commissioners  
North Highline Fire District  
Seattle, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of North Highline Fire District, for the year ended December 31, 2018, 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 state law 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, North Highline Fire District has prepared these financial statements to meet the financial reporting requirements of state law 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 cash and investments of North Highline Fire District, and its changes in cash and investments, for the year ended December 31, 2018, 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 North Highline Fire District, as of December 31, 2018, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020 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

January 28, 2020

## **FINANCIAL SECTION**

### **North Highline Fire District January 1, 2018 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to Financial Statements – 2018

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2018

**North Highline Fire District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>001 EXPENSE FUND 10 011 001 0</b>	<b>200 GO BOND FUND</b>	<b>201 LTD TAX BOND FUND 10 011 8400</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	38,167	-	37,951	-
30880	Unreserved	4,272,175	4,272,175	-	-
388 / 588	Net Adjustments	(30)	(30)	-	-
<b>Revenues</b>					
310	Taxes	2,505,972	2,466,282	13	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	13,549	13,545	-	-
340	Charges for Goods and Services	4,687,800	4,687,800	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	110,552	109,781	715	-
Total Revenues:		7,317,873	7,277,408	728	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	6,170,916	6,170,528	20	300
Total Expenditures:		6,170,916	6,170,528	20	300
Excess (Deficiency) Revenues over Expenditures:		1,146,957	1,106,880	708	(300)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	122,672	22,804	-	99,732
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	2,834	2,834	-	-
Total Other Increases in Fund Resources:		125,506	25,638	-	99,732
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,387,589	1,387,589	-	-
591-593, 599	Debt Service	99,433	-	-	99,433
597	Transfers-Out	122,672	82,652	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	24,700	24,700	-	-
Total Other Decreases in Fund Resources:		1,634,394	1,494,941	-	99,433
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(361,931)</b>	<b>(362,423)</b>	<b>708</b>	<b>(1)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	38,659	-	38,659	-
5088000	Unreserved	3,909,724	3,909,724	-	-
<b>Total Ending Cash and Investments</b>		<b>3,948,383</b>	<b>3,909,724</b>	<b>38,659</b>	<b>-</b>

**North Highline Fire District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>203 LTD TAX BOND FUND - BURIEN</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
30810	Reserved	216
30880	Unreserved	-
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	39,677
320	Licenses and Permits	-
330	Intergovernmental Revenues	4
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	56
Total Revenues:		<hr/> 39,737
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	68
Total Expenditures:		<hr/> 68
Excess (Deficiency) Revenues over Expenditures:		<hr/> 39,669
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	136
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> 136
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	40,020
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		<hr/> 40,020
<b>Increase (Decrease) in Cash and Investments:</b>		<hr/> <b>(215)</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	-
<b>Total Ending Cash and Investments</b>		<hr/> <b>-</b>

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

**Note 1 - Summary of Significant Accounting Policies**

The North Highline Fire District was incorporated in 1941 and operates under the laws of the state of Washington applicable to a fire district. The District is a general purpose local government and provides fire service.

The 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 following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

**Expense 001: 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.

**Non-Major 002: Reserve Fund**

This fund contains money to be used in the event of an emergency situation and it is rolled into the general fund for reporting purposes.

**Non-Major 003: Capital Fund**

This fund was established for the acquisition or construction of all capital outlays and it is rolled into the general fund for reporting purposes.

**Non-Major 004: Petty Cash & Advance Travel**

These two accounts are rolled into the general fund for reporting purposes.

**Debt 200: GO Bond Fund**

This fund was established to receive levied taxes on the \$2.1 million general obligation bond,

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

which was passed by the citizens of the District in November 2000. This is a reserved fund. Any residual monies remaining in the fund shall be used for acquisitions that reflect the intent of the bond.

**Debt 201: LTD GO Bond Fund**

This fund was established for the \$1,320,000 limited tax general obligation bond issued in December 2007. This is a reserved fund.

**Debt 202: Go Bond (Burien) Fund**

This fund was established to receive the levied taxes on that portion of the \$2.1 million general obligation bond laying within the City of Burien as of the 2010 annexation effective date (per AGO No. 09). This is a reserved fund. Any residual monies remaining in the fund shall be used for acquisitions that reflect the initial intent of the bond.

**Debt 203: LT GO Bond (Burien) Fund**

This fund was established to receive the levied taxes on that portion of the \$1,320,000 limited tax general obligation bond laying within the City of Burien as of the 2010 annexation effective date (per AGO 2006 No. 09). This is a reserved fund.

**B. Basis of Accounting**

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

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

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

**C. Budgets**

The North Highline Fire District adopts annual appropriated budgets for funds. The budget constitutes the legal authority for expenditures and annual appropriations for these funds lapse at the fiscal year end.

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

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

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
General Fund:			
EXPENSE FUND 10 011 001 0	\$ 7,324,840	\$ 6,249,981	\$ 1,074,859
RESERVE FUND 10 011 6010		\$ 1,715	\$ (1,715)
CAPITAL ASSETS FUND 10 011 3010	\$ 750,000	\$ 1,387,771	\$ (637,771)
FIRE BENEFIT FEE		\$ 10	\$ (10)
PETTY CASH & ADVANCE TRAVEL			
Total 001 - EXPENSE FUND 10 011 001 0	\$ 8,074,840	\$ 7,639,476	\$ 435,364
200 - GO BOND FUND	\$ 76,000	\$ 20	\$ 75,980
201 - LTD TAX BOND FUND 10 011 8400	\$ 99,733	\$ 99,733	\$ 1
202 - GO BOND FUND - BURIEN			
203 - LTD TAX BOND FUND - BURIEN	\$ 36,593	\$ 40,089	\$ (3,496)

Budgeted amounts are authorized to be transferred between departments within any fund or 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**

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of over one year. Capital assets and inventory are recorded as capital expenditures when purchased.

**F. Compensated Absences**

Vacation leave may be accumulated up to 336 hours and is payable upon separation or retirement. Vacation may be carried over and sick leave may be accumulated up to 1500 hours. Upon separation or retirement employees receive payment for unused sick leave at a rate of 50% per article 19.4.15.2 of the Collective Bargaining Agreement. The District's estimated liability for compensated absence benefits on December 31, 2018 was \$521,487

Accrual	Cost
Comp - OT	\$ 534
Comp - Sick	\$ 18,853
Sick Pay	\$ 499,036
Vacation	\$ 3,063
Total	\$ 521,487

**G. Long-Term Debt**

See Note 5, *Debt Service Requirements*.

**Note 2 – Budget Compliance**

## Notes to the Financial Statements

### For the year ended December 31, 2018

The North Highline Fire District adopts annual appropriated budgets for funds. The budget constitutes the legal authority for expenditures and 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 Expenses	Variance
General Fund:			
EXPENSE FUND 10 011 001 0	\$ 7,324,840	\$ 6,249,981	\$ 1,074,859
RESERVE FUND 10 011 6010		\$ 1,715	\$ (1,715)
CAPITAL ASSETS FUND 10 011 3010	\$ 750,000	\$ 1,387,771	\$ (637,771)
FIRE BENEFIT FEE		\$ 10	\$ (10)
PETTY CASH & ADVANCE TRAVEL			
Total 001 - EXPENSE FUND 10 011 001 0	\$ 8,074,840	\$ 7,639,476	\$ 435,364
200 - GO BOND FUND	\$ 76,000	\$ 20	\$ 75,980
201 - LTD TAX BOND FUND 10 011 8400	\$ 99,733	\$ 99,733	\$ 1
202 - GO BOND FUND - BURIEN			
203 - LTD TAX BOND FUND - BURIEN	\$ 36,593	\$ 40,089	\$ (3,496)

#### **Note 3 – Deposits and Investments**

The District's investments are held by the county as its agent in the District's name. The District did not have any investments at year end.

#### **Note 4 - 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 the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The District's regular levy for the year 2018 was \$1.00 per \$1,000 on an assessed valuation of \$2,025,685,150 for a total regular levy of \$2,025,685.

#### **Note 5 – 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 debt transactions for year ended December 31, 2018.

In December 2007, the District issued \$1,320,000 in limited tax general obligation bonds pursuant to the provision of chapters 36.46 and 52.16 RCW. The bonds were issued to provide money to finance fire protection equipment and facilities to serve the District.



**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Year	Principal	Interest	Total Debt Service
2019	65,000	31,768	96,768
2020	70,000	29,038	99,038
2021	75,000	26,063	101,063
2022	75,000	22,838	97,838
2023	80,000	19,575	99,575
2024-2028	355,000	40,725	395,725
2029-2033			-
2034-2038			-
2039-2043			-
2044-2048			-
2049-2053			-
2054-2058			-
<i>Totals</i>	<i>\$ 720,000</i>	<i>\$ 170,007</i>	<i>\$ 890,007</i>

The bonds will mature on December 1, 2027 at 4.5% interest, relieving the District's long-term debt at that time.

**Note 6 – OPEB Plans**

The LEOFF I Retiree Medical Plan is a closed, single employer, defined-benefit OPEB plan administered by the North Highline Fire District as required by RCW 48.41. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2018, the plan had 8 members, all retirees. For the year ending December 31, 2018, the North Highline Fire District #11 paid \$150,938 in benefits.

**Note 7 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all district 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.

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:

## Notes to the Financial Statements

### For the year ended December 31, 2018

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](http://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](http://www.ofm.wa.gov).

At June 30, 2018 (the measurement date of the plans), the district proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	4,699.46	4,466,034	0.00070306615424259%	31,396	
PERS 2/3	6,997.82	1,707,411,000	0.000907%	15,485	
LEOFF 1		(1,815,502,000)	0.021918%		(397,917)
LEOFF 2	143,666.26	(2,030,218,000)	0.082848%		(1,681,995)
VFFRPF	240.00	(52,844,000)	0.001200%		(61,896)
			<i>Totals</i>	\$ 46,881	\$ (2,144,808)

#### LEOFF Plan 1

The district also participates in LEOFF Plan 1. The LEOFF Plan 1 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.

#### 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 8 – Risk Management**

North Highline Fire District has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical, vision, nursing care, etc. Eight (8) retirees received benefits during the year 2018 and \$150,938.00 was paid out for those benefits.

The District also self-insures for unemployment compensation and claims are paid as budgeted items from the Expense Fund as necessary. If claims exceed the budgeted amount, they may be paid out of the District's Reserve Fund.

The District purchases commercial insurance coverage through Volunteer Fireman's Insurance Services (VFIS) with American Alternative Insurance Corporation as the underwriter. The policies include

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

coverage for commercial general liability, management liability, auto, portable equipment, crime, property, and excess liability. VFIS is responsible for payment of all covered causes of loss against the District above the stated deductible, if any. Portable equipment and real and personal property are covered at either actual cash value, replacement cost or guaranteed replacement cost. VFIS provides general, automobile and management liability on an “occurrence” and/or “claims-made” basis, subject to a “follow form” umbrella, if elected. The most common sub-limit of liability starts at \$1,000,000, while aggregate limits may reach as high as \$20,000,000.

**Note 9 - Other Disclosures**

In an ongoing effort to stabilize the District’s financial situation, the Board of Fire Commissioners authorized a fire benefit charge measure to be placed on the August, +2014 ballot. The measure passed and the District started collecting a fire benefit charge in 2015.

North Highline Fire District continues to contract with King County Fire District #2 (Burien/Normandy Park Fire Department). The agreement calls for North Highline Fire District to provide fire and emergency services to a portion of the city of Burien which lies in King County Fire District #2’s jurisdiction. It also provides for the sharing of certain employees, including the King County Fire District #2 Fire Chief. While this contract is working well at the time, it is not a long-term solution. Furthermore, the future of the District has been evaluated and effective January 1, 2019; an Interlocal Agreement (ILA) has been agreed upon between King County District #11 (North Highline) and King County District #2 (Burien/Normandy Park) to secure long-term fiscal viability for both Districts.

**Substantial Works:**

- 1). Re-roof project for the shop building located at: 1243 SW 112<sup>th</sup> St., Seattle, WA. 98146 on property near Station #18 by Rainshield Roofing & Construction through a Public Works Contract for \$38,843.28.
- 2). Generator move, trench work, and conduit installation for Station #18 located at: 1243 SW 112<sup>th</sup> St., Seattle, WA 98146 by Don Hickie Construction through a Public Works Contract for \$19,928.10.
- 3). Re-roof, repair, replace, clean, and seal Station #18 building roof located at: 1243 SW 112<sup>th</sup> St., Seattle, WA. 98146 by Mono Rooftop Solutions through a Public Works Contract for \$85,250.00.
- 4). Purchase of 2 new fire engine apparatus was negotiated and contract completed with Hughes Fire Equipment in the amount of \$1,354,858 for 2 ea. Pierce Enforcer Pumpers DH478 per agreement dated, signed, and accepted on 05/31/2018 & 06/04/2018 respectively; via a coop purchase agreement invite #FS12-17 RE: Fire Service Apparatus. These apparatus were paid in full upfront to obtain a substantial discount on the purchase for 2 engines simultaneously.

**Subsequent Events:**

A long term Interlocal Agreement (ILA) was negotiated between North Highline Fire District #11 and King County Fire District #2 to provide financial stability; taking effect on January 1, 2019 and will change the future financials for the 2019 Annual Report. All property (Stations #18), apparatus, and personnel (paid employees and volunteers) have been transferred over FROM North Highline Fire District #11 TO King County Fire District #2 and an agreed upon reimbursement of 25%, 23%, and 20% respectively. North Highline Fire District #11 maintains its current LEOFF 1 liabilities and district-specific expenses including, but not limited to elections, fire benefit charge administration, commissioner payroll, legal fees, and miscellaneous other district expenses.

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

**Inter Local Agreements:**

Eastside Fire & Rescue - For: Automatic External Defibrillators  
King County – For: PSERN (Puget Sound Emergency Radio Network)  
King Count Zone 3 Master Inter Local Agreement – For: Fire Protection Services  
Puget Sound Regional Fire Authority – For: Apparatus Maintenance  
Washington State Patrol – For: State Mobilization  
Washington Military Department – For: EMAC or PNEMA Assistance  
Water District #20 – For: Fire Hydrant Identification and Maintenance.

The Boundary Review Board (BRB) approved the City of Seattle annexation of a small area of North Highline Fire District known as Area Q. A 10-year contract provides portion reimbursement for the lost revenue to North Highline Fire District. The city of Seattle has taken no further action on annexing Area Q.

**North Highline Fire District  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	LTD Bond	12/1/2027	785,000	-	65,000	720,000
	<b>Total General Obligation Debt/Liabilities:</b>		<b>785,000</b>	<b>-</b>	<b>65,000</b>	<b>720,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		529,491	-	8,004	521,487
264.30	Pension Liability		59,756	-	12,875	46,881
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>589,247</b>	<b>-</b>	<b>20,879</b>	<b>568,368</b>
	<b>Total Liabilities:</b>		<b>1,374,247</b>	<b>-</b>	<b>85,879</b>	<b>1,288,368</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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