



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Fire District 38

For the period January 1, 2019 through December 31, 2020

Published October 28, 2021

Report No. 1029279



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

October 28, 2021

Board of Commissioners
Fire District 38
North Bend, Washington

Report on Financial Statements

Please find attached our report on Fire District 38's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

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.....	4
Independent Auditor's Report on the Financial Statements	7
Financial Section.....	10
About the State Auditor's Office.....	29

INDEPENDENT AUDITOR'S REPORT

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*

Fire District 38 January 1, 2019 through December 31, 2020

Board of Commissioners
Fire District 38
North Bend, 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 Fire District 38, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 19, 2021.

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.

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 4.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

October 19, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Fire District 38 January 1, 2019 through December 31, 2020

Board of Commissioners
Fire District 38
North Bend, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Fire District 38, for the years ended December 31, 2020 and 2019, 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 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, Fire District 38 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 Fire District 38, and its changes in cash and investments, for the years ended December 31, 2020 and 2019, 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 Fire District 38, as of December 31, 2020 and 2019, or the changes in financial position or cash flows thereof 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.

Matter of Emphasis

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in

response to this matter are also described in Note 4. Our opinion is not modified with respect to this matter.

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 October 19, 2021 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

October 19, 2021

FINANCIAL SECTION

Fire District 38 January 1, 2019 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020

Fund Resources and Uses Arising from Cash Transactions – 2019

Notes to the Financial Statements – 2020

Notes to the Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020

Schedule of Liabilities – 2019

Fire District 38
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General	201 Debt Service
Beginning Cash and Investments				
308	Beginning Cash and Investments	2,739,018	2,679,108	59,910
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	2,267,746	2,027,347	240,399
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	7,063	6,768	295
340	Charges for Goods and Services	2,024	2,024	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	41,637	39,936	1,701
Total Revenues:		2,318,470	2,076,075	242,395
Expenditures				
510	General Government	-	-	-
520	Public Safety	1,853,488	1,853,445	43
Total Expenditures:		1,853,488	1,853,445	43
Excess (Deficiency) Revenues over Expenditures:		464,982	222,630	242,352
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	242,775	-	242,775
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		242,775	-	242,775
Increase (Decrease) in Cash and Investments:		222,207	222,630	(423)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	59,487	-	59,487
50841	Committed	-	-	-
50851	Assigned	-	-	-
50891	Unassigned	2,901,739	2,901,739	-
Total Ending Cash and Investments		2,961,226	2,901,739	59,487

Fire District 38
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 General	201 Debt Service
Beginning Cash and Investments				
30810	Reserved	58,409	-	58,409
30880	Unreserved	2,571,656	2,571,656	-
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	2,242,412	2,000,735	241,677
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	557	506	51
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	60,244	57,390	2,854
Total Revenues:		2,303,213	2,058,631	244,582
Expenditures				
510	General Government	-	-	-
520	Public Safety	1,951,235	1,951,178	57
Total Expenditures:		1,951,235	1,951,178	57
Excess (Deficiency) Revenues over Expenditures:		351,978	107,453	244,525
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	243,025	-	243,025
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		243,025	-	243,025
Increase (Decrease) in Cash and Investments:		108,953	107,453	1,500
Ending Cash and Investments				
5081000	Reserved	59,909	-	59,909
5088000	Unreserved	2,679,108	2,679,108	-
Total Ending Cash and Investments		2,739,017	2,679,108	59,909

FIRE DISTRICT 38
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

Fire District 38 was incorporated in 1948 and operates under the laws of the state of Washington applicable to a Fire District. Fire District 38 is a special purpose local government and provides fire and medical aid services through its participation in Eastside Fire & Rescue, a joint venture comprised of five principals.

Fire District 38 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. (see note 3- Component Units, Joint Ventures and Related Parties)
- 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.

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. Cash and Investments

The District maintains a Travel Fund, not to exceed \$3000 and a Petty Cash fund, not to exceed \$2000. The starting amount for 2020 is determined by the monies on hand at King County, plus the \$2000 petty cash fund and the \$3000 travel fund.

See Note 5- Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

All employees with benefits are employed by Eastside Fire & Rescue and Fire District 38 receives services from this entity. District 38 employs a part-time secretary and there is no sick leave or vacation leave however there is a stipend to put towards health benefits and the position has been determined to be eligible for PERS.

F. Long-Term Debt

See Note 6 – Long Term Debt.

G. Restricted Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Fire District 38. When expenditures that meet restrictions are incurred, the district intends to use the most restrictive resources first.

Restrictions of Ending Cash and Investments consist of :

Debt Service Fund \$59,487

The restricted funds were from the construction bonds for the building and equipping of the new fire station 87 and were used to purchase equipment for this station per the

bond agreement, which was approved by Resolution 220 by the Board of Commissioners of Fire District 38. The remaining funds were then used towards principal on the bonds

Note 2 – Budget Compliance

Fire District 38 adopts an annual appropriated budget for the General fund. This budget is appropriated 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.

The appropriated and actual expenditures for the legally adopted budget were:

<u>Account</u>	<u>Item</u>	<u>2020 Budget</u>	<u>2020 Expenses</u>	<u>2020 Surplus</u>
5221010	Salaries-Commissioners	13,000.00	6,483.63	6,516.37
5221010	Salaries-Office Support	34,000.00	25,507.14	8,492.86
5221012	Sleeper Program	85,000.00	40,257.19	44,742.81
5221020	Benefits	12,000.00	8,375.66	3,624.34
5221021	Life Insurance	2,000.00	1,399.44	600.56
5221022	Federal Tax Payment	12,000.00	5,864.92	6,135.08
5221023	PERS Retirement	12,000.00	8,125.23	3,874.77
5221024	L&I	600.00	197.48	402.52
5221025	Family/Medical Leave	200.00	92.94	107.06
5221026	Deferred Compensation Program	6,300.00	6,200.00	100.00
5221031	Office Supplies	5,000.00	774.74	4,225.26
5221035	Small Tools/Minor Equipment	3,000.00	0.00	3,000.00
5221041	Financial Services- Audit	2,000.00	1,497.58	502.42
5221041	Professional Services- Attorney	7,000.00	0.00	7,000.00
5221041	Professional Services- Payroll	1,300.00	1,204.54	95.46
5221041	Professional Services- Other	2,000.00	0.00	2,000.00
5221041	Professional Services- Station 88	5,900.00	0.00	5,900.00
5221042	Communication	2,000.00	667.35	1,332.65
5221042	Advertising	15,000.00	62.25	14,937.75
5221043	Travel Expense	3,000.00	385.90	2,614.10
5221044	Intergovernmental- Prop Tax/ Ulid	5,000.00	3,624.70	1,375.30
5221046	Insurance- Liability	4,500.00	3,066.00	1,434.00
5221049	Miscellaneous- Dues	4,500.00	0.00	4,500.00
5221051	Intergovernmental- Elections	4,000.00	261.81	3,738.19
5222051	EF&R Operating Budget	1,732,242.00	1,732,208.00	34.00
5222051	EF&R Equipment Replacement	0.00	0.00	0.00
5222051	EF&R Facilities Maintenance	0.00	0.00	0.00
5942200	Capital Improvement	5,000.00	0.00	5,000.00
TOTAL		1,978,542.00	1,846,256.50	132,285.50
	Projected Reserve 2020	63,069.00	0.00	63,069.00
TOTAL		2,041,611.00	1,846,256.50	195,354.50

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 Fire Districts legislative body.

Note 3 – Component Unit(s), Joint Ventures, and Related Parties

The District is a partner in Eastside Fire & Rescue, formed under provisions of an Interlocal Agreement provided by RCW Title 39, Interlocal Cooperation Act. The partnership is for the delivery of Fire Suppression, Public Education, Fire Prevention and Emergency Medical Services for the District. As of December 31, 2020, the partners included the Cities of Issaquah, North Bend and Sammamish and King County Fire District 10 and Fire District 38. The Joint Venture is governed by a member board composed of appointed officials.

A funding model utilizes assessed value and calls for service to assign costs to each partner which collectively funds the overall operation. District 38 makes monthly payments for their annual operating contribution, an annual payment for their portion of the equipment replacement fund and a facilities maintenance fund payment to the joint partnership. In 2020 the equipment replacement fund and the facilities maintenance fund were sufficiently funded without a yearly payment from the partners.

The District's portion of collectively owned assets of the partnership, which consists mainly of cash reserves, is represented by the District's Investment in Joint Venture. The investment as of December 31, 2020 is \$730,237.79 or 6.5873%. Complete audited financial statements for Eastside Fire & Rescue can be obtained from Eastside Fire & Rescue, 175 Newport Way NW, Issaquah, WA 98027, or by telephone (425)313-3200.

EF&R was the District's highest paid vendor (#1) in 2020.

Note 4- COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus know as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gathering, and restricting business operations, travel and non-essential activities.

Fire District 38 adapted to the new restrictions by conducting virtual meetings. The resolution on file allowed expenses to be paid by the Secretary signing the Blanket Vouchers and the Commissioners reviewing and approving the expenses. Minutes have been approved on a regular basis even without signatures. Overall all needs of the District are continuing to be met.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

Note 5 – Deposits and Investments

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

As of December 31, 2020, the district had the following investments:

King County Investment Pool	Fair Value	Effective Duration
General Fund	\$2,896,739	1.20 years
Bond Fund	\$59,487	1.20 years

Interest Rate Risk. As of December 31, 2020, the Pool's average duration was 1.20 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2020, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

In addition the Fire District has a petty cash fund and a travel fund. They are insured at Chase Bank.

Travel Fund	\$3,000	Chase Bank
Petty Cash	\$2,000	Chase Bank

Note 6 – Long –Term Debt

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, 2020.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$160,000.00	\$81,275.00	\$241,275.00
2022	\$165,000.00	\$74,875.00	\$239,875.00
2023	\$175,000.00	\$66,625.00	\$241,625.00
2024	\$185,000.00	\$57,875.00	\$242,875.00
2025	\$195,000.00	\$48,625.00	\$243,625.00
2026- 2029	\$860,000.00	\$97,500.00	\$957,500.00
TOTALS	<u>\$ 1,740,000.00</u>	<u>\$ 426,775.00</u>	<u>\$ 2,166,775.00</u>

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially the District's qualifying part-time employee participates in PERS2, a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plan.

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 Comprehensive Annual Financial Report may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2020 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	1850	0.000255%	\$9003
PERS 2/3	3047	0.000331%	\$4233

Note 8 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed daily.

Property tax revenues are recognized when cash is received by county. 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 2020 was \$0.90271 per \$1,000 on an assessed valuation of \$2,261,630,503 for a total regular levy of \$2,041,611. The District also levied \$0.10956 per \$1000 for construction of a fire station for a total of \$242,475 in 2020. The taxable value for the bond was \$2,212,999,298.

Note 9 – Risk Management

The Fire District is covered for liabilities through VFIS insurance.

FIRE DISTRICT 38
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

Fire District 38 was incorporated in 1948 and operates under the laws of the state of Washington applicable to a Fire District. Fire District 38 is a special purpose local government and provides fire and medical aid services through its participation in Eastside Fire & Rescue, a joint venture comprised of five principals.

Fire District 38 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. (see note to 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.

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. Cash and Investments

The District maintains a Travel Fund, not to exceed \$3000 and a Petty Cash fund, not to exceed \$2000. The starting amount for 2019 is determined by the monies on hand at King County, plus the \$2000 petty cash fund and the \$3000 travel fund.

See Note 5- Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

All employees with benefits are employed by Eastside Fire & Rescue and Fire District 38 receives services from this entity. District 38 employs a part-time secretary and there is no sick leave or vacation leave however there is a stipend to put towards health benefits and the position has been determined to be eligible for PERS.

F. Long-Term Debt

See Note 4 - Debt Service Requirements.

G. 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 Fire District 38. When expenditures that meet restrictions are incurred, the district intends to use reserve resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of :

Debt Service Fund \$59,909

The reserve funds were from the construction bonds for the building and equipping of the new fire station 87 and were used to purchase equipment for this station per the bond agreement, which was approved by Resolution 220 by the Board of Commissioners of Fire District 38. The remaining funds were then used towards principal on the bonds

Note 2 – Budget Compliance

H. Budgets

Fire District 38 adopts an annual appropriated budget for the General fund. This budget is appropriated 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.

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

<u>Account</u>	<u>Item</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
5221010	Salaries-Commissioners	9,000.00	7,713.07	1,286.93
5221010	Salaries-Office Support	32,000.00	29,527.14	2,472.86
5221012	Sleeper Program	56,000.00	43,159.72	12,840.28
5221020	Benefits	10,000.00	8172.78	1827.22
5221021	Life Insurance	1,200.00	1,079.76	120.24
5221031	Office Supplies	5000.00	389.27	4610.73
5221035	Small Tools/Minor Equipment	2000.00	216.39	1783.61
5221041	Financial Services- Audit	10,000.00	6,506.50	3,493.50
5221041	Professional Services- Attorney	3,000.00	209.00	2,791.00
5221041	Professional Services- Payroll	1,200.00	967.26	232.74
5221041	Professional Services- Station 88	3,000.00	0.00	3,000.00
5521042	Communication	1,000.00	690.92	309.08
5221042	Advertising	11600.00	5649.16	5,950.84
5221043	Travel Expense	2,000.00	614.72	1,385.28
5221044	Intergovernmental- Prop Tax/ Ulid	4,000.00	3,666.77	333.23
5221046	Insurance- Liability	3,500.00	3,116.00	384.00
5221049	Miscellaneous- Dues	7,000.00	6,199.00	801.00
5221051	Intergovernmental- Elections	2,000.00	0.00	2,000.00
5942200	Capital Improvement	1,600.00	0.00	1,600.00
	DISTRICT OPERATING COSTS	165,100.00	117,877.46	47,222.54
52220510	EF&R Operating Budget	1,702,587.00	1,702,587.00	0.00
52220511	EF&R Equipment Replacement	62,839.00	62,839.00	0.00
52220512	EF&R Facilities Maintenance	<u>21,723.00</u>	<u>21,723.00</u>	<u>0.00</u>
	EF&R CONTRACT PAYMENTS	1,787,149.00	1,787,149.00	0.00
5221022	Federal Tax Payment	9,500.00	8,099.02	1,400.98

5221023	PERS Retirement	36,900.00	36,235.38	664.62
5221024	L&I	800.00	597.03	202.97
5221025	Family/Medical Leave	200.00	102.46	97.54
	TOTAL TAXES	47,400.00	45,033.89	2,366.11
TOTALS		1,999,649.00	1,950,060.35	49,588.65
	Projected Reserve 2019	6,482.00	0.00	6,482.00
TOTAL		2,006,131.00		

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 Fire Districts legislative body.

Note 3 – Component Unit(s), Joint Ventures, and Related Parties

The District is a partner in Eastside Fire & Rescue, formed under provisions of an Interlocal Agreement provided by RCW Title 39, Interlocal Cooperation Act. The partnership is for the delivery of Fire Suppression, Public Education, Fire Prevention and Emergency Medical Services for the District. As of December 31, 2019, the partners included the Cities of Issaquah, North Bend and Sammamish and King County Fire District 10 and Fire District 38. The Joint Venture is governed by a member board composed of appointed officials.

A funding model utilizes assessed value and calls for service to assign costs to each partner which collectively funds the overall operation. District 38 makes monthly payments for their annual operating contribution an annual payment for their portion of the equipment replacement fund and facilities maintenance fund to the joint partnership.

The District's portion of collectively owned assets of the partnership, which consists mainly of cash reserves, is represented by the District's Investment in Joint Venture. The investment as of December 31, 2019 is \$783,914.07 or 6.6%. Complete audited financial statements for Eastside Fire & Rescue can be obtained from Eastside Fire & Rescue, 175 Newport Way NW, Issaquah, WA 98027, or by telephone (425)313-3200.

EF&R was the District's highest paid vendor (#1) in 2019.

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 District's debt transactions for year ended December 31, 2019.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$155,000.00	\$87,475.00	\$242,475.00
2021	\$160,000.00	\$81,275.00	\$241,275.00
2022	\$165,000.00	\$74,875.00	\$239,875.00
2023	\$175,000.00	\$66,625.00	\$241,625.00
2024	\$185,000.00	\$57,875.00	\$242,875.00
2025- 2029	\$1,055,000.00	\$146,125.00	\$1,201,125.00
TOTALS	<u>\$ 1,895,000.00</u>	<u>\$ 514,250.00</u>	<u>\$ 2,409,250.00</u>

Note 5 – Deposits and Investments

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

Investments are reported at fair value. Investments by type on December 31, 2019 were as follows:

General Fund 001	2,674,108	Held by King County
Debt Service 201	59,909	Held by King County
Travel Fund	3,000	Chase Bank
Petty Cash	2,000	Chase Bank

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover

collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the county or its agent in the government's name.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially the District's part-time employee participates in PERS2, a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plan.

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, 2019 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:**

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	812	0.000113%	\$4345
PERS 2/3	1,190	0.000146%	\$1418
PSERS 2			
LEOFF 1			
LEOFF 2			
VFFRPF			

**In July 2019 there was a payment made to the PERS system in the amount of \$28,470. This was the percentage paid by the District for previous years of PERS eligibility. However, this payment will not be reflected until the 2020 BARS report.

Note 7 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed daily.

Property tax revenues are recognized when cash is received by county. 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 2019 was \$0.97883 per \$1,000 on an assessed valuation of \$2,049,529,397 for a total regular levy of \$2,006,131. The District also levied \$0.12202 per \$1000 for construction of a fire station for a total of \$419,620 in 2019. The taxable value for the bond was \$1,989,121,345.

Note 8 – Risk Management

The Fire District is covered for liabilities through VFIS insurance.

Fire District 38
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Long Term Debt	12/1/2029	1,895,000	-	155,000	1,740,000
	Total General Obligation Debt/Liabilities:		1,895,000	-	155,000	1,740,000
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension Liability		5,763	7,473	-	13,236
	Total Revenue and Other (non G.O.) Debt/Liabilities:		5,763	7,473	-	13,236
	Total Liabilities:		1,900,763	7,473	155,000	1,753,236

Fire District 38
Schedule of Liabilities
For the Year Ended December 31, 2019

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Long Term Debt	12/1/2029	2,045,000	-	150,000	1,895,000
	Total General Obligation Debt/Liabilities:		2,045,000	-	150,000	1,895,000
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension Liability		-	5,763	-	5,763
	Total Revenue and Other (non G.O.) Debt/Liabilities:		-	5,763	-	5,763
	Total Liabilities:		2,045,000	5,763	150,000	1,900,763

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov