



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements Audit Report

# Stevens County Fire Protection District No. 1

For the period January 1, 2013 through December 31, 2014

Published November 30, 2015

Report No. 1015570





## Washington State Auditor's Office

November 30, 2015

Board of Commissioners  
Stevens County Fire Protection District No. 1  
Clayton, Washington

### Report on Financial Statements

Please find attached our report on Stevens County Fire Protection District No. 1's financial statements.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM  
ACTING 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**

**Stevens County Fire Protection District No. 1  
January 1, 2013 through December 31, 2014**

Board of Commissioners  
Stevens County Fire Protection District No. 1  
Clayton, 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 Stevens County Fire Protection District No. 1, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 26, 2015.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

October 26, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Stevens County Fire Protection District No. 1 January 1, 2013 through December 31, 2014**

Board of Commissioners  
Stevens County Fire Protection District No. 1  
Clayton, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Stevens County Fire Protection District No. 1, Washington, for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Stevens County Fire Protection District No. 1, for the years ended December 31, 2014 and 2013, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

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

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Stevens County Fire Protection District No. 1, as of December 31, 2014 and 2013, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

October 26, 2015

## **FINANCIAL SECTION**

### **Stevens County Fire Protection District No. 1 January 1, 2013 through December 31, 2014**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2014

Fund Resources and Uses Arising from Cash Transactions – 2013

Notes to the Financial Statements – 2014

Notes to the Financial Statements – 2013

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

Schedule of Liabilities – 2014

Schedule of Liabilities – 2013

**Stevens County Fire Protection District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>100 EMS Fund</b>	<b>300 Capital Projects</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	268,314	-	250,313	18,001
30880	Unreserved	772,175	772,175	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	1,880,441	1,529,092	351,349	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,573	100	1,473	-
340	Charges for Goods and Services	2,802	2,802	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	74,092	73,773	301	17
Total Operating Revenues:		1,958,907	1,605,767	353,123	17
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	1,538,917	1,223,201	315,715	-
Total Operating Expenditures:		1,538,917	1,223,201	315,715	-
<b>Net Operating Increase (Decrease):</b>		<b>419,990</b>	<b>382,566</b>	<b>37,408</b>	<b>17</b>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	844	844	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	93,857	-	6,857	87,000
Total Nonoperating Revenues:		94,701	844	6,857	87,000
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	844	844	-	-
591-593	Debt Service	76,239	76,239	-	-
594-595	Capital Expenditures	133,188	80,307	52,881	-
597	Transfers-Out	93,857	93,857	-	-
Total Nonoperating Expenditures:		304,128	251,247	52,881	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>210,563</b>	<b>132,163</b>	<b>(8,616)</b>	<b>87,017</b>
<b>Ending Cash and Investments</b>					
50810	Reserved	346,715	-	241,696	105,018
50880	Unreserved	904,338	904,338	-	-

*The accompanying notes are an integral part of this statement.*

**Stevens County Fire Protection District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2013**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>100 EMS Fund</b>	<b>300 Capital Projects</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	250,953	-	250,953	-
30880	Unreserved	655,829	655,829	-	-
388 & 588	Prior Period Adjustments, Net	3,000	3,000	-	-
<b>Operating Revenues</b>					
310	Taxes	1,806,544	1,465,127	341,417	-
320	Licenses & Permits	-	-	-	-
330	Intergovernmental Revenues	1,208	-	1,208	-
340	Charges for Goods and Services	2,831	2,831	-	-
350	Fines & Penalties	-	-	-	-
360	Miscellaneous Revenues	40,877	37,426	450	3,001
Total Operating Revenues:		1,851,461	1,505,385	343,075	3,001
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	1,437,165	1,168,003	269,162	-
Total Operating Expenditures:		1,437,165	1,168,003	269,162	-
<b>Net Operating Increase (Decrease):</b>		<b>414,296</b>	<b>337,382</b>	<b>73,913</b>	<b>3,001</b>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	38,731	38,731	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	33,000	-	18,000	15,000
Total Nonoperating Revenues:		71,731	38,731	18,000	15,000
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	222,518	222,518	-	-
594-595	Capital Expenditures	99,803	7,249	92,553	-
597	Transfers-Out	33,000	33,000	-	-
Total Nonoperating Expenditures:		355,320	262,767	92,553	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>130,706</b>	<b>113,346</b>	<b>(640)</b>	<b>18,001</b>
<b>Ending Cash and Investments</b>					
50810	Reserved	268,314	-	250,313	18,001
50880	Unreserved	772,175	772,175	-	-

*The accompanying notes are an integral part of this statement.*

**Stevens County Fire Protection District No 1**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2014**

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

The Stevens County Fire Protection District No 1 was incorporated on November 15, 1954 and operates under the laws of the State of Washington applicable to a fire district. The Stevens County Fire Protection District No 1 is a special purpose local government and provides fire protection.

The Stevens County Fire Protection District No 1 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

### Capital Projects Funds

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.

In accordance with state law the Stevens County Fire Protection District No 1 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

#### C. Budgets

The Stevens County Fire Protection District No 1 adopts annual appropriated budgets for funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Commissioners Department	\$21,430.00	\$20,705.21	\$724.79
Chief's Department	\$122,030.95	\$122,082.54	-\$51.59
Administration Department	\$144,045.00	\$126,930.30	\$17,114.70
Fire Suppression Department	\$472,207.75	\$462,192.45	\$10,015.30
Communication Department	\$47,287.00	\$37,953.68	\$9,333.32
Volunteer FF Department	\$101,869.34	\$99,579.95	\$2,289.39
Fire Prevention Department	\$38,050.00	\$26,375.84	\$11,674.16
Outside Training Department	\$1,000.00	\$300.00	\$700.00
Training Department	\$128,360.36	\$123,850.76	\$4,509.60
Facilities Department	\$68,750.00	\$70,059.02	-\$1,309.02
Emergency Vehicle Department	\$137,048.00	\$133,171.73	\$3,876.27
Other/Capital Department	\$158,303.56	\$157,389.94	\$913.62
Operating Transfer Out	\$181,275.64	\$181,275.64	\$0.00
Total General Fund	\$1,621,657.60	\$1,561,867.06	\$59,790.54
Special Revenue Fund:			
EMS	\$304,547.57	\$315,715.33	-\$11,167.76
EMS – Capital	\$67,881.24	\$52,881.24	\$15,000.00
Total Special Revenue Fund	\$372,428.81	\$368,596.57	\$3,832.24

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 Stevens County Fire Protection District No 1's legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are long lived assets of Stevens County Fire Protection District No 1. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Union employees vacation leave may be accumulated up to 480 hours and is payable upon separation or retirement. Vacation hours earned in excess of this accrual limit are forfeited without compensation.

The Fire Chief shall be credited with ten (10) working days of vacation time annually. The Fire Chief may accrue a maximum of twenty (20) working days of vacation time. Vacation days earned in excess of the accrual limit are forfeited without compensation. The Fire Chief shall receive the salary equivalent for unused vacation accrued through the month of termination.

All other staff employees may accrue the maximum number of hours accruable in a twenty-four (24) month period at their respective rates. Vacation is accrued in accordance to the following schedule:

<u>Years of Service</u>	<u>Hours Per Year</u>
After completing 1 up to 4	80 hours (2 weeks)
5 to 9	120 hours (3 weeks)
10 or more	160 hours (4 weeks)

Union employees shall be credited with 84 hours of annual basic sick leave. At the end of each calendar year, the unused hours of each employee's annual basic sick leave shall be added to that employee's extended sick leave bank up to the maximum bank of extended sick leave allowed, and any remaining hours shall be paid to the employee at the rate of one hour of regular pay per four (4) hours of annual basic sick leave. An employee's bank of Extended Sick Leave shall be credited on January 1 of each year with any unused Annual Basic Sick Leave time up to 1248 hours maximum. There shall be no cash compensation for any unused extended sick leave balance upon separation from employment.

The Fire Chief shall receive one day of paid sick leave per month. A maximum amount of 36 days may be accrued in the Fire Chief's sick leave account. The Fire Chief will be paid for a maximum of 288 hours sick leave at a rate of 50% of salary equivalent for any unused sick leave upon termination.

All other staff employee's sick leave may be accumulated up to 480 hours. After completion of probation, staff employees who terminate employment with Stevens County Fire Protection District

No 1 shall be paid fifty percent (50%) of their accumulated sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

Stevens County Fire Protection District No 1 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

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

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

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement

(Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

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

#### I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Stevens County Fire Protection District No 1 Board of Fire Commissioners. When expenditures that meet restrictions are incurred, the Stevens County Fire Protection District No 1 intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the EMS Fund and Capital Projects fund account. The following table displays the reserved fund balances and internal restrictions of each:

<b>Fund</b>	<b>Description</b>	<b>Amount</b>
<b>Special Revenue EMS</b>		
	Ending Reserved Balance	\$241,696.21
<b>Total Special Revenue EMS</b>		<b>\$241,696.21</b>
<b>Capital Projects Reserve (Buildings)</b>		
	Buildings	\$105,018.32
<b>Total Capital Projects</b>		<b>\$105,018.32</b>

#### Note 2 - Property Tax

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

Property tax revenues are recognized when cash is received by Stevens County Fire Protection District No 1. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Stevens County Fire Protection District No 1 regular levy for the year 2014 was \$1.205579 per \$1,000 on an assessed valuation of \$1,249,265,566 for a total regular levy of \$1,506,088.35.

The Stevens County Fire Protection District No 1's EMS levy for the year 2014 was \$0.270000 per \$1,000 on an assessed valuation of \$1,270,265,023 for a total regular levy of \$342,971.56.

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

#### **Deposits and Investments**

It is Stevens County Fire Protection District No 1's policy to invest all temporary cash surpluses. All investments are held by Stevens County or its agent in the Stevens County Fire Protection District No 1's name.

Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	Stevens County Fire Protection District No 1 Own investments	Investments held by Stevens County as an agent for other local governments, individuals Or private organizations.	Total
L.G.I.P.	\$0.00	\$1,162,388.35	\$1,162,388.35
Total	\$0.00	\$1,162,388.35	\$1,162,388.35

### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of Stevens County Fire Protection District No 1 and summarizes the district's debt transactions for year ended December 31, 2014.

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

	General Obligation <u>Debt</u>	Revenue <u>Debt</u>	Other <u>Debt</u>	Total <u>Debt</u>
2015	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2016	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2017	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2018	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2019	\$0.00	\$0.00	\$23,331.00	\$23,331.00
2020 – 2024	\$0.00	\$0.00	\$116,655.00	\$116,655.00
2025	\$0.00	\$0.00	\$23,282.24	\$23,282.24
TOTALS	\$0.00	\$0.00	\$468,224.08	\$468,224.08

### **Note 5 - Pension Plans**

Substantially all Stevens County Fire Protection District No 1 full-time and qualifying part-time employees participate in LEOFFII, PERSII, and PERSIII administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is

not considered pertinent to the Stevens County Fire Protection District No 1's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Other Pension Plans – Volunteer Fire Fighters' Relief and Pension Fund. Historical trends or other information regarding the plan is presented in the Board for Volunteer Fire Fighters Actuarial Valuation Report. A copy of this report may be obtained at:

Board for Volunteer Fire Fighters and Reserve Officers  
PO Box 114  
Olympia WA 98507

**Stevens County Fire Protection District No 1**  
**Notes to the Financial Statements**  
**For the Year Ending December 31, 2013**

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

The Stevens County Fire Protection District No. 1 reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is 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.

The Stevens County Fire Protection District No. 1 was incorporated on November 15, 1954 and operates under the laws of the state of Washington applicable to a fire district. The Stevens County Fire Protection District No. 1 is a general purpose government and provides fire protection. The Stevens County Fire Protection District No. 1 uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the Stevens County Fire Protection District No. 1 are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The Stevens County Fire Protection District No. 1's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the Stevens County Fire Protection District No. 1:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the Stevens County Fire Protection District No. 1. It accounts for all financial resources except those required or elected to be accounted for in another fund.

**Special Revenue Funds**

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Stevens County Fire Protection District No. 1. (i.e. ALS service and related expenses).

**Capital Projects Funds**

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**

The Stevens County Fire Protection District No 1 reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the *Cash Basis Budgeting Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is

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.

In accordance with state law the Stevens County Fire Protection District No. 1 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

C. Cash

It is the Stevens County Fire Protection District No. 1's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is invested in the fund earning the interest.

D. Deposits

The Stevens County Fire Protection District No. 1's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

E. Capital Assets

Capital assets are long lived assets of Stevens County Fire Protection District No 1. The capital assets of the Stevens County Fire Protection District No 1 are recorded as expenditures when purchased.

F. Compensated Absences

Union employees vacation leave may be accumulated up to 384 hours and is payable upon separation or retirement. Vacation hours earned in excess of this accrual limit are forfeited without compensation.

The Fire Chief shall be credited with ten (10) working days of vacation time annually. The Fire Chief may accrue a maximum of twenty (20) working days of vacation time. Vacation days earned in excess of the accrual limit are forfeited without compensation. The Fire Chief shall receive salary equivalent for unused vacation accrued through the month of termination.

All other staff employees may accrue the maximum number of hours accruable in a twenty-four (24) month period at their respective rates. Vacation is accrued in accordance to the following schedule:

<u>Years of Service</u>	<u>Hours Per Year</u>
After completing 1 up to 4	80 hours (2 weeks)
5 to 9	120 hours (3 weeks)
10 or more	160 hours (4 weeks)

Union employees shall be credited with 84 hours of annual basic sick leave. At the end of each calendar year, the unused hours of each employee's annual basic sick leave shall be added to that employee's extended sick leave bank up to the maximum bank of extended sick leave allowed, and any remaining hours shall be paid to the employee at the rate of one hour of regular pay per four (4) hours of annual basic sick leave. An employee's bank of Extended Sick Leave shall be credited on January 1 of each year with any unused Annual Basic Sick Leave time up to 1248 hours maximum. There shall be no cash compensation for any unused extended sick leave balance upon separation from employment.

The Fire Chief shall receive one day of paid sick leave per month. A maximum amount of 36 days may be accrued in the Fire Chief's sick leave account. The Fire Chief will be paid for a maximum of 288 hours sick leave at a rate of 50% for any unused sick leave upon termination.

All other staff employee's sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do receive 50% payment for unused sick leave.

G. Reserved Fund Balances

Stevens County Fire Protection District No. 1 has one Special Revenue fund and one Capital Projects fund account. The following table displays the reserved fund balances and external/internal restrictions of each:

<b>Fund</b>	<b>Description</b>	<b>Amount</b>
<b>EMS</b>		
	Reserved Ending Balance	\$250,312.78
<b>Total EMS</b>		<b>\$250,312.78</b>
<b>Capital Projects Reserve (Buildings)</b>		
	Buildings	\$18,001.11
<b>Total Capital Projects</b>		<b>\$18,001.11</b>

**Note 2 - Budgets**

The Stevens County Fire Protection District No. 1 adopts annual appropriated budgets for General and Special Revenue funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Commissioners Department	\$20,210.00	\$16,250.22	\$3,959.78
Chiefs Department	\$118,160.00	\$114,745.31	\$3,414.69
Administration Department	\$160,940.00	\$145,572.95	\$15,367.05
Fire Suppression Department	\$449,307.00	\$463,013.11	(\$13,706.11)
Volunteer FF's Department	\$107,763.00	\$99,946.10	\$7,816.90
Fire Prevention Department	\$117,592.00	\$109,453.20	\$8,138.80
Training Department	\$27,250.00	\$20,830.66	\$6,419.34
Facilities Department	\$54,750.00	\$58,080.02	(\$3,330.02)
Emergency Vehicles Department	\$133,133.00	\$115,608.82	\$17,524.18
Communication Operations	\$28,300.00	\$24,502.74	\$3,797.26
Other/Capital Department	\$240,331.00	\$229,766.88	\$10,564.12
Operating Transfer Out	\$186,166.14	\$186,166.14	\$0.00
Total General Fund	\$1,643,902.14	\$1,583,936.15	\$59,965.99
Special Revenue Fund:			
EMS	\$282,801.00	\$269,161.57	\$13,639.43
EMS – Capital	\$90,000.00	\$92,553.20	\$(2,553.20)
EMS Operating Transfer Out	\$15,200.00	\$15,200.00	\$0.00
Total Special Revenue Fund	\$388,001.00	\$376,914.77	\$11,086.23

The variance in the Fire Suppression Department was due to staffing shortage. Hiring an additional fulltime Firefighter was approved in 2013.

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 Stevens County Fire Protection District No. 1's legislative body.

### **Note 3 - Property Tax**

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

Property tax revenues are recognized when cash is received by Stevens County Fire Protection District No. 1. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Stevens County Fire Protection District No. 1's regular levy for the year 2013 was \$1.185079 per \$1,000 on an assessed valuation of \$1,241,525,397 for a total regular levy of \$1,471,306.

The Stevens County Fire Protection District No. 1's EMS levy for the year 2013 was \$0.270000 per \$1,000 on an assessed valuation of \$1,262,376,462 for a total regular levy of \$340,842

#### **Note 4 - Investments**

The Stevens County Fire Protection District No. 1's investments are held by Stevens County or its agent in the Stevens County Fire Protection District No. 1's name.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	Stevens County Fire Protection District No. 1's <b>own</b> investments	Investments held by Stevens County as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ _____	\$877,136.73	\$877,136.73
Total	\$ _____	\$877,136.73	\$877,136.73

#### **Note 5 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Stevens County Fire Protection District No. 1 and summarizes the Stevens County Fire Protection District No. 1's debt transactions for year ended December 31, 2013.

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

	General Obligation <u>Bonds</u>	Revenue <u>Bonds</u>	Other <u>Debt</u>	Total <u>Debt</u>
2014	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2015	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2016	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2017	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2018	\$0.00	\$0.00	\$76,238.96	\$76,238.96
2019 – 2023	\$0.00	\$0.00	\$116,655.00	\$116,655.00
2024 – 2025	\$0.00	\$0.00	\$46,613.24	\$46,613.24
<b>TOTALS</b>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$544,463.04</u>	<u>\$544,463.04</u>

In December 2013, Stevens County Fire Protection District No. 1 refinanced three apparatus leases into one new lease. A total of \$245,969.65 was refinanced over a period of 5 years.

#### **Note 6 - Pension Plans**

Substantially all Stevens County Fire Protection District No. 1 full-time and qualifying part-time employees participate in LEOFFII, PERSII, and PERSIII administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Stevens County Fire Protection District No. 1's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

Other Pension Plans – Volunteer Fire Fighters' Relief & Pension Fund. Historical trends or other information regarding the plan is presented in the Board for Volunteer Fire Fighters Actuarial Valuation Report. A copy of this report may be obtained at:

Board for Volunteer Fire Fighters and Reserve Officers  
PO Box 114  
Olympia, WA 98507

#### **Note 7 – Other Disclosures**

Correction of immaterial error in previous year – Stevens County Fire Protection District 1 maintains a Petty Cash Fund in the amount of \$1000.00 and an Advance Travel Fund in the amount of \$2000.00. These funds were not previously included in the balance of the General Fund.

**Stevens County Fire Protection District No. 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2014**

<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 Obligations</b>						
259.11	Compensated Absences	12/31/2014	41,360	12,931	-	54,291
263.51	Bank of Kansas - 12/2013	2/1/2018	245,970	-	51,865	194,105
263.81	USDA Loan/St 4 - 11/2005	11/28/2025	215,791	-	14,160	201,631
<b>Total General Obligations:</b>			<b>503,121</b>	<b>12,931</b>	<b>66,025</b>	<b>450,027</b>
<b>Total Liabilities:</b>			<b>503,121</b>	<b>12,931</b>	<b>66,025</b>	<b>450,027</b>

The notes to the financial statements are an integral part of this schedule.

**Stevens County Fire Protection District No. 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2013**

<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 Obligations</b>						
259.11	Compensated Absences	12/31/2013	35,100	6,260	-	41,360
263.51	Bank of Kansas (4x4 Engine)	1/14/2016	70,710	-	70,710	-
263.51	Bank of Kansas (3 Engines)	5/15/2014	208,214	-	208,214	-
263.51	Bank of Kansas (Tender)	7/31/2014	144,384	-	144,384	-
263.51	Bank of Kansas (Apparatus Refinance)	2/1/2018	-	245,970	-	245,970
263.81	USDA Loan (Station 4)	11/28/2025	229,374	-	13,583	215,791
<b>Total General Obligations:</b>			<b>687,782</b>	<b>252,230</b>	<b>436,891</b>	<b>503,121</b>
<b>Total Liabilities:</b>			<b>687,782</b>	<b>252,230</b>	<b>436,891</b>	<b>503,121</b>

The notes to the financial statements are an integral part of this schedule.

## 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	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>