



Office of the Washington State Auditor  
Pat McCarthy

Financial Statements Audit Report  
**King County Fire Protection District  
No. 27**

For the period January 1, 2015 through December 31, 2017

Published November 5, 2018

Report No. 1022490





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

November 5, 2018

Board of Commissioners  
King County Fire Protection District No. 27  
Fall City, Washington

**Report on Financial Statements**

Please find attached our report on King County Fire Protection District No. 27's financial statements.

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

## 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 Financial Statements.....	7
Financial Section.....	10
About the State Auditor's Office.....	29

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

**King County Fire Protection District No. 27  
January 1, 2015 through December 31, 2017**

Board of Commissioners  
King County Fire Protection District No. 27  
Fall City, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of King County Fire Protection District No. 27, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 29, 2018.

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 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 style with a large initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

October 29, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **King County Fire Protection District No. 27 January 1, 2015 through December 31, 2017**

Board of Commissioners  
King County Fire Protection District No. 27  
Fall City, Washington

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

We have audited the accompanying financial statements of King County Fire Protection District No. 27, for the years ended December 31, 2017, 2016 and 2015, 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 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, King County Fire Protection District No. 27 has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of King County Fire Protection District No. 27, for the years ended December 31, 2017, 2016 and 2015, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of King County Fire Protection District No. 27, as of December 31, 2017, 2016 and 2015, or the changes in financial position or cash flows for the years then ended,

due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 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 29, 2018

## FINANCIAL SECTION

### **King County Fire Protection District No. 27 January 1, 2015 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017

Fund Resources and Uses Arising from Cash Transactions – 2016

Fund Resources and Uses Arising from Cash Transactions – 2015

Notes to the Financial Statements – 2017

Notes to the Financial Statements – 2016

Notes to the Financial Statements – 2015

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

Schedule of Liabilities – 2017

Schedule of Liabilities – 2016

Schedule of Liabilities – 2015

**King County Fire Protection District No. 27**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>201 Debt Svc</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	10,426	-	10,426
30880	Unreserved	1,295,377	1,295,377	-
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	2,151,857	1,989,000	162,857
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	108,700	108,627	73
340	Charges for Goods and Services	38,462	38,462	-
350	Fines and Penalties	1,600	1,600	-
360	Miscellaneous Revenues	21,704	20,957	747
Total Revenues:		<u>2,322,322</u>	<u>2,158,645</u>	<u>163,677</u>
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	1,851,874	1,851,574	300
Total Expenditures:		<u>1,851,874</u>	<u>1,851,574</u>	<u>300</u>
Excess (Deficiency) Revenues over Expenditures:		470,449	307,071	163,377
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	3,068	3,068	-
Total Other Increases in Fund Resources:		<u>3,068</u>	<u>3,068</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	49,513	49,513	-
591-593, 599	Debt Service	227,329	59,579	167,750
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
Total Other Decreases in Fund Resources:		<u>276,841</u>	<u>109,091</u>	<u>167,750</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>196,676</b>	<b>201,048</b>	<b>(4,373)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	6,054	-	6,054
5088000	Unreserved	1,496,424	1,496,424	-
<b>Total Ending Cash and Investments</b>		<b>1,502,477</b>	<b>1,496,424</b>	<b>6,054</b>

The accompanying notes are an integral part of this statement.

**King County Fire Protection District No. 27**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>201 Debt Svc</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	(491)	-	(491)
30880	Unreserved	1,098,436	1,098,436	-
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	2,044,127	1,878,989	165,139
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	116,156	116,057	99
340	Charges for Goods and Services	30,303	30,303	-
350	Fines and Penalties	5,200	5,200	-
360	Miscellaneous Revenues	16,342	15,808	535
Total Revenues:		2,212,129	2,046,356	165,772
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	1,791,334	1,790,609	725
Total Expenditures:		1,791,334	1,790,609	725
Excess (Deficiency) Revenues over Expenditures:		420,794	255,748	165,047
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	1,754	1,754	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	9,160	9,160	-
Total Other Increases in Fund Resources:		10,914	10,914	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	223,851	69,721	154,130
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
Total Other Decreases in Fund Resources:		223,851	69,721	154,130
<b>Increase (Decrease) in Cash and Investments:</b>		<b>207,857</b>	<b>196,941</b>	<b>10,917</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	10,426	-	10,426
5088000	Unreserved	1,295,377	1,295,377	-
<b>Total Ending Cash and Investments</b>		<b>1,305,803</b>	<b>1,295,377</b>	<b>10,426</b>

The accompanying notes are an integral part of this statement.

**King County Fire Protection District No. 27**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<u>Total for All Funds (Memo Only)</u>	<u>001 General</u>	<u>201 Debt Svc</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	13,099	-	13,099
30880	Unreserved	925,607	925,607	-
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	1,934,713	1,773,032	161,681
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	104,977	104,918	59
340	Charges for Goods and Services	36,884	36,884	-
350	Fines and Penalties	2,300	2,300	-
360	Miscellaneous Revenues	10,464	10,075	389
Total Operating Revenues:		<u>2,089,338</u>	<u>1,927,209</u>	<u>162,129</u>
<b>Operating Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	1,754,752	1,754,752	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>1,754,752</u>	<u>1,754,752</u>	<u>-</u>
Net Operating Increase (Decrease):		334,586	172,457	162,129
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	372	372	-
391-393	Debt Proceeds	294,163	294,163	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		<u>294,535</u>	<u>294,535</u>	<u>-</u>
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	176,637	917	175,720
594-595	Capital Expenditures	293,246	293,246	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		<u>469,883</u>	<u>294,163</u>	<u>175,720</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>159,238</u></b>	<b><u>172,829</u></b>	<b><u>(13,591)</u></b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	(491)	-	(491)
5088000	Unreserved	1,098,436	1,098,436	-
<b>Total Ending Cash and Investments</b>		<b><u>1,097,946</u></b>	<b><u>1,098,436</u></b>	<b><u>(491)</u></b>

The accompanying notes are an integral part of this statement.

## King County Fire Protection District No. 27

Notes to the Financial Statements – For the Year Ended December 31, 2017

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

King County Fire Protection District No. 27 is a special purpose local government that provides fire protection, and emergency services to the general public and is supported primarily through property taxes. The District was incorporated on May 27, 1946 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts.

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

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

#### **A. Fund Accounting**

Financial transactions of the District 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 District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following fund types are used by the District:

##### General Fund

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

##### Debt Service Funds

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

#### **B. Basis of Accounting and Measurement Focus**

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

#### **C. Budgets**

The District adopts annual appropriated budgets for its general fund and debt service fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. 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 are as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$2,129,090	\$2,133,116	(\$4,026)
Debt Service Fund	\$163,000	\$168,050	(\$5,050)

## **King County Fire Protection District No. 27**

### **Notes to the Financial Statements – For the Year Ended December 31, 2017**

Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

#### **D. Cash and Investments**

See Note 3, *Deposits and Investments*.

#### **E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory of the District are recorded as expenditures when purchased.

#### **F. Compensated Absences**

Vacation leave may be accumulated up to 160 hours for administrative personnel and 240 hours for uniformed bargaining units and is payable upon separation or retirement. Sick leave may accumulate up to 530 hours for administrative personnel. Upon separation or retirement administrative employees do not receive payment for unused sick leave. Sick leave may accumulate up to 720 hours for uniformed bargaining units and sick leave in excess of 720 hours is paid to the employee at 25% of base pay at year end. Upon separation or retirement uniformed bargaining unit employees do not receive payment for unused sick leave below 720 hours accumulated. Payments are recognized as expenditures when paid.

#### **G. Long Term Debt**

See Note 4, *Debt Service Requirements*.

#### **G. Risk Management**

The District manages its risk by maintaining insurance coverage for damages and losses to property, apparatus, portable equipment or criminal acts. Coverage for general, management, and automotive related liability is included. The insurance coverage is purchased through Volunteer Firemen's Insurance Services, Inc. (VFIS). The District's local broker for VFIS is MacIvennie Associates, Inc.

#### **H. 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 resolution. When expenditures that meet restrictions are incurred, the Fire District intends to use reserved resources first before using unreserved amounts. Fund balance commitments are established, modified or rescinded by resolution of the Board of Commissioners.

#### **Debt Service Fund**

The reserved funds in the Debt Service account are restricted, committed, and assigned to expenditures for principal, interest and related costs for the District's General Obligations Bonds.

### **Note 2 - Property Tax**

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

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

## King County Fire Protection District No. 27

### Notes to the Financial Statements – For the Year Ended December 31, 2017

The District's regular levy rate for the year 2017 was \$1.41 per \$1,000 on an assessed valuation of \$1,080,062,904 for a total regular levy of \$ 1,517,713.

The District's excess levy rate for the year 2017 was \$0.44 per \$1,000 on an assessed valuation of \$1,072,384,554 for a total excess levy of \$475,000 for its Maintenance and Operations. This four-year excess levy was approved for up to \$475,000 per year by the voters in November 2016 and is for years 2017, 2018, 2019 and 2020.

The District's General Obligations Bond levy rate for the year 2017 was \$ 0.08 per \$1,000 on an assessed valuation of \$2,071,218,511 for a total levy of \$163,000.

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

It is the District's policy to invest all temporary cash surpluses. The District's investments are held by King County Treasury as its agent in the District's name. The King County Investment Pool invests cash reserves for all County agencies and more than 100 special purpose districts and other public entities such as school, sewer and water districts, and other public authorities. The interest on these investments is credited directly to the various funds by King County Treasury and identified as such in the financial statements.

The Executive Finance Committee establishes King County's investment policy and oversees the portfolio to ensure that specific holdings comply with both the investment policy and State law.

The District's deposits (and certificates of deposit) are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

Investments are reported at fair value. Investments as of December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
King County Investment Pool:	\$1,501,738

#### **Note 4 - Debt Service Requirements**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2017.

The debt service requirements for the District's General Obligation Bonds and COP LOCAL Loan which includes both principle and interest are as follows:

##### **General Obligation Bonds**

	Principal	Interest	Total
2018	\$150,000	\$14,750	\$164,750
2019	\$150,000	\$11,750	\$161,750
2020	\$160,000	\$8,000	\$168,000
2021	\$160,000	\$4,000	\$164,000
TOTAL	\$620,000	\$38,500	\$658,500

## King County Fire Protection District No. 27

### Notes to the Financial Statements – For the Year Ended December 31, 2017

#### COP LOCAL Loan

	Principal	Interest	Total
2018	\$52,593	\$6,986	\$59,579
2019	\$55,290	\$4,289	\$59,579
2020	\$58,126	\$1,453	\$59,579
TOTAL	\$166,009	\$12,728	\$178,737

#### Note 5 - Pension Plans

The District's full-time employees participate in the Public Employees' Retirement System (PERS) plan 2 or the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan 2 which are administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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  
PO Box 48380  
Olympia, WA 98504-8380.

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

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

	Allocation %	Liability (Asset)
PERS 1 UAAL	.0005030%	23,868
PERS 2/3	.0006470%	22,480
LEOFF 2	.035865%	(497,690)
VFFRPF	.196243%	(72,806)

## King County Fire Protection District No. 27

Notes to the Financial Statements – For the Year Ended December 31, 2016

### Note 1 - Summary of Significant Accounting Policies

King County Fire Protection District No. 27 is a special purpose local government that provides fire protection, and emergency services to the general public and is supported primarily through property taxes. The District was incorporated on May 27, 1946 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts.

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

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

#### **A. Fund Accounting**

Financial transactions of the District 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 **District's resources are allocated to and accounted for in individual funds depending on their intended purpose.** The following fund types are used by the District:

##### General Fund

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

##### Debt Service Funds

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

#### **B. Basis of Accounting and Measurement Focus**

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

#### **C. Budgets**

The District adopts annual appropriated budgets for its general fund and debt service fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. 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 are as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$1,939,412	\$1,882,026	\$57,386
Debt Service Fund	\$165,000	\$154,855	\$10,145

## **King County Fire Protection District No. 27**

### **Notes to the Financial Statements – For the Year Ended December 31, 2016**

Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

#### **D. Cash and Investments**

See Note 3, *Deposits and Investments*.

#### **E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory of the District are recorded as expenditures when purchased.

#### **F. Compensated Absences**

Vacation leave may be accumulated up to 160 hours for administrative personnel and 240 hours for uniformed bargaining units and is payable upon separation or retirement. Sick leave may accumulate up to 530 hours for administrative personnel. Upon separation or retirement administrative employees do not receive payment for unused sick leave. Sick leave may accumulate up to 720 hours for uniformed bargaining units and sick leave in excess of 720 hours is paid to the employee at 25% of base pay at year end. Upon separation or retirement uniformed bargaining unit employees do not receive payment for unused sick leave below 720 hours accumulated. Payments are recognized as expenditures when paid.

#### **G. Long Term Debt**

See Note 4, *Debt Service Requirements*.

#### **G. Risk Management**

The District manages its risk by maintaining insurance coverage for damages and losses to property, apparatus, portable equipment or criminal acts. Coverage for general, management, and automotive related liability is included. The insurance coverage is purchased through Volunteer Firemen's Insurance Services, Inc. (VFIS). The District's local broker for VFIS is MacIvennie Associates, Inc.

#### **H. 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 resolution. When expenditures that meet restrictions are incurred, the Fire District intends to use reserved resources first before using unreserved amounts. Fund balance commitments are established, modified or rescinded by resolution of the Board of Commissioners.

#### **Debt Service Fund**

The reserved funds in the Debt Service account are restricted, committed, and assigned to expenditures for principal, interest and related costs for the District's General Obligations Bonds.

#### **Note 2 - Property Tax**

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

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

## King County Fire Protection District No. 27

### Notes to the Financial Statements – For the Year Ended December 31, 2016

The District's regular levy rate for the year 2016 was \$1.44 per \$1,000 on an assessed valuation of \$1,030,239,079 for a total regular levy of \$ 1,487,316.

The District's excess levy rate for the year 2016 was \$0.33 per \$1,000 on an assessed valuation of \$1,020,731,883 for a total excess levy of \$400,000 for its Maintenance and Operations. This three year excess levy was approved for up to \$425,000 per year by the voters in November, 2013 and is for years 2014, 2015, and 2016.

The District's General Obligations Bond levy rate for the year 2016 was \$ 0.08 per \$1,000 on an assessed valuation of \$1,969,191,991 for a total levy of \$165,000.

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

It is the District's policy to invest all temporary cash surpluses. The District's investments are held by King County Treasury as its agent in the District's name. The King County Investment Pool invests cash reserves for all County agencies and more than 100 special purpose districts and other public entities such as school, sewer and water districts, and other public authorities. The interest on these investments is credited directly to the various funds by King County Treasury and identified as such in the financial statements.

The Executive Finance Committee establishes King County's investment policy and oversees the portfolio to ensure that specific holdings comply with both the investment policy and State law.

The District's deposits (and certificates of deposit) are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

Investments are reported at fair value. Investments as of December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
King County Investment Pool:	\$1,301,483

#### **Note 4 - Debt Service Requirements**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2016.

The debt service requirements for the District's General Obligation Bonds and COP LOCAL Loan which includes both principle and interest are as follows:

##### **General Obligation Bonds**

	Principal	Interest	Total
2017	\$150,000	\$17,750	\$167,750
2018	\$150,000	\$14,750	\$164,750
2019	\$150,000	\$11,750	\$161,750
2020	\$160,000	\$8,000	\$168,000
2021	\$160,000	\$4,000	\$164,000
TOTAL	\$770,000	\$56,250	\$826,250

## King County Fire Protection District No. 27

Notes to the Financial Statements – For the Year Ended December 31, 2016

### COP LOCAL Loan

	Principal	Interest	Total
2017	\$50,028	\$9,551	\$59,579
2018	\$52,593	\$6,986	\$59,579
2019	\$55,290	\$4,289	\$59,579
2020	\$58,126	\$1,453	\$59,579
TOTAL	\$216,037	\$22,279	\$238,316

### Note 5 - Pension Plans

The District's full-time employees participate in the Public Employees' Retirement System (PERS) plan 2 or the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan 2 which is administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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  
PO Box 48380  
Olympia, WA 98504-8380.

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

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

	Allocation %	Liability (Asset)
PERS 1 UAAL	.0005160%	27,712
PERS 2/3	.0006600%	33,281
LEOFF 2	.0364670%	(212,103)
VFFRPF	.2780660%	(47,741)

## **King County Fire Protection District No. 27**

### **Notes to the Financial Statements – Year Ending December 31, 2015**

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

King County Fire Protection District No. 27 is a special purpose government that provides fire protection, and emergency services to the general public and is supported primarily through property taxes. The District was incorporated on May 27, 1946 and operates under Chapter 52 RCW and other laws of the State of Washington applicable to fire districts.

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

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

#### **A. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The District'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 District:

##### **General Expense Fund**

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

##### **Debt Service Fund**

This fund accounts 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**

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.

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. Budgets**

The District adopts annual appropriated budgets for its general fund and debt service fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

## King County Fire Protection District No. 27

### Notes to the Financial Statements – Year Ending December 31, 2015

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$1,928,949	\$1,911,583	\$17,366
Debt Service Fund	\$162,000	\$175,719	(\$13,719)

#### D. Capital Assets

The capital assets of the District are recorded as expenditures when purchased.

#### E. Compensated Absences

Vacation leave may be accumulated up to 160 hours for administrative personnel and 240 hours for uniformed bargaining units and is payable upon separation or retirement. Sick leave may accumulate up to 530 hours for administrative personnel. Upon separation or retirement administrative employees do not receive payment for unused sick leave. Sick leave may accumulate up to 720 hours for uniformed bargaining units and sick leave in excess of 720 hours is paid to the employee at 25% of base pay at year end. Upon separation or retirement uniformed bargaining unit employees do not receive payment for unused sick leave below 720 hours accumulated. Sick leave may be used for illness of the employee or dependent.

#### Note 2 - Property Tax

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

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

The District's regular levy for the year 2015 was \$1.47 per \$1,000 on an assessed valuation of \$989,083,468 for a total regular levy of \$ 1,460,439.

In 2015 the District also levied \$0.33 per \$1,000 on an assessed valuation of \$979,955,947 for a total excess levy of \$325,000 for its Maintenance and Operations. This three year excess levy was approved up to \$425,000 per year by the voters in November, 2013 and is for years 2014, 2015, and 2016.

The District's General Obligations bond levy for the year 2015 was \$ 0.08 per \$1,000 on an assessed valuation of \$1,805,931,447 for a total levy of \$162,000.

#### Note 3 – Deposits and Investments

The District's deposits (and certificates of deposit) are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

It is the District's policy to invest all temporary cash surpluses. The District's investments are held by King County Treasury as its agent in the District's name. The King County Investment Pool invests cash reserves for all County agencies and more than 100 special purpose districts and other public entities such as school, sewer and water districts, and other public authorities. The interest on these investments is credited directly to the various funds by King County Treasury and identified as such in the financial statements.

The Executive Finance Committee establishes the County's investment policy and oversees the portfolio to ensure that specific holdings comply with both the investment policy and State law.

## King County Fire Protection District No. 27

### Notes to the Financial Statements – Year Ending December 31, 2015

#### Note 4 - Debt Service Requirements

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

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

	Principal	Interest	Total
2016	\$145,000	\$19,273	\$164,273
2017	\$150,000	\$17,750	\$167,750
2018	\$150,000	\$14,750	\$164,750
2019	\$150,000	\$11,750	\$161,750
2020	\$160,000	\$8,000	\$168,000
2021	\$160,000	\$4,000	\$164,000
TOTAL	\$915,000	\$75,523	\$990,553

#### Note 5 - Pension Plans

The District's full-time employees participate in the Public Employees' Retirement System (PERS) plan 2 or the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plan 2. Membership in the PERS2 and LEOFF2 pension systems is administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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  
PO Box 48380  
Olympia, WA 98504-8380.

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## King County Fire Protection District No. 27

### Note in the Financial Statements – Year Ending December 31, 2015

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

At June 30, 2015 (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:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.0005140%	26,887
PERS 2/3	.0006630%	23,689
LEOFF 2	.0365750%	(375,918)
VFFRPF	.2612244%	(50,341)

**King County Fire Protection District No. 27**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.12	GO Bonds - Voted	12/1/2021	770,000	-	150,000	620,000
263.96	COP Loan	6/1/2020	216,036	-	50,028	166,008
	<b>Total General Obligation Debt/Liabilities:</b>		<b>986,036</b>	<b>-</b>	<b>200,028</b>	<b>786,008</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		51,040	907	-	51,947
264.30	Pension Liability		60,992	-	14,644	46,348
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>112,032</b>	<b>907</b>	<b>14,644</b>	<b>98,295</b>
	<b>Total Liabilities:</b>		<b>1,098,068</b>	<b>907</b>	<b>214,672</b>	<b>884,303</b>

**King County Fire Protection District No. 27**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.12	GO Bonds - Voted	12/1/2021	915,000	-	145,000	770,000
263.96	COP Loan	6/1/2020	263,623	-	47,587	216,036
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,178,623</b>	<b>-</b>	<b>192,587</b>	<b>986,036</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		42,016	9,024	-	51,040
264.30	Pension Liability		50,576	10,416	-	60,992
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>92,592</b>	<b>19,440</b>	<b>-</b>	<b>112,032</b>
<b>Total Liabilities:</b>			<b>1,271,215</b>	<b>19,440</b>	<b>192,587</b>	<b>1,098,068</b>

**King County Fire Protection District No. 27**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.12	GO Bonds Voted	12/1/2021	1,060,000	-	145,000	915,000
263.96	LOCAL Loan	6/1/2020	-	263,623	-	263,623
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,060,000</b>	<b>263,623</b>	<b>145,000</b>	<b>1,178,623</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		48,637	-	6,621	42,016
264.30	Pension Liability		-	50,576	-	50,576
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>48,637</b>	<b>50,576</b>	<b>6,621</b>	<b>92,592</b>
<b>Total Liabilities:</b>			<b>1,108,637</b>	<b>314,199</b>	<b>151,621</b>	<b>1,271,215</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<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>